UNIVERSITY OF MINES AND TECHNOLOGY, TARKWA FACULTY OF INTEGRATED MANAGEMENT SCIENCES DEPARTMENT OF MANAGEMENT STUDIES

A THESIS REPORT ENTITLED

FACTORS AFFECTING THE DEMAND FOR LIFE INSURANCE IN GHANA: EVIDENCE FROM TARKWA

BY

ADELAIDE AMA ACKON

SUBMITTED IN FULFILMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS AND TECHNOLOGY MANAGEMENT (FINANCE AND INVESTMENT)

THESIS SUPERVISORS

DR KOFI KAMASA (PRINCIPAL SUPERVISOR)

&

DR AKYENE TETTEH (CO-SUPERVISOR)

TARKWA, GHANA SEPTEMBER, 2021

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DECLARATION

I declare that this project thesis is my work. It is being submitted for the Master of Business and Technology Management (Finance and Investment) degree at the University of Mines and Technology (UMaT), Tarkwa. It has not been submitted for any degree or examination in any other University.

.....

(Signature of candidate)



ABSTRACT

This research sought to identify the factors that affect the demand for life insurance in Ghana. Employed descriptive and the Probit regression model on the primary data collected, the result revealed that people have negative perception and inadequate knowledge on the basic characteristics and concept of life insurance. In terms of the demographic characteristics, age and dependents had a positive and significant effect on life insurance whereas gender, education, marital and employment status were not significant. Regarding the economic and financial factors, homeownership and retirement account had a positive and significant effect while premium had a negative effect on life insurance demand. Psychographic factors such as risk-averse and essence were positive and significant while risk lover and bequest motive were insignificant. The study recommends among others the building of public confidence through rigorous and effective education programs by the industry players.



DEDICATION

To the Almighty God for the strength He bestowed on me.



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ABBREVIATIONS

ANOVA	Analysis of Variance
APC	Average Propensity to Consume
EMEA	Europe, Middle East, and Africa
GDP	Gross Domestic Product
GHS	Ghana Cedis
GLSS	Ghana Living Standard Survey
GOGIP	Ghana Oil and Gas Insurance Pool
NIC	National Insurance Commission
SIC	State Insurance Corporation
EUT	Expected Utility Theory
STATA	Statistics and Data
	ROMEDIE TRUTH AND DISCUSSION

CHAPTER 1

INTRODUCTION

1.1 Background to the Study

Risks and uncertainties are inevitable, and for that reason, insurance is made available to lessen the financial burden faced by people. The purpose of insurance is to protect individuals against any possible economic losses due to accidents (Shiferaw, 2017). According to Gockel (1996), as people grow, they are threatened by poverty, illness, and social isolation; hence, the family is an important support source. Insurance is the pooling of chance losses through the transfer of such risks to insurers who agree to indemnify the insured for such losses, to provide other pecuniary benefits in the event of their occurrence, or to render risk-related services; thus, the losses incurred by the few are settled from the pool (Redja and McNamara, 2017). According to Rösner et al. (2012), insurance is a risksharing or pooling mechanism. Several risks are pooled together, and the risk of loss for the few is spread among the group. In other words, a group of people contribute to a fund, and if one suffers a loss, he or she is compensated from the pool of fund. Insurance is based on the concept of pooling or sharing losses. Additionally, pooling entails the grouping of a large number of exposure units so that the law of large numbers, which states that "the more exposures, the closer the actual results approach the probable results expected from an infinite number of exposures," can be used to provide a reasonably accurate prediction of future loss (Redja and McNamara, 2014).

As income-generating assets, persons are; nevertheless, an individual's capacity to create money is contingent upon their talents, whether physical, professional, problem-solving, entrepreneurial, or any other. Insurance's idea of human life values permits the determination of a person's asset worth and the quantity of life insurance necessary. Life insurance focuses on protecting the economic worth of human assets in the event of untimely death, disease, or disability caused by an accident. When the breadwinner dies, the family's income is depleted to that degree.

In the modern period, people's reliance on the family has changed to a more centralised structure, such as the social security system. However, the insurance sector acts as a means for providing protection. As a result, life insurance is an effective instrument for mitigating the impact of unexpected events (Giesbert *et al.*, 2011). Li (2008) emphasised the critical significance of life insurance in the financial lives of people, families, and companies since it serves as a hedge against the loss of revenue following the death of an earner. Yarri (1965) argued that life insurance protects individuals against lifetime uncertainty, which results in mortality risk. His model demonstrated that individuals are compelled to leave sufficient funds for their dependents to acquire life insurance out of dread of the unknown, therefore dictating the time of their death. This strategy has been enormously beneficial, and so plays a critical role in ensuring the financial stability of society. It assists in mitigating the danger of the individual losing money as a result of prevalent economic factors connected with risks and uncertainties. Additionally, Beck and Webb (2003) emphasised the remarkable importance of life insurance in mitigating income risk. Nonetheless, it serves as a tax-advantaged medium- to long-term savings and investment vehicle (Li, 2008).

The most common type of insurance is life insurance, in which the insurance company agrees to pay a certain sum at the end of a defined time or upon the insured person's death, whichever occurs first (Tariq, 2018). Thus, life insurance protects the widow, children, and

other dependents from the misery of abject poverty in the event of the breadwinner's death (Tariq, 2018). However, according to (Johnston, 1922) and (Tariq, 2018). The protection component mitigates the danger of premature death by reimbursing the deceased's income (Johnston, 1922) and (Tariq, 2018). Thus, if an individual dies before the policy becomes payable, the Life Insurance company agrees to pay the promised money to the deceased's representatives and dependents (Tariq, 2018). As a result, it protects individuals who are left without support and assistance as a result of their breadwinner's untimely and early death. The investment component indicates that modest premium payments made to the insurance firm over a lengthy period of time, say ten years, compound into a substantial sum that is returned to the policyholder at the term's expiration (Johnston, 1922) and (Tariq, 2018). In other words, if an insured individual survives to the policy's maturity date, the insurance company agrees to replace his or her income and those of his dependents if he is incapable or unfit for strenuous physical labour (Tariq, 2018). While other types of insurance, such as fire and marine, include a protection component, they do not include an investing component. Thus, according to Johnston (1922) and Tariq (2018), life insurance is the sole vehicle that provides both protection and investment advantages.

According to Rejda (2004), insurers provide life insurance in two ways: term life insurance and cash value insurance. Term life insurance provides protection for a specified length of time. However, if the policy is guaranteed renewable, it enables the policyholder to renew the policy without providing evidence of insurability. Renewal is age-related because as the insured's age grows, the premium increases as the risk of mortality increases. The insurer pays compensation only if the insured dies during the validity period. However, cash value life insurance provides a death benefit and includes a savings component. In most cash value plans, the premium remains constant throughout the policy's term. The sufficient early years' premiums are invested to augment the latter years' premiums. Premiums in later years are insufficient or insufficient because the likelihood of mortality is greater than in the early years. The net amount at risk, sometimes referred to as insurance, is the financial difference between the face value of the policy and the legal reserves.

On the other hand, the legal reserve is the amount needed by law to be set aside as security, but which is invested. Thus, cash value life insurance provides both protection and savings. According to Li (2008), "the insured has the right to borrow the cash value of the insurance or to surrender it for the cash value without incurring any tax liability." However, life insurance protects against the dangers inherent in the duration of human life. It is critical for people' financial planning because it provides protection against economic uncertainty caused by incurred mortality risks (Guerineau and Sawadogo, 2015). They emphasised once again that life insurance enables persons with modest incomes to save and invest efficiently over time. According to Anderson and Nevin (1975), it is critical for individuals and families to get life insurance. Thus, insurers and financial advisers must be familiar with and understand their customers' purchasing behaviour in order to recommend appropriate life insurance.

Though life insurance is the most common type of insurance, the global penetration rate of premiums to GDP was 3.35 percent in 2019 and 3.88 percent for non-life insurance (Staib *et al.*, 2020). Life insurance penetration is quite low in general. Comparing penetration rates by region, the United States and Canada had a rate of 2.93 percent for life and 8.21 percent for non-life, while Latin America and the Caribbean had a rate of 1.43 percent for life and 1.60 percent for non-life, and Advanced EMEA (Europe, Middle East, and Africa) had a rate of 4.64 percent for life and 3.07 percent for non-life. In comparison, Emerging EMEA

experienced a rate of 0.74 percent for life and 1.19 percent for non-life in 2019, while Advanced Asia-Pacific experienced a rate of 6.67 percent for life and 2.96 percent for nonlife. Emerging Asia-Pacific experienced a rate of 2.25 percent for life and 1.64 percent for non-life in 2019. (Staib *et al.*, 2020). On the contrary, Ghana's insurance penetration is around 1% of GDP for both life and non-life insurance, excluding health and pensions, which are included in other nations' definitions of insurance (Anon., 2020). However, if the penetration rate is considered, it is estimated to be 3% (Anon., 2020), indicating that demand for life insurance, in particular, is generally low, in comparison to other African countries such as South Africa, Namibia, Lesotho, Mauritius, Zimbabwe, and Kenya, which have penetration rates of 16.99 percent, 6.69 percent, 4.76 percent, 4.18 percent, 4.09 percent, and 2.83 percent, respectively, for both life and non-life insurance (Anon., 2019). In comparison to other nations, insurance has received less public attention in Ghana. Insurance, on the other hand, is a booming industry.

In general, people in Ghana are exposed to risk, and without access to insurance, they face the costs associated with these risks. At times, homes are sold, investments are made, and families rely on the generosity of well-wishers to pay off funeral-related obligations. Similarly, remittance is utilised to cover the costs associated with these occurrences. Apart from depending on family in the case of an emergency, we mainly rely on God's protection to avert disasters. However, insurance is critical in building contemporary economies, serving as a risk mitigation strategy.

In Ghana, the insurance industry is governed by the National Insurance Commission (NIC), which was established pursuant to the Insurance Act, 2006. (Act 724). It overrides the 1989 Insurance Law (PNDCL 227) in order to guarantee effective administration, supervision,

regulation, monitoring, and control of the insurance business in order to safeguard stakeholders (Anon., 2020a).

1.2 Statement of Problem

According to Nyarko (2015), the life insurance business is one of the thriving sectors of the insurance industry in Ghana. Insurers, however, have shifted their focus from non-life products to life insurance because of the enormous untapped market. The insurance market of Ghana is relatively stable, with more prospects and opportunities to explore (Wireko, 2015). Some of these opportunities in Ghana's life insurance industry have attracted international brands into the market, creating jobs for the people, enhancing capital and growing the economy. However, deep cracks which have contributed to the low penetration rate must be sealed to ensure that opportunities are optimised and appropriate services are provided to consumers. These cracks include the bad perception of the insurance industry, lack of knowledge about the insurance products, misunderstanding of insurance, the reluctance of consumers to adopt insurance products aside from the mandatory ones such as commercial building insurance and motor insurance (Bakar et al. 2018; Ramchander, 2016; Annamalah, 2013; Satroviv, 2019).

According to Anon. (2018), the industry's penetration rate was below 1.85% in the first quarter of 2016 and 1.2% in the last quarter of 2017. There is a consensus that the sector is underperforming. A key reason for this is that majority of the country's workforce says expensive premiums and complex underwriting processes put them off. Again, most customers lack adequate information and education, which are essential in making the choice to demand life insurance (Nyarko, 2015). In the past, most studies argue that one major reason people cannot purchase insurance products is due to constraints posed by

household factors (Peprah *et al.*, 2017). However, the wrong perceptions about insurance have encroached on people's minds. Hence, the low penetration rate of insurance in the country all tapers down to marketing as a significant challenge in the insurance industry. Although a fair number of people have an idea about insurance, the channelling of the information is a dire problem. Przybytniowski (2017) suggests that when individuals are educated on life insurance benefits, it reduces their ill perception and increases their demand for insurance as knowledge is broadened.

Regrettably, there is a dearth of research on the variables influencing life insurance demand in Ghana. Ampaw *et al.* (2018) used cross-sectional data from the sixth round of the Ghana Living Standard Survey (GLSS 6) performed in 2012/2013 to evaluate the demand for life insurance in Ghana from a gender perspective. They discovered that married female leaders and those with a greater number of dependents, as well as male leaders with a higher level of education, are more likely to get life insurance. However, their study cannot accurately reflect the variables influencing Ghana's demand for life insurance, as 94% of their respondents declined to give any information on their insurance uptake.

Again, Abaidoo (2015) highlighted that certain executives lack plans for growing and sustaining the life insurance industry through client happiness. She triangulated methodologically by examining consumer satisfaction variables in the expansion of life insurance in Ghana utilising a semi-structured interview and archival materials. Additionally, she discovered that when clients have a favourable view of and understanding of life insurance products, penetration rates improve. Due to the fact that about 95% of Ghanaians are uninsured, the sector can develop provided adequate steps are implemented.

However, her study was conducted from the supply side, or from the standpoint of the insurer.

To the researcher's knowledge, little study has been conducted to ascertain the factors influencing the demand for life insurance in mining areas with a high risk of early mortality. As a result of these gaps in the literature, the study attempted to further investigate the features or variables affecting life insurance demand in Ghana.

1.3 Research Objectives

1.3.1 General Objectives

Generally, the study's objective is to explore the underlining factors affecting the demand for life insurance in Ghana, emphasising Tarkwa.

1.3.2 Specific Objectives

- To ascertain the knowledge level on life insurance policies among individuals in Tarkwa
- 2. To explore the perception of people with regards to life insurance policies in Tarkwa
- 3. To identify the factors that determine the demand for life insurance in Tarkwa

1.4 Research Questions

Motivated by the problem statement, the study seeks to ask the following questions in the quest to achieve the objectives;

- 1. What is the knowledge level of individuals on life insurance policies in Tarkwa?
- 2. What perception do people have on life insurance policies in Tarkwa?
- 3. What factors determine the demand for life insurance in Tarkwa?

1.5 Justification of the Study

This study expands on prior research on life insurance in Ghana. It aims to contribute to the existing body of information on life insurance in Ghana and to act as a springboard for future research in this field. Insights into the behavioural variables impacting demand can assist insurers, the National Insurance Commission, and policymakers in developing regulations and strategies that support the life insurance industry's healthy growth. Additionally, the study is likely to be of interest to brokers, policyholders, investors, and anyone else interested in the performance and expansion of life insurance in Ghana. Life insurance is critical for Ghana's economic development in terms of saving, long-term investment, and GDP (GDP). This research aims to educate the government on the industry's importance, the impact of policies on its growth, and the importance of its support. As a result, implementing the study's suggestions may enable the government to pursue suitable fiscal and monetary policies that promote increased investment and stimulate the economy's development.

THOMAS TRUTH AND EXCLUSION

1.6 Scope of the Study

The study's focus is to explore the underlining factors affecting the demand for life insurance in Ghana. With this as the study guide, a concentration will be evident in Tarkwa. The study selected Tarkwa due to proximity and the ready availability of data due to the researchers' involvement in the study area over a long time.

1.7 Limitations of the Study

Due to time constraint the study could not capture the amount of life insurance purchased by individuals and the various types either whole-life or term-life insurance. Also, this study was faced with financial constraints such as printing of questionnaires, paying personnels for data collection among others with no form of research funding from external sources.

1.8 Organization of the Study

The study is divided into five sections. Chapter one introduces the research subject, explains the study's context, and then discusses the problem that motivated the study's conduct. The chapter also discusses the aims, significance, and scope. Chapter two conducts a theoretical and empirical survey of the pertinent literature. Chapter three delves into the technique by defining the data type and sources, quantifying variables, designing a model, and doing data analysis. Chapter four summarises the investigation's findings. This chapter discusses the outcome in detail in order to highlight the study's findings. Finally, chapter five summarises the findings, draws conclusions from the findings, and makes suggestions based on the findings.



CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter elucidates the pertinent literature on factors that help determine life insurance demand in Ghana. It gives an overview of insurance's concept being its definition, and its principles. It elaborates on life insurance and its demand in Ghana and the various types of life insurance policies. Again, a conceptual and theoretical review of life insurance demand, insight from empirical evidence and a conceptual framework on the factors determining the need for life insurance are discussed.

2.1 Conceptual Review

This section dissects the definition of insurance and its importance to individuals and organisations. It also discusses the principles of insurance and its applications.

2.1.1 Definition of Insurance

Hansell (1974) described insurance as a societal mechanism that compensates individuals for the financial consequences of misfortune. The payout is made from the scheme's cumulative contributions from all participants. It is a fund in which many risks are pooled and analysed, and the insured contributes a premium as well. In return, all insured have the right to call on the fund should the insured risk occur; thus, insurance is seen as a device that combats the adverse effect of risks in our daily activities.

2.1.2 Principles of Insurance

Hansell (1985) said that the primary function of insurance is to spread the financial losses of insured members over the whole group by compensating the unfortunate few from the built-up fund made by all contributors. Contributions are made based on the insured risk and the likelihood of the risk occurring, and its severity should the risk occur. Not all risks are insurable. Insurance only covers pure, financial and particular risks. Pure risks are the risks where the outcome can result in a loss only or, at best, a break-even situation; financial risks are risks when the effect of a loss can be measured in monetary terms, and particular risks affect an individual or a group of individuals. It is emanated from the actions of such individuals.

There are seven principles of insurance, and they are;

- 1. Principle of Insurable Interest
- 2. Principle of Utmost Good Faith (Uberrimae Fidei)
- 3. Principle of Indemnity
- 4. Principle of Proximate Cause (Causa Proxima)
- 5. Principle of Contribution
- 6. Principle of Subrogation
- 7. Principle of Loss Minimisation

2.1.2.1 Principle of Insurable Interest

Insurable interest is a person's legally recognised connection to the topic of insurance that entitles them to insure it (Parsons, 2019). When the insured has a financial interest in the subject matter of the insurance, the insured has an insurable interest (Parsons, 2019). Hence, the insured need not be the owner of the insured property but must have a vested interest; thus, the insured must suffer financially in the event of a loss. A financial connection by itself does not generate insurable interest. For example, while a creditor is legally recognised as having an insurable interest in his debtor's life, he cannot insure the debtor's property, despite his financial relationship with it, unless the property is mortgaged to him.

When it comes to life insurance, insurable interest is required only at the policy's start. As a result, there is no requirement to establish an interest when a claim emerges (Parsons, 2019). Assume a lady took out a full life insurance policy on her husband, who died many years later. When the lady filed a claim with the insurance, the insurer found that they were no longer married at the time of the man's death. That is, at the time of the deceased's death, the lady had no insurable interest in his or her life. Nonetheless, her lack of insurable interest does not preclude her from receiving the death benefit. Non-life insurance, on the other hand, requires insurable interest only at the moment of loss.

2.1.2.2 Principle of Utmost Good Faith (Uberrimate Fidei)

A contract of insurance must be founded on the highest degree of good faith. This concept compels the insured to disclose to the insurer all material information. Any information that might affect a sensible insurer's decision on whether to accept the risk and, if so, on what conditions (Parsons, 2019). The insurer is within his rights to terminate the insurance coverage if it is determined that the insured concealed such information. Kofi, for example, purchased a health insurance coverage. He is a smoker, something he did not reveal when he purchased the insurance. He later develops cancer, which may have been a result of his smoking. The insurer refused to pay the claim because Kofi failed to disclose a material information about his smoking habit when he purchased the policy.

2.1.2.3 Principle of Indemnity

A contract of indemnification is what general insurance is. While the insurer compensates the insured for potential losses resulting from the covered risks, life insurance is not an indemnity contract. This idea reinstated the insured's pre-risk status. This means that insurance should give the insured with an accurate cash recompense; it should preclude the insured from benefiting from the loss (Parsons, 2019). For example, if an insured purchases comprehensive automobile insurance and the car is involved in an accident, the insurer will replace only the dented area of the right fender (straighten and spray only the damaged part). As a result, he will lose money.

2.1.2.4 Principle of Proximate Cause (Causa Proxima)

Insurance policies only cover loss or damage if it is due to one of the perils listed in the policy. Therefore, determining the actual cause of loss or damage is a fundamental step in considering any claim. Proximate cause is a key principle of insurance and is concerned with how the loss or damage occurred and whether it resulted from an insured peril.

McLaughlin (1925) defined proximate cause as "act which sets in motion or directs an active force which continuously produces change without the intervention of an independent force and voluntarily action is then, simply a natural cause". For instance, Abena had taken an accident insurance policy that covered death by accident. While walking by the road, she was knocked down by a vehicle and was rushed to a hospital. Having a weak heart, she could not stand the shock and died from a heart attack. Though a heart attack killed her, the proximate cause of the death was the accident, so her beneficiaries will be compensated for their loss.

2.1.2.5 Principle of Contribution

Contribution is an insurance principle that applies when an insured object is insured by two or more insurers. According to Parsons (2019), the contribution principle is a provision that specifies how the insured's loss would be covered if another insurance covers it. When a loss occurs, it will be covered by each insurer's liability. This idea is applicable solely to contracts of indemnity insurance. The insurance company with the greatest exposure to liability becomes the leader, while the others become members. The leader is responsible for collecting premiums from other insurers and choosing whether to accept or deny a claim, as well as the amount of compensation payable.

2.1.2.6 Principle of Subrogation

"The right of one person, having indemnified another under a legal responsibility to do so, to stand in the place of that other and avail himself of all of his rights and remedies, whether or not those rights and remedies have previously been pursued", is subrogation according to Parsons (2019). Subrogation allows an insurer the right to take legal action against a third party who is responsible for a loss. Thus, the insured will not be able to profit from the loss in this situation. In the case of motor vehicle insurance, the insurer has the right to file a written claim for reimbursement on behalf of the insured to the third party who is responsible for the loss. The same is true for fire insurance. If, for example, a fire that affects the insured asset is caused by the spread of a fire by a third-party asset to the insured asset's surrounds, the insurer is entitled to recover its subrogation rights against the third party. In the event of an accident caused by a third party, the insurer may be able to assert its subrogation rights against the insured as well. As a result, if a third party's carelessness is responsible for the loss, the insurer's subrogation rights may be enforced against that party.

When it comes to deciding whether or not to exercise its subrogation rights, the insurance company is almost certainly thinking about it.

2.1.2.7 Principle of Loss Minimisation

This principle argues that the insured is responsible for taking all reasonable steps to control and reduce losses (Singh, 2019). Just because a property is insured does not give the insured the right to be careless or act recklessly; as a result, it is the insured's responsibility to protect the covered property and avoid further losses (Gaur, 2019). For example, a short-circuit in the electrical system causes Kwesi's house to catch fire. He must make every effort to prevent the fire from spreading by using a fire extinguisher and contacting the local fire station for assistance. He must not remain passive and watch his house burn while thinking to himself, "I have insurance on my property, why should I be concerned?"

All of these principles work together to ensure the validity and certainty of the contract, ensuring that none of the parties is at a competitive disadvantage.

2.2 Theoretical Review

This section reviews the theories that underpin the foundation of the study. Therefore, the study examines the theory of consumption, utility, expected utility, perception, knowledge level and relates it to the study's essence.

2.2.1 Definition of Life Insurance

Life insurance is essential for healthy financial planning and, as a result, for growth. Life insurance provides financial protection in the event of a scenario involving human life, such as death, disability, accident, or retirement (Rana, 2019). Life insurance is a contract

between the policyholder and the insurer in which the insurer agrees to pay a quantity of money in the case of the insured's death or other circumstances such as terminal or critical disease in exchange for a fee (Rana, 2019). Natural and accidental causes of death and disability pose a threat to human existence. When a human life is lost or a person is permanently or temporarily incapacitated, the household loses income (Bijender, 2021). The insurance provides a hedge against the risk of uncertain loss. An undertaking in which the insurer promises to pay a death benefit to named beneficiaries when the insured dies in exchange for a premium paid by the insured is life insurance. For instance, an individual who makes GHS 174,900.00 a year and owes GHS 699,600.00 on his mortgage and some other debt buys a GHS 2,915,000.00 life insurance policy for ten years which cost GHS 292.00 a month. There are two extreme possibilities;

- He pays the first-month premium and gets hit by a car; he walks to the insurance company and claims GHS 2,915,000.00 for his family for the GHS 292.00 he paid. The money given is comfort for his wife and kids, but the insurer has lost money.
- 2. He could live up to the policy's length and pays GHS 35,040 over ten years, giving the insurer pure profit.

Gambling on an individual's life expectancy is risky, so insurance companies group people to reduce early death's financial impact. Ideally, there will be enough people in the group who outlive the policy, offsetting those who do not. Life insurer undertakes to indemnify the assured, or to the person for whose benefit the happening of a specified event contingent on the human life or at the expiry of a particular period in exchange for a premium. The monthly premiums for life insurance depend upon the age, health, and occupation of the insured. The total benefits promised him for his policy is considered in the computation of the premium.

2.2.2 History of Life Insurance in Ghana

Insurance in Ghana dates back to 1924, when the Royal Guardian Enterprise, now known as Enterprise Insurance Company Limited, was founded (Boadi *et al.*, 2014). At the time, the Ghanaian insurance sector was mostly made up of insurers, insureds, and intermediaries. All insurers were British before 1961, and they were governed by the United Kingdom Board of Trade. The Gold Coast Insurance Company was founded in 1955, followed by the General Insurance Company and the Cooperative Insurance Society in 1957 and 1958. (Anon., 2020b). The Ghanaian government bought Gold Coast Insurance Company and combined it with the Cooperative Insurance Society to establish the State Insurance Corporation (SIC), which was founded in February 1962 (Appiah, 2013). This merger was a deliberate move to help SIC compete more effectively against international insurers.

As a consequence of managing most of the insurance undertakings of government-owned organisations, SIC grew by leaps and bounds. Between 1962 and 1970, there were significant developments in the Ghanaian insurance industry. A number of rules and regulations have been enacted, as well as insurance sector legislation. Aside from conventional life insurance plans, this expansion has resulted in an increase in the number of insurance products available. Worker's compensation, marine, and aviation insurance, as well as accident insurance such as automobile, burglary, personal accident, employers' liability, and goods-in-transit, were all brought to the market (Agyapong, 2014). The majority of the law was enacted to assist local insurance companies, resulting in an increase

in the number of insurance companies. The new Insurance Act established the insurance commissioner's office to control insurance operations in Ghana.

The insurance industry comprises twenty-two (22) life insurance companies, twenty-nine (29) non-life insurance companies, three (3) reinsurance companies, Ninety-five (95) insurance brokers, three (3) loss adjusters and five (5) reinsurance brokers (Anon., 2020). The industry's gross premium rose by 21% in 2019, from GHS2.9 billion in 2018 to GHS3.5 billion (Anon., 2020). The life sector premiums would have been higher if the Ghana Oil and Gas Insurance Pool (GOGIP) premium were exempted from the non-life premium (Anon., 2020). The steady growth of the Life market over the years is a positive sign for the Insurance Industry. No life insurance policies are purchased under duress; thus, Ghanaians buy Life Insurance primarily because they recognise and enjoy its advantages. Another advantage of the sector's growth is that it serves as a medium for mobilising longterm local funds. Although the Non-Life Insurance market has always contributed a more significant share to the industry's net premiums, the disparity between the Life and Non-Life industries' gross premiums has decreased substantially over time. In the coming years, the life insurance industry is predicted to surpass the non-life insurance industry. According to Anon. (2020), the insurance industry had total assets of GH¢7.65 billion comprising GH¢3.85 billion for the life sector, GH¢2.86 billion for the non-life sector, GH¢0.78 billion for the reinsurance sector and GH¢0.16 billion for the insurance intermediaries in 2019. The total premium for that year was GH¢3.5 billion comprising GH¢1.65 billion for life insurance and GH¢1.83 billion for non-life insurance. Out of the premium for the year, GH¢3.02 million were reinsurance. There was an average daily GH¢1.4 million claims incurred by the non-life insurers and GH¢2.2 million average daily benefit paid by life insurers. The industry paid a total corporate tax GH¢7.2 million and made a profit of GH¢196 million. There are 12,000 people employed in the insurance industry and they comprises of agents, brokers and staff of insurers and reinsurers (Anon., 2020).

2.2.3 Theories in Life Insurance

2.2.3.1 Consumption Theory

The theory of consumption is central to Keynes's General Theory model, which is often considered macroeconomics' origin (Parker, 2010). According to Keynes, the current income level determines the consumption of an individual and society. Keynes emphasises absolute income as a determinant of consumption. However, income elastically increases while consumption increases inelastically. Thus, the marginal propensity to consume is less

than one (Guru, 2020).



Where:

 ∂C is a change in consumption

 ∂Y is a change in income.

Many scholars have developed post-Keynesian consumption theories. For instance, Duesenberry (1949) theory on the relative income hypothesis emphasised the relative income than his absolute income as a determinant of his consumption. An individual's average propensity to consume (APC) will be constant in the long run as absolute income increase. Thus, the relative income hypothesis differs from the Keynesian theory of consumption. As the absolute income of a community increases, it will devote a smaller proportion of its income to consumption expenditure; that is, its APC will decline. The permanent income theory of consumer behaviour, developed by Friedman in 1957, varies from the life cycle consumption theory. It does, however, have certain similarities, such as the use of projected long-term income rather than the person's current income level to calculate consumption. According to the idea, consumers' purchase habits are driven by their long-term income expectations rather than their present income (Friedman, 1957). For example, young people's earnings are expected to be lower in the start of their careers. When a person acquires a higher education and gains job experience, their income increases, but it decreases as they approach retirement. As a result, they move income from high-income to low-income in order to maintain spending habits. To do so, they borrow from the future in low-income times for present consumption and save in high-income years to pay off previous debts and provide for future consumption.

Modigliani and Ando (1963) proposed the life cycle hypothesis, which bases its spending pattern on the entire lifetime projected income. It is expected that one maintains a level of consumption that is more or less constant or slightly growing. However, one's spending level is constrained by his or her projected lifetime earnings. Their hypothesis establishes a relationship between spending and current income, as well as the consumer's lifetime projected income. The life cycle theory, like the permanent income hypothesis, assumes that a consumer's saving and spending decisions are influenced by current and future income. The major prediction of the life cycle theory is that an individual would begin their working life with a low salary. Income rises, peaks, and then declines as one approaches retirement, with retirement income being significantly lower. As a result, young families with limited resources may prefer lower-cost term life insurance. Older households, on the other hand, may be less risk-averse and desire less life insurance since they have amassed a certain level

of money. Furthermore, they will require money for a shorter length of time before reaching their projected end of life.

2.2.3.2 Life Cycle Approach in Life Insurance

Yaari (1965) and Hakansson (1965) proposed the first theoretical models to explain why people buy life insurance contracts (1969). Yaari (1965) clearly took into account the unpredictability of lives in his life-cycle method. He demonstrates that, given the uncertainty of one's death date and the desire to leave a sufficient inheritance for dependents, purchasing a life insurance policy increases lifetime utility. Bernheim (1991) found that the desire to provide security for surviving dependents accounts for a large portion of overall savings. Pissarides (1980) expanded Yaari's (1965) model by including a retirement saving component as well as a bequest motive. He shows in his model that life insurance may potentially absorb all changes in lifetime revenues, allowing spending and bequest to be independent of when the cash is earned. In addition, Lewis (1989) explicitly accounts for the preferences of dependents and beneficiaries in his model, expanding Yaari's (1965) approach, which solely considers the breadwinner's options. Lewis (1989) defines life insurance demand as a function of several explanatory variables.

$$LD = F(p, TC, \delta, L, W) \dots \dots \dots 2.2$$

Where;

LD is the demand for life insurance

p is the death of the primary income earner

TC is the present value consumption of the beneficiary

 δ is the risk aversion of the beneficiary

L is policy loading factor

W is household net wealth

(p, TC, δ are positive and L, W are negatives)

The chance of the primary income earner's death, the present value of the beneficiaries' consumption, and the beneficiaries' relative risk aversion all influence the demand for life insurance policies. The policy loading factor, which represents the price of insurance as the ratio between the cost and the insurance's actuarial value, decreases as the household's net worth increases. Aside from the bequest motive, personal risk aversion is another significant element in shaping individual and collective consumption and savings behaviour in economic units (Lewis, 1989). Karni and Zilcha (1985, 1986) established yardsticks for assessing personal risk aversion and looked into the consequences of this for life insurance. A person with a higher risk aversion will need more life insurance than someone with a lower risk aversion (O'Donoghue and Somerville, 2018).

2.2.3.3 Utility and Attitudes Towards Risk

Many scholars have written on utility. The utility hypothesis claims that people react as if they have a rational scale of preferences to assess the true worth of varying quantities of goods in the marketplace. Their estimation of the price of commodities may be translated into liquid cash. Bernoulli (1954) believed that a person who has a great deal of wealth attaches less value to an additional dollar of income than a poor man attributes to the same extra dollar of income. In Bernoulli's (1954) view, an individual's wealth level was the primary deciding factor in his utility values' size. He applied his conclusions to insurance buying behaviour, holding that the richer a person is, the less economical it is for him to buy insurance. As noted above, however, apparently, several other factors can affect a person's attitude toward risk and, indirectly, his scale of utility values. The connection between utility and attitudes toward risk is that if an individual chooses two alternatives, one risky and one not so risky, he will probably reject the risky option unless the possible reward for assuming the risky option is sufficiently high. Thus, what is sufficiently high to one person may not be adequately increased to another person. In other words, one person has a different subjective evaluation of a risky alternative than another person with a different "utility curve."

The utility then is a subjective concept, but it can be made into an objective concept to measure a person's attitude toward a risky alternative, stimulated by von Neumann and Morgenstern's (1944) primary contribution. Friedman and Savage (1948) attempted to show how traditional utility analysis can be extended to analyse decisions involving risky alternatives. The authors imply that if one develops a utility curve for an individual by a method, a mathematical picture of a person's attitude toward additional money increments is possible when the additional increment of money results from a risky alternative. The authors left others the problem of experimenting with empirical investigations of utility curves of individuals.

2.2.3.4 Expected Utility Theory

Expected utility theory (EUT), a decision-making theory under risk, was formalised by Von Neumann and Morgenstern (1944). Consumers make decisions based on two criteria when presented with an uncertain option, according to anticipated utility theory: the utility of the outcomes and their relative likelihood. The average utility associated with a choice is determined by multiplying each of the decision's possible outcomes by its likelihood. A decision-maker uses EUT to select actions or strategies that will maximise his or her expected utility. Utilities, on the other hand, are frequently impacted by the decision-tastes. maker's Individuals have many options when it comes to risk levels. Households with
various features may have varied degrees of risk tolerance, resulting in differing judgments about whether or not to acquire life insurance and how much life insurance is required. The more risk-averse a household is, the more ready a person is to acquire life insurance or buy extra life insurance to reduce the danger of premature death of the family's principal income earner.

According to Yarri (1965), obtaining life insurance increases predicted usefulness. According to Lewis (1989), life insurance is acquired to maximise the projected lifetime benefit of the recipients. However, before acquiring life insurance to improve their expected utility, families must first determine the quantity and type of life insurance they require. According to Nevin and Anderson (1975), life insurance purchase behaviour is divided into three sections. One of the most important considerations when obtaining life insurance is the price. Low-cost insurance is unquestionably preferred if all other factors are equal. If the other elements are uneven, the buyer must evaluate price disparities against differences in other important aspects to him or her. A monetary value, dividends, and the time value of money are some of the additional elements that influence the cost of life insurance (Rejda, 2004). As a result, accurate and useful cost data is an important part of making smart decisions. After you have chosen your selection, you will need to figure out how much life insurance you will need. The financial needs analysis technique is frequently used to determine how much life insurance a person should carry (Bernheim et al., 2003). In the event that the family leader dies, the financial needs analysis method analyses the varied financial requirements of the family. These requirements include not just the family's onetime needs, such as burial costs, uninsured medical expenses, and estate taxes, but also continuous income requirements. The surviving spouse, for example, requires money to care for the children, pay for their schooling, and pay off the mortgage. A family should also

evaluate the requirement for appropriate retirement income provided by cash value life insurance because the insured may survive retirement.

Following the determination of the needed amount of life insurance, the suitable form of life insurance for the insured is chosen. The ideal insurance, according to Rejda (2004), is the one that best meets your financial demands. If you have a spouse, dependent children, a mortgage, or a big estate subject to taxes, you need life insurance. Long-term tax-favored savings, low-cost loans, school financing, or additional retirement income may be among the financial demands of each individual or household.

In addition, the individual's situation will influence the type of life insurance chosen. Age, marital status, education, financial ability to pay the premium, and risk tolerance are all factors that go into making this selection. Some people, for example, have a transitory need for life insurance or have a restricted budget for life insurance premiums; as a result, they prefer term insurance. They might consider cash value life insurance as a savings vehicle if they believe their retirement funds are insufficient.

2.2.4 Determinants of Life Insurance

2.2.4.1 Risk

One of the factors that influence the demand for life insurance is the risk perception of an individual. Risk is the uncertainty of an outcome over a period. The perception of risk is different among individuals based on the severity. When it comes to risk, there are three kinds of people. They are risk-takers or lovers, risk-averse and risk-neutral. Risk lovers love to gamble or take chances; thus, they have a high-risk tolerance (Agarwal, 2017). Also, risk-neutral individuals are indifferent; that is, they are not perturbed by winning or losing

(Agarwal, 2017). However, risk-averse individuals hate to lose more than they love to win (Agarwal, 2017). These people are the ones who transfer their risk through an insurance policy by paying a risk premium to avoid the fear of the unknown. An individual's perception concerning a risk will determine whether to demand life insurance or will not.

2.2.4.2 Perception

The concept of perception refers to the public's conscious knowledge and problems towards an institution. There may be a fundamental difference between reality and the virtual truth impacted by common perceptions and extensive communications. The social situation has an impact on transparent discernment. The state of mind of individuals is affected by the assumptions that win in the social gathering they place in. To put it simply, the family partners, community, work climate, school, or church may affect open observation. This idea is the same in insurance and insurance products. Individual perception of insurance is a factor in determining life insurance consumption. Perception is the way we view, interpret and understand something. In other words, it is our experience of something. The way we perceive insurance impact its consumption. There is a particular perception of insurance, especially life insurance and life insurance products nationwide. Generally, people have a terrible perception of insurance, and this adverse perception stems from the nature of the industry. This negative perception is reinforced when insurers fail to meet consumers expectations in a time of crisis; either they are dragging their feet on claims or stepping up to cover testing. Thus, people have lost trust in the industry. Very few people believe in insurance, and these people are a little over 1% of Ghana's population. Therefore, the perception of insurance has a significant effect on the demand for life insurance.

Customer awareness is crucial for successful life insurance companies because the company's success is dependent on the ability to attract and retain clients at rates to purchase products or services and offer the company income. Customer satisfaction and customer impression of service quality were proven to be strong indicators of attitude loyalty in a study. Nonetheless, within the loyalty construct, pleasure was the most significant relationship. A strong relationship between consumers and the insurance industry might potentially provide a substantial competitive advantage. Customers' sentiments and expectations about a brand or product go beyond the traditional marketing mix. Customers' loyalty may also be defined as how they feel about a product, service, or brand, and if their total investment in it satisfies their expectations. It is important to have the clients' attitudes, emotions, and expectations present. In today's competitive economy, these expectations are becoming far more important in establishing long-term competitive advantage.

In recent times, life insurance worldwide has seen less patronage as consumers' perception towards it increases negatively. Customers' understanding is an integral part of the relationship between life insurance companies and their customers. Therefore, the life insurance market perception is how companies within the industry and customers and potential consumers perceive their goods or services. It is also clear that consumer behaviour is affected by the understanding of customers. Consumer understanding, thus, directly impacts a firm's earnings. Therefore, many companies spend vast quantities of money to manipulate customer perceptions. Other authors have described that life insurance's perception as a kind of description of how people choose and organise different information they will disclose, and a collection of attitudes, motives, experiences, and learning is significantly associated with previous purchases. According to Kotler (2000), perception about a product is a collection of developments in the choosing, shaping and understanding of knowledge by individuals to gain an understandable image of the world. Solomon and Stuart (2005) have established that exposure, perceptive selection and interpretation are three fundamental aspects of consumer perception. First, consumers are perceived by sensory stimulus products; at the same time, consumers pay more attention to some stimuli than others. Based on their memory image, consumers make a consistent or essential reaction to a specific stimulus.

2.2.4.3 Knowledge

Knowledge is derived from the Greek word "Gnosis", which means knowing through observation or experience (Anon., 2015). Knowledge is often referred to as an intellectual product obtained through reasoning, observation and experimentation (Bakar *et al.*, 2018). The limitations associated with technical knowledge acquired at school could lead to a lack of theoretical and practical knowledge among young people, negatively affecting the insurance industry. Asymmetric information is latent in most insurance markets, so if insurers and intermediaries fail to provide accurate and complete information, people may lose confidence in the industry. Lack of confidence tends people to self insure any uncertainty rather than transferring the risk to an insurance company.

Knowledge, in general, refers to information stored in a person's long-term memory (Ratchford, 2001). As a "intellectual product" or a "learned object," knowledge is generally defined by thought, judging, reasoning, reading, observation, and experimenting. Knowledge is a piece of processed data that pertains to the owner or is thought to have a strategic prescription for management decision-making. Customers, according to Alba and Hutchinson (2000), are sure that they know more than they do. Consumer goods knowledge

is further divided by Brucks (1985) into objective information, subjective knowledge (contextual knowledge), and past experience.

Objective knowledge measures the number, form, or organisation of what a person has in memory, whereas subjective knowledge measures the number, shape, or organisation of what a person has in memory (Ghalandari and Norouzi, 2012). Product class, according to Park et al. (1994), is information kept in memory, regardless of its integrity, that can be computed using objective class data and subjective product class information (example, customer interpretation of their product class information). For this study, information from the product class is used to operationalize consumer knowledge. Knowledge level perception, product features, product pricing, and subjective class details are among the objective class indicators developed.

When making a purchase choice, important information should be obtained, which may include costs that vary depending on the product or service category. The truth is that it takes a long time to see the true worth of a financial product, or any thing for that matter. As a result, there is a situation in which product providers have more information than customers, resulting in asymmetric information. As a result, the insurance market necessitates the use of intermediaries, such as financial advisers, to resolve asymmetric information. Due to asymmetric knowledge, less educated market players may enter into contracts that are detrimental to them (Kalss, 2007).

People's insurance knowledge has an impact on how much life insurance they buy. The fundamental grasp of insurance ideas is insurance knowledge. It entails comprehending the many forms of insurance as well as the language related with them.

The understanding of life insurance influences a person to demand life insurance. Those that understand the importance of the policy they take continue because they know the essence of coverage though it might be expensive. However, some people take the policy and discontinue it. This discontinuation happens because they lack knowledge of the policy and that they do not see the essence. Some people stop the insurer will be draining them of their money. Therefore, the knowledge level of insurance has a significant impact on the demand for life insurance.

2.2.4.4 Education

Another essential factor that influences life insurance demand is the intellectual or educational level of the person. Education is the process of inculcating moral values, positive thinking, an attitude of helping, an attitude of giving to society and ethical values to change society (Abolagaba *et al.*, 2012). Education goes beyond bookish knowledge. Insurance is about pooling homogenous or similar risks together, and when the few suffer a loss, they are compensated from the pool. This action is an attitude of helping the few bounces to their original state, thus helping society grow. Education broadens a person knowledge, and it influences the demand for life insurance.

2.2.4.5 Income

Income is another factor that influence the demand for life insurance. This is because income has a positive relation with consumption; thus, more money or anticipation of income increases when more goods are consumed. The higher the income of a person, the higher the consumption of life insurance. Therefore, the income of a person is significant in demand for life insurance.

2.3 Empirical Review

Satroviv (2019) studied life insurance demand in Bosnia and Herzegovina. It was focused on the impact of sociodemographic characteristics that determine the demand for life insurance using a linear regression model. The distribution of the dependent variable deviated from normal, non-parametric tests were used. It came to light that income and education level influence a decision to consume life insurance. Again, there were significant differences in the premium paid annually by the married and single. However, gender does not influence life insurance consumption. Also, he found a significant relationship between attitude towards life insurance development and educational level, but employment status and the number of persons do not influence life insurance consumption.

Bakar *et al.* (2018) also studied the knowledge level of life insurance among students of the Department of Insurance and Risk Management at the Dumpupinar University in Turkey using a cross-tabulated survey. T-test, a type of inferential statistics, was used to determine the students' differences according to gender, type of education and work experience. An ANOVA test was also used to determine the differences in the classes of the student. It was found that 36% of the students had difficulty differentiating between Various life insurance products. However, 47% of the students argued that they know more than they do. Moreover, about 59% of the students think that those who purchase term life insurance has the right to claim death benefit at any point in time. Above all, they found that university student has shallow knowledge about the basic life insurance in several ways. These students become grown-ups who refuse to take insurance because of their inadequate knowledge of insurance products.

Dash (2018) also investigated the determinants of life insurance demand in India, and he focused on demographic and socio-economic factors and derived a relationship between them using a one-way ANOVA test, correlation, and multiple linear regression. It was found that consumption of life insurance increases with ages. People tend to buy more of the policies with advanced ages; thus, age has a significant impact on life insurance than the male. However, marital status has no impact on life insurance consumption, although the married people seemed to consume slightly more than single people. He also found that the insurer, locality, family size, or dependents have no impact on life insurance demand.

Lin *et al.* (2017) used a logistic regression model to investigate the impact of financial literacy, financial advisers, and information sources on demand for life insurance in Taiwan. It was discovered that persons with a high level of financial literacy are more likely to buy life insurance, and that financial adviser education and recommendations from family members had a favourable impact on demand for life insurance. Age, gender, marital status, employment position, and personal income all have an impact on a person's choice to get life insurance. People aged 20 to 29 years had a nonparticipation rate of 58.33 percent, while those aged 60 and more had a rate of 47.23 percent. Also, 30 to 39 years and 40 to 49 years were the highest consumers of life insurance products, with 67.49% and 67.23%, respectively. Again, women and married couples were the highest consumers, with 62.38% and 63.34 % participation rates.

Przybytniowski (2017) also studied on the level of insurance knowledge of young people entering professional life among Podkarpackie Voivodship students in Poland using a fivepoint Likert scale to analyse the importance of insurance knowledge as a primary determinant for life insurance consumption. The survey was conducted in 2015 and 2016, and the results were compared. It was revealed that the majority of the students lack knowledge of insurance; however, there were significant changes in both years. In 2016, the level of knowledge was lower than that of 2015. That is, people become more ignorant as the year goes by. It was noticeable that their expenditure and lifestyle made the young people have a less sense of security, which reflected their decision to plan for retirement. Above all, they concluded that insurance knowledge among young professionals is shallow, and they only take compulsory policies.

Ramchander (2016) studied measuring consumer knowledge of life insurance products in South Africa using a cross-sectional survey. It was found that 69% of the respondents agreed that they experience difficulty differentiating between various life insurance products. Again, 45% of the people considered themselves to have a good basic knowledge of life insurance products. However, 64% of the people were ignorant that the maximum disability cover is regulated by law. Furthermore, 72% of the people believe that term insurance provides coverage until a person is deceased, and 67% disagreeing that the cover expires after a specific date which reinforced that people do not understand the features of the various life insurance. A further misunderstanding indicated that 69% of the people think that term life insurance includes a saving component; thus, consumers have a poor understanding of the features of basic insurance policies, which is not influenced by age and education. It appears that asymmetry regarding basic insurance knowledge remains unsettled.

Dragos (2014) studied the life and non-life insurance demand to establish the different effects of influence factors in emerging countries from Europe and Asia. It sought to find if

urbanisation, income, and education influence insurance demand using the natural log model. They found that urbanisation and income significantly influence Asia's life insurance demand, but they do not influence life insurance consumption in Europe. This is to say that China has the highest saving ratios globally and a high propensity of the urban population to save for retirement. Again, it was established that education level does not influence life insurance consumption in Europe and Asia.

The logit model was used to investigate the profile and purchase decisions of life insurance plans among married couples in Malaysia, according to Annamalah (2013). The model was used to examine the socio-economic and demographic factors associated with life insurance purchasing behaviour. It was revealed that as a person grows, their probability of taking a life insurance policy also decreases. Again, ethnicity was insignificant in the decision to purchase life insurance. However, he discovered that a person's likelihood of obtaining life insurance is 86 percent if they are Chinese, but drops to 80 percent if they are non-Chinese. It was shown that indigenes are less likely than Chinese residents to acquire life insurance. In comparison to individuals without a college degree, household heads with a tertiary education were shown to be more likely to acquire life insurance. This means that educated people are more aware of life insurance than those who are less educated. Life insurance was also discovered to be seen as a luxury item. This is because people's spending rises in tandem with their disposable income. As a result, lower-income people buy less than higher-income people. When people have dependents, they are more likely to acquire life insurance.

Using a linear regression model, Sliwinski *et al.* (2013) studied the demand for life insurance in Poland and tried to differentiate independent factors that affect the demand for life insurance. They discovered that income, dependence ratio, and birth rate all influence the purchase of life insurance. Again, urbanisation and the unemployment rate have a negative influence on life insurance usage. In addition, education has little bearing on the need for life insurance. The lack of insurance awareness may be to blame for the low level of understanding. It was also discovered that a person's life expectancy influenced demand in a favourable but insignificant way. However, after a one-year wait, it became negative, and the average life expectancy was read as the actuarial price of some forms of life insurance. There was a positive link between demand and price once again, indicating that life insurance is a luxury item.

Using cross-sectional data, Ahorgah (2018) investigated public awareness and perceptions of life insurance in the Volta Region. To analyse the objectives, he used a five-point Likert scale frequency analysis, percentages, mean, standard deviation, Probit regression model, and Kendall's Coefficient Concordance. He discovered that over 78.67 percent of people are aware of life insurance, and that 35 percent of those who are aware of life insurance are also life insurance consumers. However, 81.33 percent of respondents had a poor impression of insurance, with 74 percent citing high insurance costs, limited insurance awareness, distrust, and claim payment delays as reasons. Gender, age, education level, access to a life insurance business, health condition, monthly spending, and insurance premium cost all have a substantial impact on life insurance consumption, he discovered. He stated that the vast majority of individuals are aware of the importance of life insurance. Due to the high cost of premiums, poor insurance knowledge, unfavourable perceptions of life insurance, and claim payment delays, few people have purchased a life insurance policy.

Sarkodie and Yusif (2015) used logistic regression to investigate the drivers of life insurance demand from the consumer's viewpoint in Ayeduase–Kumasi, Ghana. It was shown that age

had a negative correlation with the purchase of life insurance. It has been proven that when people's discretionary income is large, they are more likely to get life insurance. Males are more likely than females to get life insurance, according to the study. Also, the greater a person's degree of education, the more life insurance they buy. However, employment has an influence on life insurance consumption, as individuals who are employed by others are more likely to purchase life insurance than those who are self-employed. However, a person's life insurance consumption decreases as they grow older, but the number of dependents has a major influence on life insurance demand. It was also shown that if consumers are better educated about life insurance, they will buy more of it. As a result, they discovered that a person's income level, education, number of dependents, and superior perspective drive them to get life insurance.

2.4 Conceptual Framework

Five factors influence the purchase of life insurance: demographic characteristics, psychographic factors, economic and financial factors, perception of life insurance, and knowledge level of life insurance. The demographic comprises age, gender, education, marital status, employment status, religion, number of children and dependents, and the health condition of the family head. The psychographic factors are the expected life expectancy, attitude towards risk, attitude towards leaving an inheritance and providing security. The economic and financial factors are the assets, debt, retirement account and homeownership.

From literature, it was identified that demand for life insurance is influenced by varying factors, including an individual perception of risk. Only the risk-averse individual take insurance. These people do not love risk, so they transfer their burden to an insurer who is

in a better position to settle their financial loss or provide for their family in the event of their demise. Another factor that determines the demand for life insurance is the perception of life insurance itself. The way people view insurance will either discourage or encourage them to purchase life insurance. However, because of misunderstanding, people do not have a good perception of the insurance industry. Also, the knowledge level of insurance controlled by a person's education level is a determinant of life insurance. Thus, when people are enlightened of the policies and terms associated with life insurance, they will understand and know the appropriate policy to purchase for a particular period or purpose. Again, life insurance demand is influenced by the income level of a person and the premium charged. Premium, on the other hand, is the amount a person pays in exchange for coverage. This payment is made monthly or annually to make a policy active. The life insurance premium is based on age, type of coverage, health condition, and claim history. All these factors will determine the amount a person is to pay for a particular policy. The life insurance policy cost will also determine whether a person will purchase or not purchase the policy. Moreover, people who seem to have other people depending on them purchase life insurance products to protect their family from their demise. The life insurance coverage will then protect them from any financial loss when the insured dies. Therefore, the number of children and dependents also influence the consumption of life insurance.



Figure 2.1 Conceptual Framework

Author's construct 2021



2.5 Chapter Summary

The purpose of this chapter was to investigate the variables that influence the demand for life insurance in Ghana. We discussed about life insurance concepts, ideas that explain why people need it, perceptions, and insurance knowledge. Individual risk perception, income level, educational level, cost of insurance or premium, perception, and insurance expertise were all examined as drivers of life insurance demand. The number of dependents of a person is another factor that impacts the need for life insurance. The empirical study revealed that little research has been done in this field, particularly in Ghana.

CHAPTER 3

METHODOLOGY

3.0 Introduction

The study uses different techniques to obtain the necessary information to achieve the set goals discussed in this report. The definition of the research area, the study's design, the target population, the sampling procedure and the sampling procedure are examined in this chapter. Also, the instruments for data collection and the data collection method were identified.

3.1 Research Design and Strategy

A research design is a detailed work plan that outlines what has to be done in order to finish a study. According to Kerlinger (1986), research design is a blueprint or strategy that addresses the study question and regulates variation. The primary goal of any research is to answer the research question. Control of variance, on the other hand, requires the researcher to examine elements that may systematically contribute to the research findings or cause confusion in their interpretation. It guarantees that the information gathered allows the researcher to provide a clear answer to the initial inquiry (de Vaus, 2001). According to Yin (1989), study design is concerned with logical issues rather than logistical issues. As a result, before beginning study, a researcher must deal with sampling, data collecting techniques such as questionnaires, observation document analysis, and a variety of other issues. The sort of design employed for the study is determined by the research's aim and goals, therefore this study is descriptive. Descriptive research, according to Isaac and Michael (1995), is defined as "the systematic and accurate description of the facts and features of a specific population or area of interest." This sort of descriptive study is based on a descriptive survey, which collects data from a subset of a target group to characterise preferences, habits, traits, similarities, and differences (Dulock, 1993). This strategy is regarded appropriate since there is a general understanding of the difficulties surrounding the notion of life insurance. The study looks into the problems behind poor insurance penetration in the life insurance market.

The objective of descriptive analysis, according to Saunders et al. (2007), is to project an accurate picture of people, events, or circumstances. Descriptive research designs include observation, case studies, and a sample survey. Nonetheless, survey methodologies are used in this investigation. In this study, the researcher utilised a mixed-approaches research strategy, which included both qualitative and quantitative methods. According to Creswell and Plano-Clark (2007), the mixed-method approach entails more than just gathering and analysing both types of data; it also entails combining both techniques such that a study's total strength is more significant to qualitative or quantitative research. The study's analysis and conclusions were limited to a subset of Tarkwa residents from whom inferences were drawn about the survey procedure' execution.

3.2 Population of the Study

A research study population comprises individuals, objects, or organisations with similar characteristics that interest the researcher. Population identification is essential to any scientific research. For this study's purpose, the study's target population was the people of Tarkwa. The adult population eligible for the purchase of insurance in the selected area is estimated at 17,617 (Anon., 2014).

3.3 Sampling and Sampling Techniques

The sample size is significant as it helps assess the quality and reliability of the study results. There are different sampling techniques, such as simple random sampling, systematic sampling, cluster sampling, deliberate sampling, quota sampling, and stratified sampling. The study employed the simple random sampling technique. This category of sampling technique was used because of its easiness to understand.

The sample size provided in this study involves several individual respondents selected from the mentioned population. The sample size estimation formula is used to determine the exact number of people to choose, made up of 17,617 persons. According to Miller and Brewer (2003), the Slovin's formula is given by;

The formula was given in equation (i) at the confidence interval of 95%, with a significance level of 5%. Where; (n) is the required sample size

(N) is the population size

(e) is the error margin (0.05).

The margin of error is how much percentage (%) point the result will differ from the entire population. When the formula is used, the sample is determined as:

$$n = \frac{17,617}{1 + 17,617(0.05)^2} \approx 391$$

Regarding the computations above, the minimum sample size required for the study was 391 persons. However, the sample used for the analysis was 398 persons. Thus, sampling collects knowledge about an entire population by analysing its part (Kothari, 2004). In most

research papers and surveys, the standard approach is to generalise or draw inferences based on samples about the population parameters from which the samples are taken.

3.4 Data Collection Techniques

Major data was the primary source of information for this study, which was supplemented by secondary data. The researcher gathered primary data directly from his or her own experience, and observation was organised to meet the research aims. Secondary data, on the other hand, is current information acquired by other researchers and found in places like associations and corporations, online data repositories, online journals, publications, business reports, and articles (Burns and Grove, 2004).

3.4.1 Primary Sources

There are many methods available for collecting information while acquiring primary data. The researcher contacted the indigenes of Tarkwa within the different households to obtain accurate and relevant information. Primary data for this research was collected mainly through a questionnaire.

3.4.2 Data Collection Method

A questionnaire was designed to obtain the required data with the research goals to achieve the goals. The questionnaires were adapted from various studies and reframed to suit the current research. The questionnaire was divided into numerous sections, covering respondents' personal information, perception, knowledge, and life insurance determinants. Each of these sections was measured with various indicator variables. It was designed to capture the variables that were very important to the study goals measurement. Close-ended questions were developed using the quantitative approach, including multiple-choice questions, as Richards and Morse (2002). It allowed the data to be efficiently coded for statistical analysis. To avoid ambiguity, the declarations or inquiries were made concise and straightforward. As much as possible, questions were made relatively short in length and precise, encouraging respondents to fill them on time.

On the questionnaire, questions were designed using scaling of either "Yes" or "No", multiple-choice questions and a five (5) point Likert scale. It presents the respondents an option to rank the answers available to the questions on a scale in a range of ascending values with options such as; 1 = Never, 2 = Rarely, 3 = Somewhat, 4 = Often, and 5 = Always. Based on the questionnaire's distribution, the most important determinants would be identified, and the association between variables would be determined. In all, there are thirty-three (33) items on the questionnaire with ten (10) perception on insurance, ten (10) measures for knowledge of insurance, five (5) questions on the determinants of insurance and eight (8) demographic questions.

3.5 Reliability and Validity of Data

Validity is the study's accuracy or the extent to which the researcher has measured what is to be measured (Golafshani, 2003). To ensure that valid information was obtained on the study, the questionnaire was designed to minimise the respondents' errors. The researcher considered precision of questions, avoiding winding and ambiguous questions, keeping questions as brief as possible, and ensuring timely retrieval of the questionnaire. On the other hand, reliability is the repeatability of a result from an analysis. Invariably, as replicated several times, the study's reliability is the chance of having the same results.

Thus, in ensuring the reliability of the instrument, Cronbach Alpha statistics were employed. Cronbach alpha is commonly used to ensure test and measurement reliability (Kistner and Muller, 2004). A high coefficient of alpha implies that the variables have a high degree of reliability and vice versa. A coefficient of below 0.6 is considered flawed, 0.7 is acceptable, and over 0.8 is okay, according to Sekaran (2002) guidelines. Therefore, with a Cronbach's Alpha of 0.7405 the research deems the instrument for the data collection as good and reliable to enable the achievement of the objectives (see Table 3.1).

Table 3.1 Reliability Test

Cronbach Alpha	Alpha Based on Standardized Items	Number of Items
0.7405	0.7705	17
Author's field work, 2021		
3.6 Data Analysis		

Data analysis is working with information (data) to support the work, goals, and research plans. Data Analysis is the process of systematically applying statistical and logical techniques to describe and illustrate, condense and recap, and evaluate data. According to Shamoo and Resnik (2003), various analytic procedures "provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data".

While data analysis in qualitative research can include statistical procedures, analysis often becomes an ongoing iterative process where data is continuously collected and analysed almost simultaneously. Researchers generally analyse patterns in observations through the entire data collection phase (Savenye and Robinson, 2004). The form of the analysis is determined by the specific qualitative approach taken (field study, ethnography content analysis, oral history, biography, unobtrusive research) and the form of the data (field notes, documents, audiotape, videotape).

An essential component of ensuring data integrity is the accurate and appropriate analysis of research findings. Improper statistical analyses distort scientific findings, mislead casual readers (Shephard, 2002), and negatively influence the public perception of research. Integrity issues are just as relevant to the analysis of non-statistical data as well.

3.6.1 Model Specification In the view of a thorough literature review on the determinants of life insurance around the world. The study suggests developing a system of equations to solve for the endogenous variables of the equation simultaneously. The model showing the relationship of various variables is given below.

The general regression model used for the research is;

 $LID_{i} = \alpha_{0} + \alpha_{1}Demo_{i} + \alpha_{2}Psycho_{i} + \alpha_{3}EcoFin_{i} + \alpha_{4}Perc_{i} + \alpha_{5}Know_{i}$ $+ \varepsilon_{i,} \dots \dots \dots \dots \dots \dots (3.2)$

Where LID represents life insurance demand, Demo is demographic factors, Psycho is psychographic factors, EcoFin is economic and financial factors, Perc is perception of life insurance, Know is knowledge level of insurance, *i* represents individual respondents, ε represents the error term, $\alpha_0 \dots \alpha_i$ are constants.

3.6.2 Definition of Variables

Table 3.2 gives a formal definition and description of the data variables used for this study.

It includes the dependent, independent and control variables.

Demographic Factors	
Gender	<i>Gender</i> measured as a dummy variable, where "1" is Male, and "0" is Female
Age	<i>Age</i> of respondent measured on a scale of 1-5, where 1 is 18-25, 2 is 26 to 35 years, 3 is 36 to 45 years, 4 is 46 to 60 years and 5 is above 60 years. Recoded as "0" representing young if score is 1-2, "1" representing aged if score is 3-5.
Marital Status	<i>Marital status</i> measured on a scale of 1-2, where 1 represents Married and 2 is unmarried. Recorded as a dummy of "1" [Married] if the score is 1 and "0" [Unmarried] if otherwise
Education	<i>Level of education</i> is measured on a scale of 1-7 where 1 is None, 2 is Vocational, 3 is JHS, 4 is SHS, 5 is Bachelor's Degree, 6 is Master's Degree, and 7 is PhD or higher. Recoded as "0" representing low education when score is 1-4 and "1" representing high education when score is 5-7.
Employment Status	Respondent <i>employment status</i> is measured as a dummy variable, where "1" is Employed, and "0" is Unemployed.
Dependents	<i>The number of dependents</i> is measure on a scale of 1-7 where 0 is 0, 1 is 1, 2 is 2, 3 is 3, 4 is 4, 5 is 5 and 5+ is 6 recorded as "0" if score is 0, "1" if score is 1-6.
Risk	Which category of risk do you belong? Measured on a scale of 1-3, where 1 represents risk-averse, 2 is risk-neutral and 3 is risk lover. Divided into two dummies; (1 is risk-averse, 0 is risk neutral) and (1 is risk-lover and 0 is risk neutral)
Essence	Is it essential to have a life insurance policy for the security of one's family? Measured as a dummy variable, where "1" is Yes, and "0" is No.
Bequest or Inheritance	<i>Importance of leaving an inheritance</i> , measured on the scale of 1-5 where 1 is Never, 2 is Rarely, 3 is Somewhat, 4 is Often and 5 is Always. Recoded as "0", which represent Disagree where responses are "1- 3" and "1" which represent Agree, where responses are "4-5".

 Table 3.2 Definition and Measurement of Variables

 Demographic Factors

Early Death	Having life insurance means you will die soon, measured on a scale of 1-5, where 1 represents never, 2 is rarely, 3 is somewhat 4 is often, and 5 is always. Recoded as "0", which represen Disagree where responses are "1- 3" and "1" which represen Agree, where responses are "4-5".	
Economic and Financial Factors		
Income	Income of respondent measured on the scale of 1-6 where less GHC 599 is 1, GHC 600-GHC 999 is 2, GHC 1000- GHC 2,999 is 3, GHC 3000- GHC 4,999 is 4, GHC 5000- GHC 10000 is 5 and GHC 10000+ is 6. Recoded as "0" representing low-income earners when score is 1-2, and "1" representing high-income earners when score is 3-6.	
Homeownership	Measured as a dummy variable, where "1" is Yes, and "0" is No	
Retirement Account	Measured as a dummy variable, where "1" is Yes, and "0" is N	
Perception of Life Insurance		
Premium	<i>Poor agents and other intermediaries' integrity have made a bad name for life insurance.</i>	
Poor Customer Service	Poor customer service in life insurance has affected my attitude	
Lack of Disposable Income	Lack of disposable income to buy a life insurance policy has affected the way I perceive life insurance.	
Complicated	Complicated nature of life insurance, unlike motor insurance	
Claim	Claims settlement is tedious for life insurance	
Accessibility	Accessibility of life insurance staff is poor in regards to inquire	
Popularity	The popularity of life insurance affects my attitude	
()	All measured on a scale of 1-5, where 1 represents never, 2 is	
<u> </u>	rarely, 3 is somewhat, 4 is often, and 5 is always. Recoded as	
1	"0", which represent Disagree where responses are "1- 3" and	

Knowledge of Life Insurance

What comes to mind when you hear life insurance, measured on the scale of 1-4, where 1 is insurance for life activities, 2 is life savings-investment, 3 is retirement income, 4 is fund for child's education Recoded as "1" if 1-4 is selected and "0" if otherwise

"1" which represent Agree, where responses are "4-5".

Life insurance may include savings element.

Term life insurance coverage ends after a specific period. A term life insurance provides death benefit until whichever day of the insured death.

Term insurance only pays when death occurs during the policy period.

Whole life pays a death benefit whenever you die.

Whole life insurance provides guaranteed income after retirement.

Whole life insurance has a cash value component.

Cash-value insurance is also known as permanent life insurance.

Cash value insurance includes a death benefit. All measured as a dummy variable, where "1" is Yes, and "0" is No All these questions were scored and summed to get one value measuring knowledge. After which, an average was taken to get between 0 and 1, which was used to measure the variable knowledge.

Author's field work, 2021

3.6.3 Estimation Techniques

The study used Probit regression for the data analysis. Descriptive statistical measures, such as sum, mean, standard deviation, minimum and maximum, were calculated using Excel and STATA computer program version 13. The information gathered was edited and analysed, whiles the probit regression technique was also used to determine the factors affecting the demand for life insurance. Information was presented using appropriate tables, frequencies, graphs, and percentages to analyse and interpret it.

According to Kamasa *et al.*, (2019), Probit model analyse qualitative dependent variables with dichotomous or polytomous outcome within the regression framework. The Probit procedure computes maximum likelihood estimates of the parameter, which is a method of estimating the parameters of a statistical model given observations. It finds the parameter values that maximises the likelihood of making the observations given the parameters. That is, when the response variable *Y* is binary with values 0 and 1, the Probit equation is

$$\rho = \Pr(Y = 0) = C + (1 - C)F(X'\beta) \dots \dots \dots \dots \dots (3.3)$$

where;

 ρ is probability of response

 β is a vector of parameter estimates

F is cumulative distribution function

- *X* is vector of explanatory variables
- *C* is natural (threshold) response rate

3.7 Ethical Considerations

The study participants were volunteers asked by the researcher and told about the study's purpose and were therefore deemed valuable. Therefore, during interaction with study subjects, the investigator upheld the highest level of ethics at all times. More precisely, as Cooper and Schindler (2001) indicated, the study was explicitly designed to prevent participants from experiencing deliberate physical damage, pain, mental distress, humiliation, or privacy loss. To defend against these worries, the researcher communicated the study's advantages when contacting the research participants, taking care not to overstate or understate the benefits. This was also done with a well-documented foreword as informed consent to participants on the questionnaire's first page.

3.8 Chapter Summary

In this chapter, the various techniques used in an attempt to achieve the set objectives were discussed. The chapter explains the design used for the research and describes the population, data collection and sampling technique of the study. It describes the model, the variables and all the methods used.

CHAPTER 4

DISCUSSION OF RESULTS

4.0 Introduction

In this chapter, data from Tarkwa is used to give a thorough analysis and research results on factors impacting the demand for life insurance in Ghana. Within Tarkwa, the study focused on life insurance knowledge, perceptions of life insurance, and the determinants of life insurance products. The findings are organised into the following categories: demographic characteristics, life insurance knowledge, life insurance perception, and life insurance

product determinants.



4.1 Demographic Characteristics

Under this section, the study presents the demographic characteristics of respondents. These comprise gender, age, marital status, education level, employment status, and dependents. Table 4.1 displays the demographic characteristics of respondents who participated in the study. Out of 398 respondents, there were significantly fewer male respondents than female respondents, with a percentage representation of 47.49 and 52.51, respectively.

Regarding the age distribution, it was revealed that majority of the respondents were between the ages of 26 to 35 years, with a frequency of 118 and a percentage of 29.64; this was followed by age group between 46 to 60 years with a frequency of 98 represented 24.62%. The age group 36-45 followed with a frequency of 73 represented 18.34 percent. It was then followed by the age group 18-25, with a frequency of 55 represented 13.2 percent, and finally, the age group above 60 years had the least number of respondents with a

frequency of 54, represented 13.57 percent. This implied that the result was highly influenced by youthful perception and knowledge of life insurance.

Demographic	Frequency	Percent	
Gender			
Male	189	47.49	
Female	209	52.51	
Age			
18-25	55	13.82	
26-35	118	29.65	
36-45	73	18.34	
46-60	98	24.62	
60+	54	13.57	
Marital Status		1	
Married	202	50.75	
Single	196	49.25	
Education Level			
None	25	6.28	
Vocational	65	16.33	
JHS	49	12.31	
SHS	64	16.08	
Bachelor's Degree	137 0	34.42	
Master's Degree	50	12.56	
PhD	30, 8	2.01	
Employment Status	LEDGE, TRUTH AND ENCL		
Employed	325	81.66	
Unemployed	73	18.34	
Number of Dependents			
0	109	27.39	
1	49	12.31	
2	69	17.34	
3	38	9.55	
4	51	12.81	
5	21	5.27	
5+	61	15.33	

Table 4.1 Demographic Data of Respondents

Author's field work, 2021

The research showed slightly more married respondents than unmarried respondents with a percentage of 50.75%, thus the unmarried was 49.25%. This implied that the result was skewed to the married. Again, there were significantly more employed respondents with a frequency of 325, represented 81.66%, and the unemployed represented 18.34% with a frequency of 73. This indicates that most respondents were employed and, as such, a good indication to measure the knowledge, perception and determinant of life insurance.

The survey found that people without dependents were the highest among the respondents, with a frequency of 109, which represented 27.39%. It was then followed by respondents with two (2) dependents with a frequency of 69, which represented 17.34%. Again, respondents with more than five (5) dependents were 61, which constituted 15.33%. Respondents with four (4), one (1), three (3) and five (5) dependents were 51, 49, 38 and 21, which constituted 12.81%, 12.31%, 9.55% and 5.27% respectively. This implied that most respondents had one or more dependents which will make them appreciate life insurance.

4.2 Knowledge of Life Insurance

Insurance knowledge, according to Azowski (1928), is a set of scientifically informed communications aiming at comprehending the essence and principles of insurance as well as establishing the conditions for future advances. Przybytniowski (2017) suggested that in order to appropriately describe the insurance notion of knowledge, one must focus on education (schooling and training), which deepens people's understanding of life decisions.

The study examined respondents knowledge on life insurance. Answers to the questions asked were marked and scored over ten (10). The scores were graded as "Excellent" for

scoring 9-10, "Very Good" for scoring 8, "Good" for scoring 7, "Average" for scoring 6, "Pass" for scoring 5, and "Fail" for scoring 0-4. The distribution of the respondent's knowledge on life insurance is illustrated in Figure 4.1



Figure 4.1 Knowledge of Life Insurance

Author's field work, 2021

From Figure 4.1, it was revealed that the majority of the respondents failed to differentiate between the various life insurance products and their basic characteristics which is in line with Ramchander (2016) who also found majority of his respondents having difficulty in differentiating between various life insurance products. Two Hundred and four (204) of the respondents scored below five (5), that is, 51.26% failed. This is in line with Bakar et al.

(2018), who also found lower knowledge levels among students of the Department of Insurance and Risk Management at the Dumpupinar University in Turkey. Their study showed a lower knowledge due to their inability to differentiate between the various life insurance products. Thus they demonstrated shallow knowledge on the life insurance concepts.

Fifty-eight (58) of the respondents had "good" which represented 14.57% followed by "average" with 56 respondents which constituted 14.07%. Also, thirty-seven (37) of the respondent scored pass while thirty-one (31) obtained "very good" which represented 9.30% and 7.79% respectively. Again, twelve (12) of the respondents obtained "excellent" score which represented 3.01%. Basically, most of the respondents scored low on the questions posed to them. Thus, it can be concluded that respondents have inadequate knowledge of the insurance terminologies and characteristics. This indicates that insurance penetration, insurance knowledge, insurance education and the understanding of life insurance concepts remain lower among the respondents in Tarkwa.

4.2.1 Knowledge of Life Insurance by Gender

This section sought to find the knowledge level of life insurance based on gender. It compared the knowledge score among males and females to determine those who have basic understanding of life insurance products and concepts. The results are presented in Figure 4.2 with the various grades obtained by each.





From Figure 4.2 it was revealed that the male respondents are more knowledgeable on the insurance products than their female counterparts. This contradicts with literature that found no sex difference in general intelligence. For instance, Spelke and Grace (2007) studied sex, math, and science and found that men and women have equal cognitive capacity. Moreover, out of the 12 excellent scores, 10 were males, and the remaining 2 were females which represented 2.51% and 0.5% of the total respondents respectively. Again, Halpern and Kanaya (2017) also found that there are no overall differences in female and male intelligence by studying group differences in intelligence: complexities and controversies. However, out of the 204 respondents that failed, 111 were females, and 93 were males which represented 27.89% and 23.37% respectively. Furthermore, thirty-seven (37) of the respondents that obtained "average" were male while the females were nineteen (19) respondents which represented 9.3% and 4.77% respectively. Also, the male respondents had a slightly higher frequency of thirty-one (31) for the score "good" which represented 7.79%, while the females were twenty-seven (27) which represented 6.78%. The research

again showed that nineteen (19) male respondents and eighteen (18) female respondents scored "pass" which represented 4.77% and 4.52% respectively. Also, twenty- three (23) male respondents and eight (8) females respondents scored "very good", which represented 5.78% and 2.01% respectively. Based on the results above, it can be concluded that females have inadequate understanding of life insurance and its concepts compared to males. Thus, the knowledge gap can be attributed to insurers' failure to see women as key consumer segments (Holllday et al., 2020) and channel their insurance education to males.

4.2.2 Knowledge of Life Insurance by Education

This section sought to compare the educational qualifications of respondents with their knowledge on life insurance characteristics and concepts. This is to determine if education level has influence on respondent's basic knowledge on life insurance. The study revealed from Figure 4.3 that the higher one is educated, the more knowledgeable the person becomes of insurance. This corresponds to Annamalah (2013), who found that household heads with tertiary education levels purchase life insurance compared to those without tertiary education. This is to say that educated people are more aware of life insurance than uneducated people. The research disclosed that those with little or no education failed the test. This is because all the twenty-five (25) respondents who had no education, sixty-five (65) with vocational background, forty-eight (48) with JHS qualifications and 61 out of 64 with SHS failed, which represented 6.28%, 16.08%, 12.06% and 25.33% respectively. However, four (4) of the respondents with a Bachelor Degree also failed. This is to say that, the higher one is educated, the more enlightened they become.



Figure 4.3 Knowledge of Life Insurance by Education

Author's field work, 2021

Again, out of the twelve (12) respondents who had an excellent score, seven (7) had Bachelor Degree, four (4) had PhD, and one (1) had a Master's Degree. The thirty-one (31) respondents who obtained very good, seventeen (17) had Bachelor Degree, ten (10) had Master's Degree, and four (4) had PhD. It was also revealed that out of the 58 respondents who had a good score, thirty-eight (38) had a Bachelor Degree, and twenty (20) had a Master's Degree. Respondents with Bachelor Degree who scored average were 37 out of 56, followed by Master's Degree with a frequency of 19 out of 56. Moreover, the thirtyseven (37) respondents who scored pass, three (3) had SHS qualifications, and the remaining thirty-four (34) had a Bachelor Degree. In conclusion, the educational level significantly affects the knowledge of life insurance associated with life insurance demand. Li (2008) posited that people with higher education have a better understanding of life insurance and patronise it with the expectation that their income will increase faster for a longer period. However, Anderson and Nevin (1975) found an inverse relationship between education and life insurance demand. This is because higher educated individuals assume inflation decreases their cash value of life insurance from a savings perspective and hence define their need for life insurance.

4.2.3 Knowledge of Life Insurance by Age

According to the age group, this section categorised the knowledge level to determine the group with more knowledge on life insurance products and their basic concepts and characteristics.



Figure 4.4 Knowledge of Life Insurance by Age

Author's field work, 2021

It was revealed from Figure 4.4 that the age bracket 18-25 years, thirty-five (35) failed, four (4) obtained a pass, thirteen (13) had an average score, one (1) had "good" and two (2) had "very good". The age 26-35 years had the following results; seven (7) failed, eleven (11) obtained "pass", thirty-six (36) obtained "average", forty-one (41) obtained "good", sixteen (16) had "very good" and seven (7) had excellent score. The age bracket 36-45 also obtained the following; thirty-nine (39) failed, four (4) had pass, eleven (11) had good, one (1) had average, eleven (11) had good, thirteen (13) had very good and five (5) had excellent. Furthermore, the ages 46-60 had the following result; seventy-eight (78) failed, thirteen (13) had "pass", two (2) had average, and five (5) had good. Lastly, the respondents who were 60+ had the following results, forty-five (45) failed, five (5) had "pass", and four (4) average scores. Research says that as people grow, their understanding of insurance products diminishes for example Przybytniowski (2017) found the knowledge level of insurance diminishing yearly comparing 2015 to 2016 among Podkarpackie Voivodship students in Poland. This shows that the level of insurance education by insurance regulators and insurance institutions remains low within Tarkwa.

4.3 Perception of Life Insurance

The situation individuals are likely to purchase life insurance is known as the intent, according to Lim et al. (2020). Moreover, when there is favourable perception of life insurance, it is expected to promote more intention to buy (Litterer, 1965). To make a good decision, individuals need to think carefully if life insurance will be beneficial. Alba and Hutchinson (1987) posited that the level of knowledge affects how individuals can process pleasant information. Those with more actual financial knowledge can understand, interpret, and connect financial information (Wang, 2009). Thus knowledge enhances ones' efficiency to process information which, according to Litterer (1965) would subsequently develop
much accurate perception on an issue. This study looked at the perception level of life insurance. Nine (9) questions were posed to respondents, and the results are shown in Table 4.2. The mean values were used in analysing respondents' perception of life insurance.

Indicators	Obs	Mean	Std. Dev.	Min	Max
The high cost of premiums affects the way I perceive life insurance	398	3.680905	1.162464	1	5
Poor agents and other intermediaries integrity has made a bad name for life insurance	398	3.811558	1.063319	1	5
Poor customer service in life insurance has affected my attitude	398	3.741 206	1.086144	1	5
Lack of disposable income to buy a life insurance policy	398	3.61 <mark>8</mark> 09	1.047908	1	5
Complicated nature of life insurance, unlike motor insurance	398	3.829146	1.05561	1	5
Claims settlement is tedious for life insurance	398	4.103015	0.9506413	1	5
Accessibility of life insurance staff is poor in regards to inquires	398	3.457286	1.11637	1	5
The popularity of life insurance affects my attitude	398	3.148241	1.217271	1	5
Having life insurance means you will die soon	398	2.045226	1.332774	1	5

 Table 4.2 Perception of Life Insurance

Author's field work, 2021

Generally, people perceive life insurance as a necessity, but due to the public backlash against the insurance industry, their interest has been wiped off. Lim et al. (2020) posed that there would be more life insurance inclination if the industry players inculcate positivity on how individuals perceive life insurance products. From Table 4.2, it is evident that respondents agree to all the indicators mentioned, namely high premium, poor agents

integrity, poor customer service, lack of disposable income, complex nature, tedious claim, accessibility and popularity. However, they do not agree to die soon if you have life insurance.

Notably, the indicator "tedious claim" had the highest mean value of 4.103 and a standard deviation of 0.9506. This implies that the respondents agree that claiming life insurance is tedious and affects their attitude towards its demand. Lim et al. (2020) posit that peer and family influence significantly affect perception toward life insurance. For instance, if one experiences bad encounters while seeking services, people's perception is reinforced and communicated to their peers and family members as a negative story. On the contrary, they spread positive words of mouth to others when they have terrific experience and those on the outside will look at life insurance in a more positive light and might be more inclined to purchase life insurance. However, the negative experience has been translated to bad perception towards claim processes from the result. Omar (2007) asserted that there is lack of confidence and trust in the insurance industry and that insurance revolves around trust. Thus the reputation of the sector depends on ability and attitude towards claim payment.

It was also revealed that the complicated nature of life insurance affects its demand which had the second-highest mean value of 3.8291 with a standard deviation of 1.055. Thus the result shows that people perceive life insurance products and concepts to be complex. Robert and Alan (1988) posed that insurance contracts are long and impossibly complicated and that insurer marketing practices can be misleading. Also, Odemba (2013) said the complex nature of life insurance has led to low penetration. This attests to the fact that the complex nature of life insurance demotivates people in purchasing life insurance. Insurance intermediaries have a key role in ensuring that information asymmetry and risk of adverse selection is minimised. However, intermediaries' non-disclosure of certain relevant information before insurance uptake has created a bad name for the industry. Respondents were asked if poor agents and intermediaries have made a bad name for the insurance industry. Most attest that these intermediaries contributed to the industry's bad reputation. This is because they sell more than 60% of insurance contracts (Bonvicini, 2017). The indicator had a mean of 3.8115 with a standard deviation of 1.0633. It can be inferred that these intermediaries significantly influence consumers perception of the insurance industry and, as such, created a bad name for the industry.

The interaction of service providers with their customers dramatically contributes to organisational failure or success (Schultz and Good, 2000). Customer contentment is a sensitive performance indicator (Adsit et al., 1996); thus, insurance companies must emphasise both internal and external customer satisfaction for performance to be achieved. However, response on whether poor customer service in life insurance affects respondents attitude revealed that most respondents perceived it often affects their attitude. This indicator had a mean value of 3.7412 with a standard deviation of 1.0861. Thus, the majority of the respondents perceive the life insurance companies as providing poor services. Gachau (2016) studied customer satisfaction and insurance service delivery quality in Kenya and found that most internal and external customers were averagely satisfied with their services both as customers and staff. However, the few who were dissatisfied with the service cited poor service delivery quality, unfriendly staff and poor communication as the reasons for their dissatisfaction.

Premium is the amount paid to the insurer in exchange for consideration. According to Kilroy and Metz (2021), life insurance may be more affordable than expected. However, people overestimate the cost by more than three times because they do not know how the premium is derived. But in actual sense, the premium is calculated using an individual's current age and life expectancy. Generally, the younger you are, the less likely you are statistically likely to die, which means low premium. Conversely, the older you are, the more you are expected to pay. Thus age is one of the major factors in determining the cost of life insurance. Other factors such as gender, health and lifestyle are also used in the premium computation. This indicates that the life insurance premium will depend on the factors mentioned, but people have generalised it as expensive. This indicator had a mean value of 3.6809 with a standard deviation of 1.1624. This shows that respondents perceived price or cost of insurance to be high which is in line with Ahorgah (2018), who also found high cost of premium affecting respondents life insurance patronage, which was the most significant challenge faced by the people.

Respondents were asked if lack of disposable income affect their demand for life insurance, and this had a mean of 3.618 and a standard deviation of 1.0479. This indicates that lack of disposable income influences life insurance demand. On the other hand, disposable income is the amount of money available to spend or save after deducting direct taxes. Therefore, the respondents demonstrated that they have inadequate income to consume life insurance. Macklem (1994) found that both wealth and disposable income affect consumption. Keynesian consumption theory also specifies consumption as a function of disposable income. Therefore, the consumption of life insurance will increase if individuals have adequate disposable income to spend.

According to Pocklington (2021), accessibility is a crucial but often overlooked aspect of customer satisfaction and retention. If customers can no longer do business with you, they can venture into other portfolios. Because the cost of attracting a new customer is generally higher than keeping an existing one, it is wise for the industry to prioritise accessible customer service.

Accessibility means being able to reach or contact. Respondents were asked if the accessibility of life insurance staff is poor regarding inquiry, and the mean value of 3.4572 indicates that the life insurance staff are not accessible. Therefore, designing a customer service experience available to all regardless of ability, age and location, is what customer service accessibility is all about.

Another factor that influences the perception of life insurance is its popularity. Popularity is the situation of being liked, admired and accepted by many. Respondents were asked if the popularity of life insurance affect their attitude, and this had a mean value of 3.1482 with a standard deviation of 1.2172. This is to say the popularity of life insurance has influence on people attitudes.

The study also revealed that having life insurance does not mean one will die soon. Respondents were asked if having life insurance means one will die soon, and this had a mean value of 2.0452 with a standard deviation of 1.3327. This eradicates the notion that when you purchase life insurance, you are nearing your grave. However, life insurance provides pecuniary benefits to beneficiaries in the demise of the breadwinner.

In conclusion, it was found that life insurance is essential and serves as a financial tool, but certain factors hinder its demand, such as high cost of premium, poor integrity on the part of intermediaries, poor customer service, lack of disposable income, its complex nature, tedious claim processes and its accessibility. The overall results showed that majority of respondents were not in favour of life insurance products and services. The study is in line with Ahorgah (2018) who found a higher awareness rate of life insurance in the Volta Region. However, the majority of the people had a negative perception on life insurance and its services. These negative perception include high cost of insurance, low insurance awareness creation, mistrust, and claim payment delay.

4.4 Determinants of Life Insurance

4.4.1 Descriptive Statistics

The summary statistics of variables for the study is shown in Table 4.3. The Mean is best interpreted as the level or degree of adherence to the corresponding variable by the respondents under consideration. Given a mean value of 0.3869, it indicates that about 38.68% of respondents are likely to demand life insurance, this represents a low life insurance demand in Tarkwa, which represent the dependent variable.

In terms of the demographic factors, a mean value of 0.4749 also indicates that about 47% of respondents were males, with 55% being females. Similarly, age had a mean of 0.4146, indicating that 41.46% of the respondents were older while 58.54% were younger. On the other hand, education had a mean of 0.4950 which means that 50.50% of the respondents had no or little education (lower education). Again, a mean of 0.7261 indicates that 72.61% of the respondents to cater for. Similarly, employment had a mean of 0.8166, indicating that 81.66% of the respondents were employed.

With respect to economic and financial factors, homeownership had a mean of 0.3116 which means that 31.16% of the respondents had homes or apartments of their own. Again, income

had a mean of 0.5779 indicates that 57.79% were higher income earners category. Similarly, premium had a mean of 0.8015 which means that 80.15% of the respondents believed that life insurance is expensive while 19.85% said it is affordable. Again, retirement account had a mean of 0.4447 which means that 44.47% of the respondents had good retirement accounts while the remaining 55.53% had not prepared toward retirement.

Regarding psychographic factors, risk-averse had a mean of 0.2312 which means that 23.12% were unwilling to take risks, therefore they transfer their risk by taking insurance compared to those who were indifferent (risk-neutral). Similarly, risk-lover had a mean of 0.2512, indicating 25.12% were risk-takers. Thus, 51.76% of the respondents were riskneutral individuals. Also, 79.40% said it is essential to have insurance as a form of security for one's beneficiaries or estates. However, 66.33% said it was necessary to leave an inheritance or bequest so in the event the breadwinner dies, their beneficiaries do not suffer pecuniary loss.

Regarding the perception of life insurance, perception had a mean of 3.49274, which corresponds to 33.33% (1.6667 out of 5). This represents a good perception of life insurance thus, 66.67% had an ill perception of life insurance. Furthermore, knowledge had a mean of 0.5107 which means that the average score was 51.07%.

Table 4.3 Descriptive Statistics of Dependent and Independents Variables							
Variable Name	Ν	Mean	Standard	Min	Max		
Dependent Variable							
Life Insurance Demand	398	0.3869	0.4876	0	1		
Demographics							
Gender	398	0.4749	0.5	0	1		
Age	398	0.4146	0.4932	0	1		
Education	398	0.4950	0.5006	0	1		

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Author's field work, 2021

4.4.2 Correlation of Factors that Affect Life Insurance Demand

The goal of the study was to determine the link between factors that influence life insurance demand, and the results are presented in Table 4.4. Pearson Correlation was used to confirm the strength of an existing linear relationship between variables and to assess the linear relationship between quantitative variables. The linear dependency between two quantitative variables is expressed by this coefficient, which ranges from -1 to 1. (Anon. 2020d). If it is negative, it means one variable is decreasing while the other is increasing; if it is positive, it means one variable is increasing while the other is decreasing (Härdle and Simar, 2007; Johnson and Wichern, 2007). According to Munro (2005), very low correlation is defined as a value between 0-0.25, low correlation is defined as a value between 0.26-0.49, moderate correlation is defined as a value between 0.7-0.89, and very high or strong correlation is defined as a value between 0.9-1.0.

From Table 4.4, the result shows that all the variables namely: age, education, marital status, dependent, employment status, homeownership, income, retirement account, risk averse, essence and knowledge of life insurance all significantly and positively correlated with life insurance demand except for attitude towards leaving a bequest and perception of life insurance which were not significant. Furthermore, premium was found to be significant and negatively correlated with life insurance demand whereas, gender and risk lover were not significant. Above all the Pearson correlation matrix for the dependent variable and independent variables are not highly correlated.

4.4.3 Regression Results

Results obtained from the probit model are displayed in Table 4.5. The demographic factors used to determine the demand for life insurance were gender, age, education, marital status, dependents and employment status. Gender has an insignificant impact on life insurance demand. This means that the sex of an individual does not affect the demand for life insurance. However, gender is an important determinant of insurance coverage (Gandolfi and Miners, 1996). Gender imbalances are still prevalent throughout society, often in places where people may overlook them. For instance, women are less likely to have life insurance coverage even though their death would impact their family equally as the death of the male.

Table 4.4 Pearson Correlation Co-efficient Analysis

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]
[1]	1																
[2]	-0.01	1															
[3]	0.16*	0.03	1														
[4]	0.12*	-0.02	-0.11*	1													
[5]	0.2*	0.12*	0.21*	-0.09*	1												
[6]	0.24*	0.12*	0.11*	0.02	0.39*	1											
[7]	0.12*	0.03	0.04	0.12*	0.08	0.33*	1										
[8]	0.23*	-0.12*	0.18*	0.02	0.39*	0.12*	-0.02	1									
[9]	0.18*	0.03	0.04	0.33*	0.23*	0.27*	0.5 <mark>0*</mark>	0.23*	1								
[10]	-0.12*	-0.14*	-0.08	0.06	-0.04	-0.16*	-0.04	0.05	0.02	1							
[11]	0.16*	0.14*	-0.03	0.12*	-0.15*	-0.13*	-0.07	-0.08	-0.09	- <mark>0</mark> .1*	1						
[12]	0.25*	0.04	-0.01	-0.05	0.23*	0.13*	0.0 <mark>6</mark>	0.04	0.06	- <mark>0</mark> .07	-0.01	1					
[13]	-0.01	0.01	0.03	-0.01	-0.06	0.02	-0. <mark>0</mark> 3	0.1*	-0.09*	- <mark>0</mark> .1	0.07*	-0.1*	1				
[14]	0.15*	0.06	-0.21*	0.29*	-0.19*	-0.03	0.0 <mark>6</mark>	-0.13*	0.09	- <mark>0</mark> .08	0.11*	0.07	-0.11*	1			
[15]	0.02	-0.06	-0.04	0.19*	-0.03	0.07	0.06	-0.06	0.02	0.01	0.05	0.03	0.11*	0.15*	1		
[16]	0.08	-0.28*	0.08	0.02	0.03	-0.04	-0.08	0.14*	-0.06	0.49*	-0.21*	-0.02	0.08*	-0.22*	-0.06	1	
[17]	0.19*	-0.01	-0.06	0.81*	-0.10*	0.04	0.11*	0.02	0.32*	0.02	0.15*	-0.01	-0.05	0.32*	0.18*	-0.04	1
	Note:*	is Corre	elation S	ignificar	nce at 1 9	% or 5%		\sim	245								
				8						\sim							

Note:* is Correlation Significan	ce at 1 % or 5%		
Legend	201	the second second	
[1] = Life Insurance Demand	[2] = Gender	[3] = Age	[4] =Education
[5] = Marital Status	[6] = Dependent	[7] = Employment Status	[8] = Home Ownership
[9] = Income	[10] = Premium	[11] = Retirement Account	[12] = Risk Averse
[13] = Risk Lover	[14] = Essence	[15] = Bequest	[16] = Perception
[17] = Knowledge			

Author's field work, 2021

	-
-0.1377	-0.0511
0.3381**	0.1264
-0.3182	-0.1177
0.2593	0.0961
0.5287***	0.1848
0.1900	0.0688
0.5353***	0.2033
0.1355	0.0501
-0.7012***	-0.2705
0.7442 <mark>*</mark> **	0.2750
0.6133***	0.2279
-0.1521	-0.0565
0.7862 <mark>*</mark> **	0.2566
-0.0930	-0.0347
CULINE	
0.5740***	0.2133
1.6883**	0.6274
-4.5150	
	-0.1377 0.3381** -0.3182 0.2593 0.5287*** 0.1900 0.5353*** 0.1355 -0.7012*** 0.7442*** 0.6133*** -0.1521 0.7862*** -0.0930 0.5740*** 1.6883** -4.5150

Table 4.5 Result of Probit Regression AnalysisDependent Variable: Life Insurance Demand

Note: (***) (**) (*) denote significance level of 1%, 5% and 10% respectively

Author's field work, 2021

The demand for life insurance is influenced by age in a favourable and significant way. According to the marginal effect estimate, the likelihood of the elderly or elderly purchasing life insurance would increase by 12.64 percent. This research backs up Truett and Truett (1990), who discovered a favourable correlation between age and life insurance usage. Li (2008), on the other hand, discovered a curvilinear link between age and the likelihood of acquiring term life insurance. It indicates that the chance of purchasing term life insurance grows with age until it reaches a maximum value and then declines; this is the point at which dependents have become self-sufficient. According to Duker (1969), as household heads become older, they become more conscious of the need for life insurance as a result of increasing earning capacity and a larger number of dependents, resulting in increased life insurance needs to safeguard against financial loss in the event of their death. However, as children get older and become more independent, the need for life insurance decreases. To establish this curvilinear link between age and life insurance demand, Li (2008) and Duker (1969) incorporated age squared in their model. Berekson (1972), Showers and Shoticks (1994), and Baek and DeVaney (2005) all found evidence that as people age, they become more fearful about the future and, as a result, seek more life insurance products. As a result, age was shown to be both positive and significant. According to Chen et al. (2001), there is a negative significant connection between age and life insurance demand. They said that as individuals grow older, they lose sight of the need of life insurance.

Surprisingly, education has a negligible impact on life insurance demand. This indicates that an individual's degree of education has no bearing on the need for life insurance. Burnett and Palmer (1984) discovered that education had a favourable impact on life insurance demand. Similarly, Li (2008) discovered a positive relationship between education and life insurance demand, indicating that the more educated a person is, the more likely they are to acquire life insurance. Truett and Truett (1990) discovered a favourable correlation between education and life insurance use. However, Browne and Kim (1993) included additional factors to Lewis' (1989) study on life insurance, such as average life expectancy and thirdlevel education enrolment ratio. Education has already been shown to be unimportant; consequently, this study has likewise determined education to be insignificant.

Marital status had no impact on the results. Matis and Farmer (1968) were among the first to investigate the effect of marital status on life insurance demand in households. They discovered that life insurance and marital status had a beneficial association. In addition, Li (2008) discovered that marital status was positively important. That is, one's marital status has an impact on the likelihood of holding life insurance. Marital status was also revealed to be an important factor in life insurance demand by Annamalah (2013), Loke and Goh (2012). In this study, however, marital status appears to be unimportant.

The number of dependent has a large and favourable influence on life insurance demand. When people have dependents, their chances of needing life insurance increase by 18.48 percent. The demand for life insurance is strongly correlated with the number of dependents among respondents. When a result, as a household has more dependents, it becomes more cautious, necessitating the purchase of life insurance to protect their dependents' futures. It agrees with Burnett and Palmer (1984) and Showers and Shoticks (1994), who discovered a link between dependents and life insurance demand. This is to be expected, since families with additional dependents purchase more life insurance for financial reasons. Anderson and Nevin (1975), on the other hand, found no link between family size and life insurance usage. Furthermore, work position has a little impact on life insurance. According to Li (2008), job position is generally assumed to have a beneficial influence on household life insurance consumption; however, her research revealed that the employment of the household head had no significant impact on the household's cash value life insurance demand. By studying the gender issues in life insurance demand among Italian families, Luciano et al. (2015) discovered that job status is strongly related with life insurance demand.

Homeownership has a favourable and considerable influence on life insurance demand in terms of economic and financial considerations. According to the marginal effect estimate, the likelihood of homeowners requesting life insurance would increase by 20.33 percent. Homeownership and life insurance demand are positively associated, according to Anderson and Nevin, 1975; Ferber and Lee, 1980; Gandolfi and Miners, 1996. Gandolfi and Miners (1996) explored whether gender impacts demand for life insurance by estimating the impact of income and the value of household output on the quantity of life insurance purchased by both husbands and wives. Homeownership was determined to be highly beneficial and significant for both men and women. Again, homeownership may represent the financial weight of a mortgage on a family, incentivizing the purchase of additional life insurance to cover the remaining debt in the case of death (Li, 2008).

Previous research has repeatedly demonstrated that income has a substantial beneficial impact on life insurance demand. Intuitively, life insurance becomes more cheap as income rises; nevertheless, income was shown to be irrelevant in this study. Loke and Goh (2012), Annamalah (2013), and Luciano *et al.* (2015) found that income had a favourable influence on life insurance. Further data on Ghana's life insurance demand was provided by Sarkodie

and Yusif (2015), who discovered that income is a significant driver of life insurance demand in Ghana.

Premiums have a substantial and negative influence on life insurance demand. When premiums are high, there is a 27.05 percent reduction in the likelihood of life insurance demand. According to Li (2008), some people only require life insurance for a short period of time and have a restricted budget for it. Term life premiums become costly as one ages, especially for family heads in their senior years, whereas cash value life insurance rates remain reasonable. Wireko (2015), on the other hand, used a logit regression model to investigate the factors that influence life insurance demand. He discovered that the cost of insurance (premium) had no impact on life insurance usage.

A retirement account is an investment account that people use to save for retirement, or to prepare for retirement. It was discovered that having a retirement account had a favourable and considerable influence on life insurance demand. According to the marginal effect estimate, households having a retirement account would be more likely to require life insurance by 27.5 percent. Li (2008) discovered that having a retirement account increases the chance of purchasing life insurance.

Psychographic characteristics are human characteristics based on psychological variables, such as the study of persons in relation to their thoughts, feelings, and interests. Risk-averse, risk-loving, the essence of life insurance, and leaving a legacy for dependents are among the psychographic elements taken into account. In the financial and investing world, individual risk attitudes are extremely important. Risk aversion is a concept that is extensively employed in economics. It produces a demand for insurance, and so plays an important role in financial investment. In the life-cycle model, it is also critical. When a person is risk averse, he or she dislikes risk and prefers to shift it to an insurer by paying a predetermined amount called a premium in order to decrease the risk (O'Donoghue and Somerville, 2018). Risk-averseness was discovered to be a positive significant factor in the demand for life insurance in the study. Individuals who are risk averse have a 22.79 percent higher likelihood of needing life insurance.

The more risk-averse a family is, the more likely they are to require life insurance (Li, 2008). This demonstrates that those who are unconcerned about future risks are low risk takers. It implies they will get insurance so that, in the event of an unanticipated occurrence, the insurer will reimburse them for their losses. It agrees with Baek and DeVaney (2005), who discovered a positive and substantial link between risk aversion and insurance use.

A risk lover, on the other side, is someone who prefers risk, that is, someone who is ready to accept more risks while investing in order to achieve better profits. Risk-takers or lovers, unlike risk-averse persons who would pass their risk to an insurance business, will invest in portfolios that will provide them with better returns rather than purchasing life insurance. This is because, once inflation sets in, people see life insurance as non-profitable from a savings standpoint. The analysis shows that risk takers are minor in terms of life insurance demand.

At 1%, the essence of life insurance is statistically significant. Economically and socially, life insurance is beneficial to society. Socially, it shields individuals from financial difficulty

by replacing household income during old age or death, ensuring that recipients are not financially disadvantaged. In terms of the economy, it creates job possibilities. Individuals who consider life insurance to be vital or essential have a 25.66 percent higher chance of rising demand for it.

Surprisingly, bequest had no bearing on this study. Li (2008) found attitudes regarding bequests to be negligible, despite the fact that she predicted they would be positively connected to life insurance demand. This is because, when a household head leaves a bequest to their dependents, they consider the possibility of property taxes and, as a result, get life insurance so that the beneficiaries may use some of the death benefits to pay the taxes, as property taxes might be excessive at times.

The degree of life insurance perception has a favourable and considerable influence on demand for life insurance. Individuals who have appropriate understanding of life insurance ideas and fundamental features have a 21.33 percent higher chance of increasing demand for life insurance. In a study of public perception, awareness, and trust in insurance in Ghana, Anon. (2020c) discovered that respondents had a poor impression of customer service, such as claim settlement. This means that if people have a positive opinion of the business, they will buy more life insurance. Respondents also had an unfavourable view, according to Ahorgah (2018).

Furthermore, with a marginal effect of 62.74 percent, life insurance knowledge has a favourable influence on demand for life insurance. This is to suggest that people will appreciate life insurance the most if they are well-versed in its principles, features, and language. Individuals with greater investment, according to Li (2008), may have more

knowledge and expertise, which may enhance their chances of obtaining life insurance, such as to safeguard their assets from high property taxes.

Finally, premium was negatively significant, whereas dependents, homeownership, retirement account, risk aversion, the essence of life insurance, and perception were all 1 percent favourably significant. Again, age and life insurance knowledge were positively significant. Gender, education, married status, work position, income, risk lover, and attitude toward leaving a legacy, on the other hand, were not significant.

4.5 Chapter Summary

The results of the study were discussed in this section. Diagrams and frequency tables were used to portray the knowledge level of life insurance in Ghana taking into consideration gender, age and education. Again, descriptive statistics were used to measure the perception level of life insurance by using the mean values. Furthermore, variables under determinant of life insurance demand were measured using probit model. The study utilised marginal effect to know the probability of a variable causing a change in life insurance demand. Correlation was also run to determine the relationship between two variables.

CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarises the findings from this study and the resulting conclusions made out of the study findings. The chapter finally ends with recommendations based on the results and findings.

5.1 Summary of Findings

Objective 1: Knowledge Level of Life Insurance

- i. The majority of respondents had inadequate knowledge of life insurance, which aligns with (Bakar *et al.*, 2018) and (Ramchander, 2016).
- ii. The majority of respondents who had inadequate knowledge of life insurance were females. This contradicts with literature that found no sex difference in general intelligence, example, Spelke and Grace (2007).
- iii. The higher one is educated, the more knowledgeable the person becomes of insurance and appreciate. It is in consonance with Annamalah (2013) and Satroviv (2019).

Objective 2: Perception Level of Life Insurance

Respondents generally have ill perception about the services provided by the life insurance industry especially with the claim processes. Though, 79.90% of the respondents perceived insurance to be essential for the security of one's family, which aligns with Ahorgah (2018).

Objective 3: Determinant of Life Insurance

- i. For the demographical factors; gender, education, marital status and employment status were insignificant however, age and dependent were positively significant.
- With psychographic factors, risk aversion was positively significant whereas risk lover and bequest were not significant.
- iii. In terms of economic and financial factors, retirement account was positively significant whiles premium or cost of insurance was negatively significant, however, income was insignificant in this model.
- iv. Perception of life insurance was positively significant
- v. Knowledge of life insurance was positively significant

5.2. Conclusion

The study sought to identify the factors affecting the demand for life insurance in Ghana. Employing descriptive and the Probit regression model, the result revealed that people have negative perception and inadequate knowledge on the basic characteristics and concept of life insurance. Thus, they cannot differentiate between the various products, hence if they have good perception on life insurance and adequate knowledge or understand the concepts and terminologies, they will demand more of the products. In terms of the demographic characteristics, age and dependent were positive and had a significant effect on life insurance. There is a notion that once people aged, they feel vulnerable and as such demand life insurance to protect themself and that of their dependents so that in their demise, they can pay for their funeral expenses and relieve them of financial burden. In the same vein, those with dependents are more likely to demand life insurance to protect those they leave behind. However, gender, education, marital and employment status were not significant. With regards to the economic and financial factors, homeownership and retirement account had a positive and significant effect while premium had a negative effect on life insurance demand, whereas, income was insignificant. Psychographic factors such as risk averse and essence were positive and significant while risk lover and bequest motive were insignificant. Peoples confidence should be built through rigorous and effective education programs by the industry players to eliminate the ill perception as well as understand the components of life insurance.

5.3 Recommendations

Taking into consideration the foregoing conclusions, the following recommendations are made: In order to achieve business growth and sustainability, industry practitioners such as the National Insurance Commission, the Ghana Insurers Association, the Ghana Brokers Association and insurance companies should develop and implement customer satisfaction strategies. These strategies should focus on providing high-quality service while improving operational efficiency, building trust and confidence through rigorous and effective educational programmes and awareness creation for both their employees and the general public, and responding to claims.

5.4 Suggestions for Further Research or Studies

- i. I recommend incorporating asset factors such as liquid assets and non-liquid assets in the determinant of life insurance.
- ii. I also recommend that further studies include the amount of term life insurance and whole life insurance purchased by consumers.

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TRUTH AND EXCE
APPENDIX

UNIVERSITY OF MINES AND TECHNOLOGY FACULTY OF INTEGRATED MANAGEMENT SCIENCE DEPARTMENT OF MANAGEMENT STUDIES

FACTORS AFFECTING THE DEMAND FOR LIFE INSURANCE IN GHANA-EVIDENCE FROM TARKWA NSUAEM MUNICIPALITY

Dear respondent,

This questionnaire is for academic purposes only. Questions are designed to measure opinion on the survey's specific statements, and it takes approximately 5 minutes to respond.

The questionnaire has four sections. Kindly provide the necessary answers by ticking the numeric response. All information provided will be accorded the needed confidentiality.

Thank you.



SECTION I: DEMOGRAPHIC

1. Gender Male Female 2. Age (in years) 26 - 35 18 - 25 46-60 60 +36-45 3. Education Vocational JHS SHS Bachelor's Degree Master's Degree PhD or higher None 4. Are you married? Yes No How many dependents do you have? (in figures) 5. 6. Employment Status Employed Unemployed 7. What is your average income for a month Less GHC599 GHC 600- GHC 999 GHC1,000 – GHC2,999 GHC3,000 - GHC4,999 GHC5,000 – GHC10,000 GHC 10,000 + Do you own a home? 8. No Yes

SECTION II: PERCEPTION OF LIFE INSURANCE

9. Is it essential to have a life insurance policy for the security of one's family?

No

Yes

10. Kindly tick I the one that best suits you

Narration	Never	Rarely	Somewhat	Often	Always
-----------	-------	--------	----------	-------	--------

	1	2	3	4	5
The high cost of premiums affects the way I perceive life insurance					
Poor agents and other intermediaries integrity has made a bad name for life insurance					
Poor customer service in life insurance has affected my attitude					
Lack of disposable income to buy a life insurance policy has affected the way I perceive life insurance					
Complicated nature of life insurance, unlike motor insurance					
Claims settlement is tedious for life insurance					
Accessibility of life insurance staff is poor in regards to inquires					
The popularity of life insurance affects my attitude					
Having life insurance means you will die soon	6				

SECTION III: KNOWLEDGE OF LIFE INSURANCE

11. What comes to mind when you hear life insurance? (You can select more than one)

	Insurance for life activities	Life savings-investment
	Retirement income	Fund for child's education

- 12. Life Insurance may include savings elements
 - Yes

Yes

Yes

- No
- 13. Term life insurance coverage ends after a specific period

- No
- 14. A term life insurance provides death benefit until whichever day of the insured death

Yes No

15. Whole life insurance has a cash value component

No

16. *Cash-value insurance* is also known as permanent life insurance



Thank you for your response

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