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Factors Influencing Investors' Preference Towards Life Insurance Products: With Reference to Term Insurance Plans

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Abstract:

This study examines the factors influencing investors' preference toward life insurance products, with specific reference to term insurance plans. Despite being a cost-effective pure protection product, term insurance continues to witness low preference compared to savings-linked policies, leading to a protection gap. The study adopts a quantitative research design using primary data collected through a structured questionnaire from 203 respondents. Descriptive statistics and regression analysis were applied using SPSS to assess the influence of demographic, economic, marketing, service-related factors, product attributes, financial literacy, and digital awareness. The findings reveal that marketing activities and service quality have relatively higher influence on investor preference, while product attributes, financial literacy, and behavioral factors show weak and statistically insignificant impact.The study concludes that low awareness and limited understanding of term insurance restrict informed decision-making, highlighting the need for improved financial education and targeted marketing strategies to enhance term insurance adoption.

Keywords: Investor Preference, Term Insurance, Life Insurance, Financial Literacy, Service Quality.

1. INTRODUCTION

Life insurance is a fundamental component of effective financial planning, offering a necessary safeguard against financial risk. The global demand for life insurance is influenced by stable economic conditions, strong financial sectors, and favorable institutional factors. However, the modern insurance market is often segmented by product function: investment-linked products and pure protection products like term insurance.

Term insurance is cost-effective and crucial, providing a large sum assured for a relatively low premium, directly addressing the critical need for financial security against the untimely death of an income earner. Despite its essential role, investor preference often favors traditional savings-linked products. The challenge of low uptake and, in some cases, a "no willingness to pay (WTP)" for term life insurance, persists in the market.

The decision to purchase pure protection is influenced by a complex interplay of internal and external forces. While economic factors like income per capita are robust predictors of life insurance use, contemporary behavior is also shaped by factors like perceived affordability (psychological price), the perceived value of non-price attributes like brand and critical illness cover, and the importance of service quality. Given the noted variations in customer preferences and the challenges faced by the growing insurance industry, an empirical study is necessary to specifically model and test the determinants that influence an investor's preference toward pure protection products (Term Insurance Plans) in the current financial environment.

2. REVIEW OF LITERATURE

1. **Beck, T. & Webb, I. (2003).** ***Economic Determinants of the Life Insurance ConsumptionacrossCountries.***
   This study analyzes life insurance consumption across 68 countries using macroeconomic and institutional variables. It finds that income levels, inflation, banking sector development, and institutional quality significantly influence insurance demand. The research highlights the importance of macroeconomic stability. Strong financial institutions are identified as essential for expanding life insurance markets globally**.**

2. **Mitra, A. (2017).** ***Life Insurance Investment: Evidence from Europe.***
   The study examines life insurance investment patterns across 28 European countries. Economic performance, demographic characteristics, and cultural factors strongly influence insurance investment behavior. Life insurance demand is shaped by both financial and societal contexts. The study emphasizes the role of demographic diversity in insurance investment decisions.

3. **Adhikari, P. (2018).** ***Consumers' Perception toward Insurance Products in Nepal.***
   This research explores consumer perceptions of insurance products in Nepal. Service quality, trust, and clarity of policy terms significantly affect customer attitudes. Low awareness and policy complexity are major barriers to insurance adoption. Improving transparency is suggested to enhance consumer confidence.

4. **Basaula, R. (2017).** ***Customer Satisfaction on Claim Settlement of Life Insurance in Nepal.***
   The study focuses on customer satisfaction with life insurance claim settlement processes. Timely settlement, transparency, and effective communication build customer trust. Delays and procedural complexity reduce satisfaction levels. Efficient claim settlement is highlighted as a key determinant of insurer credibility.

5. **Truett, D. B. & Truett, L. J. (1990).** ***An Empirical Analysis of Life Insurance*** Demand in Mexico,andthe United States.
   This comparative study analyzes life insurance demand in Mexico and the United States. Income level emerges as the most significant determinant of insurance demand in both countries. Economic conditions strongly influence purchasing behavior. The study confirms the income–insurance demand relationship across different economies**.**

6. **Bhatnagar, P. & Pandey, R. (2024).** ***Factors Affecting Investment Decisions in Life Insurance-Sector-in-India.***
   The study examines factors influencing life insurance investment decisions in India. Despite market growth, customer penetration remains limited. Understanding consumer preferences and risk perceptions is emphasized. The study suggests targeted strategies to improve insurance adoption.

7. **Ramesh, S., et al. (2017).** ***A Study on Investor Attitude towards Private Life Insurance Companies-in-India.***

This research analyzes investor attitudes toward private life insurance companies in India. Socio-economic status and safety needs strongly influence investment decisions. Life insurance is preferred by risk-averse investors. The study highlights insurance as an important financial security instrument**.**

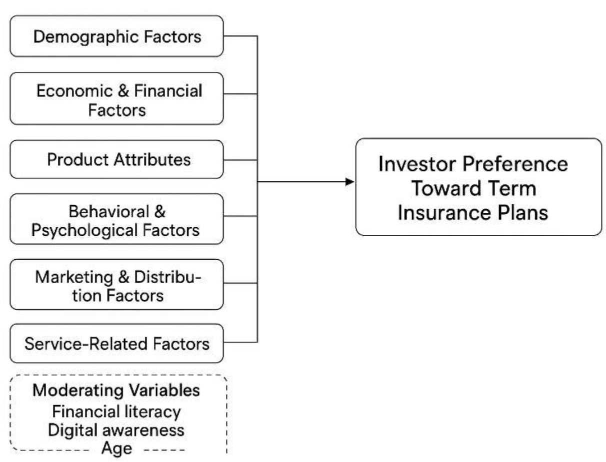
8. **Kohl, S. & Römer, P. (2024).** ***Behavioral Drivers of Term Life Insurance Demand.***
   The study explores behavioral factors affecting term life insurance selection. Perceived affordability, financial literacy, and risk tolerance influence purchase decisions. Psychological pricing plays a crucial role in insurance uptake. The findings offer insights for effective insurance marketing strategies.

9. **Braun, M., et al. (2016).** ***Consumer Preferences and Willingness to Pay for Term Life Insurance.***
   This study examines consumer preferences for term life insurance products. Brand reputation and critical illness coverage are valued non-price attributes. However, many consumers show no willingness to pay for term insurance. The findings highlight demand-side challenges in insurance markets**.**

10. **Maran, G. (2011).** ***Investor Perception towards Long-Term Financial Planning through-Insurance.***
    The study investigates investor perceptions toward long-term financial planning through insurance products. Individuals aged 30–45 show higher awareness and preference for insurance-based investments. Income level is a major determinant of long-term investment decisions. The study emphasizes insurance as a long-term wealth planning tool.

3. RESEARCH METHODOLOGY

- **Conceptual Model:**



- **Statement of the Problem:**

Most existing studies focus on general life insurance consumption or broad sector attitudes, without isolating the behavioral and product-specific drivers of pure protection choice. The protection motive is influenced by factors such as financial knowledge, risk tolerance, and psychological pricing, which require systematic evaluation. Hence, a unified model integrating demographic, economic, product, service quality, financial literacy, and digital awareness factors is needed to explain and influence investor preference toward term insurance coverage.

Research Gap:

- Existing studies focus mainly on general life insurance and savings-linked products, with limited emphasis on term insurance as a pure protection product.
- Investor preference and willingness-to-pay for term insurance remain insufficiently explored.
- The influence of financial literacy and digital awareness on term insurance decisions is under examined.
- There is a lack of a unified model integrating demographic, economic, product, service quality, behavioral, and psychological factors in term insurance purchase decisions.

Objective of the Study

1. To assess factors influencing investor preference toward term insurance plans.
2. To evaluate the role of product attributes and service quality in shaping investor preference.
3. To examine the effect of financial literacy and digital awareness on term insurance selection.
4. To identify key determinants affecting investors' decision toward term insurance products.

Hypothesis of the Study:

H1*:* Demographic, economic, behavioral, marketing, and service-related factors significantly influence investor preference for term insurance plans.
H2: Product attributes and service quality significantly influence investor preference for term insurance plans.
H3: Financial literacy and digital awareness significantly influence the selection of term insurance plans.
H4: Financial literacy and digital awareness significantly influence the selection of term insurance plans.

4. DATA ANALYSIS AND RESULTS

Objective 1

The descriptive statistics show that all five factors influencing investor preference toward term insurance have **mean values between 1.54 and 2.24**, indicating that respondents **generally disagreed to weakly agreed** with these statements. Among the factors, **advertisements and promotional campaigns** (Mean = 2.24) and **service support and claim settlement reputation** (Mean = 2.22) recorded comparatively higher mean scores, suggesting a relatively stronger influence on investor preference than demographic and income factors.

The **standard deviation values (0.73–1.01)** indicate moderate variability in responses. **Positive skewness** across all variables shows that responses are concentrated toward the lower end of the scale, implying lower agreement levels. Kurtosis values indicate a mix of peaked and moderately flat distributions, suggesting acceptable normality of data for further analysis.

Overall, the results indicate that **marketing and service-related factors have relatively greater influence**, while **demographic factors show the least influence** on investor preference toward term insurance plans.

Objective 2

Regression Result Interpretation

The regression analysis was conducted to examine the effect of **ef** on **Education Level**. The results show a **weak positive relationship** between ef and education level ($r = 0.109$). However, the relationship is **not statistically significant** at the 5% level ($p = 0.122$).

The model explains only **1.2% of the variation** in education level ($R^2 = 0.012$), indicating that ef has **very low explanatory power**. The regression coefficient for ef is positive ($\beta = 0.109$), but since the **p-value exceeds 0.05**, the effect is not significant.

Therefore, the null hypothesis is **accepted**, and it can be concluded that **ef does not significantly influence education level**.

Regression Results Table (Exam / Research Ready)

Component	Value	Interpretation
R	0.109	Weak positive correlation
R^2	0.012	1.2% variation explained
Adjusted R^2	0.007	Very low model fit
F-value	2.408	Model not significant
Sig. (p-value)	0.122	$p > 0.05$ (Not significant)
β (ef)	0.109	Positive but weak effect
t-value	1.552	Not statistically significant
VIF	1.000	No multicollinearity

Hypothesis Decision

Since the p-value (0.122) is greater than 0.05, the null hypothesis is accepted, indicating that ef does not have a significant influence on education level.

Conclusion

The regression results reveal that ef has a weak and statistically insignificant effect on education level, suggesting that other factors may play a more important role.

0bjective 3

Short Interpretation – Descriptive Statistics (Objective 3: Financial Literacy & Digital Awareness)

The descriptive results indicate that respondents show **low to moderate levels of agreement** regarding financial literacy and digital awareness related to term insurance selection, with **mean scores ranging from 1.81 to 2.22**. The highest mean score is observed for **digital tools and apps making it easier to understand term insurance products** (Mean = 2.22), suggesting comparatively better acceptance of digital aids. In contrast, **understanding of benefits and importance of term insurance** records the lowest mean (1.81), indicating limited financial awareness among respondents.

Standard deviation values (0.77–0.98) reflect **moderate variation** in responses. Positive skewness across most variables shows that responses are concentrated toward **lower agreement levels**, while kurtosis values are close to zero, indicating **approximately normal distributions**. Overall, the findings suggest that **financial literacy and digital awareness among investors are relatively low**, which may affect their term insurance selection decisions.

Objective 4

Regression Interpretation (Objective 4)

Multiple regression analysis was conducted to examine the influence of **product features, affordability, risk attitude, trust, and social advice** on the **dependent variable (Education Level)**. The model shows a **weak overall relationship** ($R = 0.169$) and explains only **2.8% of the variation** in the dependent variable ($R^2 = 0.028$). The **ANOVA result is not statistically significant** ($F = 1.153$, $p = 0.334$), indicating that the model does not significantly predict education level.

None of the independent variables show a **statistically significant individual effect** ($p > 0.05$). Although **trust in the insurance company** and **advice from family/friends** show relatively higher beta values, their influence remains insignificant. Hence, the null hypothesis is **accepted**, and it is concluded that these factors **do not significantly influence education level**.

Regression Results

Variable	Beta (β)	t-value	Sig. (p)	Result
Product features	-0.048	-0.532	0.596	Not Significant
Affordability & financial benefits	0.023	0.298	0.766	Not Significant
Risk attitude & protection	0.006	0.065	0.948	Not Significant
Trust in insurance company	0.119	1.360	0.176	Not Significant
Advice from family/friends	0.088	1.011	0.313	Not Significant

Model Summary

Statistic	Value
R	0.169
R^2	0.028
Adjusted R^2	0.004
F-value	1.153
Sig.	0.334
Sample Size (N)	203

Hypothesis Decision

Since the p-value (0.334) is greater than 0.05, the null hypothesis is accepted, indicating that product, financial, psychological, trust, and social factors do not significantly influence education level.

Conclusion

The regression results reveal that the selected decision-related factors have a weak and statistically insignificant impact on education level.

OVERALL FINDINGS

- Marketing activities and service-related factors show relatively higher influence on investor preference compared to demographic factors.
- Advertisements, promotional campaigns, and claim settlement reputation received higher mean scores among influencing factors.
- Financial literacy and digital awareness among respondents are low to moderate, which negatively affects term insurance selection.
- Regression results indicate that product attributes, affordability, risk attitude, trust, and social advice have weak and statistically insignificant influence.
- Overall, investors show limited agreement toward term insurance as a pure protection product.

5. CONCLUSION

- The study highlights that despite the importance of term insurance, investor preference remains weak due to low awareness and behavioral resistance.
- Marketing communication and service quality play a comparatively stronger role in shaping preference than demographic factors.
- Financial literacy and digital awareness are insufficient among investors, limiting informed decision-making.
- Most hypothesized relationships were statistically insignificant, indicating the need for stronger engagement strategies by insurers.
- The findings emphasize the existence of a protection gap and the need for focused policy and educational interventions.

LIMITATIONS OF THE STUDY

- The study is limited to a sample of 203 respondents, which may restrict generalization of results.
- Convenience and purposive sampling techniques may introduce sampling bias.
- The study focuses only on selected factors and may not capture all behavioral influences.
- Responses are based on self-reported data, which may involve respondent bias.
- The research is cross-sectional and does not capture changes in preferences over time.

SCOPE FOR FURTHER RESEARCH

- Future studies can use a larger and more diverse sample across different regions.
- Longitudinal studies may help understand changes in investor preference over time.
- Additional variables such as cultural beliefs, regulatory awareness, and trust mechanisms can be examined.
- Comparative studies between term insurance and other life insurance products can be conducted.

- Advanced analytical techniques like Structural Equation Modeling (SEM) can be applied for deeper insights.

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