ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

FACTORS AFFECTING PURCHASING INTENTION OF CUSTOMERS TOWARDS LIFE INSURANCE: A CASE STUDY ON ETHIOPIAN INSURANCE CORPORATION (EIC)

BY

KEBEBUSH HAILU

JULY, 2024
ADDIS ABABA, ETHIOPIA

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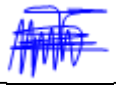
Mesfin Tesfaye (PhD)	
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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
AVE	Average Variance Extracted
EIC	Ethiopian Insurance Corporation
CB-SEM	Covariance Based-Structural Equation Modeling
LM	Linear Model
PLS-SEM	Partial Least Squares-Structural Equation Modeling
SD	Standard Deviation
SPSS	Statistical Package for Social Sciences

ABSTRACT

In an era marked by economic uncertainty and evolving financial landscapes, understanding the factors influencing individuals' purchase intentions of life insurance is of paramount importance. This study investigates the determinants of purchase intention of life insurance among Ethiopian Insurance Corporation (EIC) customers, focusing on the mediating roles of awareness about life insurance benefits and financial literacy. Specifically, the research examined the influence of demographic factors (age and stage of life, level of education), attitudinal factors (attitude towards life insurance), socio-economic factors (financial stability and income level), and trust in insurance providers on the purchase intention of life insurance. A comprehensive analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) on survey data collected from 278 EIC customers. Variables of the study were measured through five-point Likert scale of measurement. Convenience sampling technique was used to gather primary data from the customers of EIC. The study results revealed significant direct effects of age and stage of life, level of education, financial stability and income level, and attitude towards life insurance on purchase intention. Notably, trust in insurance providers had a statistically significant but negative direct effect on purchase intention ($\beta = -0.684$, $p < 0.001$), highlighting potential issues in customer perceptions or experiences with insurance providers. The study also examined the mediating roles of awareness about life insurance benefits and financial literacy. While awareness about life insurance benefits did not have a significant direct effect on purchase intention, financial literacy emerged as a significant mediator. Specifically, the path from trust in insurance providers through financial literacy to purchase intention was significant but also negatively affected purchase intention ($\beta = -0.068$, $p = 0.022$). This suggests that even as financial literacy improves, negative perceptions of trust in insurance providers can reduce purchase intentions. These findings underscored the importance of enhancing customer awareness and financial literacy to boost life insurance uptake. However, they also highlighted the critical need for insurance providers to build and maintain trust with potential customers. Insurers must address any trust-related issues through improved transparency, customer service, and communication strategies. This dual approach of education and trust-building is essential for fostering a more informed and insured populace. Future research should explore these relationships in different cultural and economic contexts to validate and extend the applicability of the findings.

Keywords: Life Insurance, Purchase Intention, Financial Literacy, Awareness, Demographic Factors, Attitudinal Factors, Socio-Economic Factors, Trust, PLS-SEM.

CHAPTER ONE
INTRODUCTION

This chapter introduces the nature of the proposed research and the overall planned approach to deal with the stated research problem. It consists of the background of the study, research problem, associated research questions to be answered, objectives to be achieved, scope of the study, limitation of the study, significance & organization of the study.

1.1.Background of the Study

In an era marked by economic uncertainty and evolving financial landscapes, the importance of life insurance as a means of financial protection and wealth management cannot be overstated. Life insurance serves as a crucial tool for individuals and families to safeguard their financial future, providing a safety net in times of unforeseen circumstances such as illness, disability, or death (Smith, 2020; Johnson, 2019). Understanding the factors influencing individuals' attitudes and behaviors towards life insurance is therefore of paramount importance for insurers, policymakers, and financial advisors alike (Doe, 2018). Against this backdrop, this study seeks to explore the underlying determinants of individuals' awareness and purchase intention of life insurance, shedding light on the intricate interplay between demographic, attitudinal, and socio-economic factors (Brown, 2021).

The insurance sector is a key segment of the financial sector in both developed and developing nations. It plays a crucial role in the economic growth of a country by promoting long-term savings, transfer of funds, risk management, and development of capital market support (Jadi, 2015; Shan, 2018). To be more precise, it is a well-established fact that the insurance sector forms an integral part of the financial sector in an economy and is vital to the well-being of other sectors, households, and a nation’s overall economy through the transfer and pool of risks. The absence or failure of an insurance sector in an economy may cause real instability in the financial services sector and devastate the country’s overall economy (Isayas, 2021; Wise, 2017). The insurance sector of every nation is thus subject to stringent regulations and standards set by its regulators to ensure its financial stability (Sibindi & Makina, 2018).

Looking at the Ethiopian situation, the Insurance Proclamation 746 of 2012 specified that the insurance sector in Ethiopia plays an important role in economic development by providing insurance coverage against risks, being an alternative means for savings, and through mobilization of financial resources from within and outside the country. Therefore, its safety, soundness, and stability are crucial.

Ethiopia's insurance sector has shown a considerable expansion in branches since the sector was reopened to private-sector insurers. This is confirmed by the fact that the total number of branches in the insurance sector before the advent of the first private insurer in 1994 was only 19 (Zeleke, 2007). This number has significantly increased and reached 632 in total in 2021, showing a 119.5% average growth per year. Of the total branches, about 85.8% belong to private insurers and 54.6% were in Addis Ababa. The EIC, the only state-owned insurer, held 14.2% of all branches, followed by Awash and Nile insurers with 8.2% and 8.1% shares (NBE, 2021). The aforementioned statistics have witnessed that the private sector insurers have outperformed the public sector in terms of branch network expansion, despite EIC's leading position in branch size. Besides, the capital city, which is the country's main commercial and business center, has better access to insurance services compared to other regions of Ethiopia.

The development level and potential of the insurance sector in any country can be universally assessed in terms of two standard parameters: insurance penetration and insurance density. Insurance penetration (the ratio of insurance premiums to GDP) reflects how much a country's insurance sector contributes to the national economy or how deep a country's insurance market is, whereas insurance density (the ratio of insurance premiums to total population) indicates insurance sales volume per inhabitant or the demand for insurance services in a specific country (Vimala & Alamelu, 2018).

In Ethiopia, the insurance sector's aggregate contribution to the national GDP (i.e., penetration) was about 0.32 percent, while the gross premium per capita (i.e., density) was around USD 2.70 in 2019 (https://www.atlas-mag.net). The status was improved slightly in 2021 with a penetration rate of 0.34% and a density rate of USD 2.90 (NIC Annual Report, 2021).

Ethiopia's insurance penetration and insurance density rates are by far below the global averages of 6.9% and USD 874 in 2021 (Swiss Re, Sigma's report, 4/2022). The rates are also considerably low compared to the biggest nine African insurance markets, including South Africa, Morocco, Egypt, Kenya, Nigeria, Algeria, Tunisia, Cote D'ivoire, and Ghana in 2020-21 (Atlas Magazine, 2021). To this effect, this research paper aimed to investigate the factors affecting customers' purchase intention of life insurance through the mediation role of awareness about life insurance benefits and awareness about finance (financial literacy) in the insurance sector in Ethiopia particularly in EIC.

1.2.Background of the Organization

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation No.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming the following objectives.

- Engage in all classes of insurance business in Ethiopia;
- Ensure the insurance services reach the broad mass of the people;

Subject to the provision of Article 18 of the Housing and Saving Bank establishment proclamation No. 60/1975, promote efficient utilization of both material and financial resources.

EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as public enterprise under proclamation number 201/94 with Birr 61 million (USD 7.13 million) paid up capital.

Upon re-establishment of the Corporation in 1994 as state owned enterprise, the law covers the following new objectives to the Corporation:

- Engage in the business of rendering insurance services;
- Engage in any other related activities conducive to the attainment of its purposes.

Vision

"To be a world class insurer by the year, 2025"

Mission

"We provide our customers an efficient and reliable insurance service and engage in investment activities by deploying the right mix of expertise, the state of the art technology and cost effective strategy. In doing so, we contribute to the sustainable development of the national economy and play a vital role in the industry."

Core Values

- **Customer Focused:** We seek first to understand the needs and expectations of our customers and we deliver on them;
- **Development Partner:** We are partner in the Government's development program;
- **Pro-Activeness**: We provide professional advice to our customers on loss prevention and control;
- **Excellence**: We are aware of our performance and we constantly strive to deliver better than the last time in everything we do;
- **Transparency and Accountability**: We take positive responsibility for the planning, successful execution and delivery of our services;
- **Team Work**: We help each other to do better and together we support one another to keep the promise we made to our customers; and
- **Professional Ethics**: we value Playing a pivotal professional Role aimed at meeting ethical standards in the insurance industry as a whole.
- **Learning Organization**: We value continual learning and use state of the art technology (https://eic-et.com/index.php/about-us/)

1.2.1. Life Insurance Product and Services

1.21.1. Long Term Insurance

a) Individual Long Term Insurance Policies

- Term Life Assurance
- Ordinary Endowment
- Endowment Annuity
- Whole Life Assurance
- Children's Education (with profit)
- Anticipated Endowment (with profit)
- Mortgage Protection Assurance

b) Group Long Term Insurance Policies

- Ordinary Group Term Assurance
- Modified Large Group Term Life Assurance
- Group Endowment
- Group Medical Assurance

c) Riders

- Executive Medical Insurance
- Comprehensive Accident Insurance
- Terminal Illness (Dread Disease Insurance)
- Pre need Funeral Expense Insurance

1.3.Statement of the Problem

According to Mojekwu, Agwuegbo, and Olokudejo (2011), the insurance sector is one of the service industries that significantly contribute to the nation's economic growth. As such, the contribution of the insurance sector to economic growth is positively correlated. According to Agarwal (2017), the Ethiopian life insurance industry has achieved very little because of lack of insurance awareness, ineffective marketing strategies, poor affordability and low investment in life insurance products when compared with the developed foreign countries.

The insurance industry in general and life insurance in particular have not yet grown in Ethiopia, despite the potential advantages. Low levels of penetration and insurance per capita help to further explain this. According to a topic paper by Yared (2017), Ethiopians, in contrast to people in other developed and developing countries, view insurance as a purchase for material possessions and are unaware of its other advantages. Yared stated that Kenya was able to raise over USD 602 million from life insurance businesses, whereas Ethiopia was only able to collect USD 13.7 million, based on actual statistics from the 2015 fiscal year. Similarly, Ethiopia only has a 5.5% life insurance market share, while Kenya's has increased to almost 36.2% (Yared, 2017).

Customers in any region of Ethiopia can obtain insurance services from a variety of insurance firms. However, based on what the researcher observed in Ethiopia, there is very little demand for life insurance due to a lack of awareness. People in Ethiopia view life insurance as a luxury rather than a necessity since they are unaware of the high danger of illness and individual death that exists in the country. Moreover previous studies reported that in Ethiopia, insurance sector in general and life insurance in particular have been given small attention in marketing concept over the years (Demis, 2019).

Particularly reports are showing that the insurance industry in Ethiopia is one of the fastest growing industries in the country but life insurance industry is moving at a very slow pace, which is evident by the fact that in the overall part of the country there are only few companies which are involved in life insurance with a small amount of customers.

The purchase intention of life insurance products is a critical area of study for insurance companies aiming to increase market penetration and customer engagement. Despite the growing body of research in this field, significant gaps remain in understanding the nuanced factors that influence customers' decision-making processes. To the best knowledge of the researcher, there is a lack of empirical studies investigating the mediating roles of awareness about life insurance benefits and financial literacy in the relationship between demographic and socio-economic factors (age & stage of life, level of education, financial stability & income level, and trust in insurance providers) and the purchase intention of life insurance.

Previous research, such as the study by Ghani et al. (2020), explored factors influencing customer purchase intention towards insurance products, using attitude as a mediating variable. However, this study did not address the roles of awareness about life insurance benefits and financial literacy as mediators. These two factors are crucial, as they directly impact an individual's understanding and perceived value of life insurance, thereby influencing their purchase intentions.

The absence of empirical studies focusing on these mediating variables presents a significant gap in the literature. Understanding how awareness and financial literacy mediate the relationship between demographic and socio-economic factors and purchase intentions can provide deeper insights for insurance companies. This knowledge is essential for developing targeted strategies to enhance customer education, trust, and ultimately, purchase intention.

In the context of Ethiopia, where life insurance penetration remains low, addressing this gap is particularly important. The Ethiopian Insurance Corporation (EIC) and other stakeholders need comprehensive data to tailor their marketing and educational campaigns effectively. By elucidating the mediating effects of awareness and financial literacy, this study aims to provide actionable insights that can help EIC improve its customer engagement and increase the uptake of life insurance products.

Therefore, this study seeks to fill the gap by investigating the mediating roles of awareness about life insurance benefits and financial literacy in the relationship between age & stage of life, level of education, financial stability & income level, trust in insurance providers, and purchase intention of life insurance. The findings are expected to contribute significantly to the academic literature and provide practical recommendations for the insurance industry in Ethiopia and beyond.

1.4.Objective of the Study

1.4.1. General Objective

The main objective of the study was to investigate the factors affecting customers' purchase intention of life insurance through the mediation role of awareness about life insurance benefits and awareness about finance (financial literacy).

1.4.2. Specific Objectives

The specific objectives of the study were:

1. To determine the effect of age and stage of life on purchase intention of life insurance in EIC.
2. To examine the effect of level of education on purchase intention of life insurance in EIC.
3. To evaluate the effect of financial stability and income level on purchase intention of life insurance in EIC.
4. To assess the effect of trust in insurance providers on purchase intention of life insurance in EIC.
5. To measure the effect of attitude towards life insurance on purchase intention of life insurance in EIC.
6. To estimate the mediating role of awareness about life insurance benefits in the link between age & stage of life, level of education, financial stability and income level, and trust in insurance providers and purchase intentions life of insurance.
7. To estimate the mediating role of awareness about finance (financial literacy) in the link between age & stage of life, level of education, financial stability and income level, and trust in insurance providers and purchase intentions of life insurance.

1.5.Research Questions

To accomplish the desired objectives for this study, the following research questions were formulated: -

1. How does age and stage of life influence the purchase intention of life insurance in EIC?
2. What is the impact level of education on the purchase intention of life insurance in EIC?
3. How does financial stability and income level affect the purchase intention of life insurance in EIC?
4. How does trust in insurance providers influence the purchase intention of life insurance in EIC?
5. What is the effect of attitude towards life insurance on the purchase intention of life insurance in EIC?
6. How does awareness about life insurance benefits mediate the relationship between age & stage of life, level of education, financial stability and income level, and trust in insurance providers, and the purchase intention of life insurance in EIC?
7. How does awareness of finance (financial literacy) mediate the relationship between age & stage of life, level of education, financial stability & income level, and trust in insurance providers, and the purchase intention of life insurance in EIC?

1.6.Significance of the Study

This study holds significant importance for several stakeholders, including policymakers, insurance providers, academic researchers, and the general public. Understanding the factors that influence the purchase intention of life insurance can lead to more effective strategies and policies that enhance market penetration and consumer satisfaction.

The insights from this study can aid policymakers in designing targeted interventions and regulations that encourage life insurance uptake. By identifying key demographic and psychological factors that affect purchase intentions, policymakers can create more inclusive and supportive environments that promote financial security through life insurance.

For insurance companies, this study provides a valuable understanding of customer behavior and preferences. By recognizing the impact of factors such as age, education, financial stability, trust, and attitude towards insurance, providers can tailor their products and marketing strategies to better meet the needs of diverse customer segments. This can lead to increased customer satisfaction, loyalty, and ultimately, higher sales.

The study contributes to the existing body of knowledge by exploring the mediating roles of awareness about life insurance benefits and financial literacy in the relationship between predictor variables and purchase intentions. This can serve as a foundation for future research, helping scholars to build upon these findings and further explore the dynamics of life insurance adoption.

For consumers, the study highlights the importance of financial literacy and awareness about life insurance benefits in making informed decisions. By understanding the factors that influence their purchase intentions, individuals can better evaluate their own needs and consider life insurance as a viable option for financial protection.

At a broader level, increasing life insurance uptake has positive implications for economic stability and development. Life insurance products can provide financial security to families, reduce the burden on social welfare systems, and encourage savings and investments. By fostering a culture of insurance, the study indirectly contributes to the financial resilience and economic well-being of the society.

1.7.Scope of the Study

The scope of the study was delimited conceptually, geographically and methodologically which is described as follows. The geographical scope of this study is confined to the Ethiopian Insurance Corporation (EIC), with a particular focus on its life insurance customers. EIC, being one of the leading insurance providers in Ethiopia, offers a comprehensive platform to examine the factors influencing life insurance purchase intentions among its customers. By concentrating on EIC, the study ensures a detailed and context-specific understanding of the dynamics at play within a significant segment of the

Ethiopian insurance market. This focus allows for the generation of insights that are directly relevant to the local context, which can then be used to inform strategies and policies specific to Ethiopia.

Conceptually, the study investigated several key factors that potentially influence the purchase intention of life insurance. These factors include age and stage of life, examining how different life stages and age groups perceive and prioritize life insurance. It also includes the level of education, assessing the impact of educational attainment on the understanding and purchase intention of life insurance. Financial stability and income level were considered to understand how financial security influence decisions regarding life insurance. The role of trust in insurance providers was evaluated to determine its impact on the decision to purchase life insurance. Additionally, the study explored personal attitudes towards life insurance and how these attitudes affect purchase intentions. It also investigated the role of awareness about life insurance benefits in mediating the relationship between the aforementioned factors and purchase intention. Lastly, the study examines how financial literacy mediates the relationship between demographic and psychological factors and purchase intentions.

Methodologically, this study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) as the primary analytical technique. PLS-SEM is chosen for its flexibility in handling complex models with multiple constructs and indicators, which aligns with the multifaceted nature of the factors being studied. Additionally, PLS-SEM's prediction-oriented approach focuses on maximizing the explained variance of the dependent variables, making it ideal for studies aiming to predict purchase intentions. Another advantage of PLS-SEM is its ability to handle small sample sizes effectively, providing reliable results without the stringent requirements of other SEM techniques. The study involves the collection of primary data through structured questionnaires distributed to life insurance customers of EIC. This data is then analyzed using PLS-SEM to test the proposed hypotheses and to examine both direct and indirect relationships among the variables. This methodological approach ensures robust and reliable results that can be used to inform practical strategies for enhancing life insurance uptake.

1.8.Limitation of the Study

Every research endeavor has its inherent limitations, and this study is no exception. Acknowledging these limitations not only provides transparency but also helps contextualize the findings and suggests areas for future research.

The geographical scope of this study was limited to the Ethiopian Insurance Corporation and its life insurance customers. While EIC is a major player in Ethiopia's insurance industry, focusing on a single organization may limit the generalizability of the findings. The unique characteristics and customer base of EIC may not fully represent the broader Ethiopian insurance market or other regions with different economic, cultural, and regulatory environments.

The study relied on data collected from a specific subset of EIC's life insurance customers. Although efforts were made to include a diverse sample, the responses may still be influenced by the demographics and socio-economic status of the participants who chose to respond. This self-selection bias could affect the representativeness of the findings. Additionally, a larger sample size would have provided more robust statistical power, enhancing the reliability of the conclusions drawn from the data.

While Partial Least Squares Structural Equation Modeling (PLS-SEM) is a powerful tool for analyzing complex relationships among variables, it also has its limitations. PLS-SEM is particularly sensitive to sample size and the distribution of data. Despite its flexibility, it may not fully capture all nuances of the relationships between variables. Furthermore, the reliance on cross-sectional data limits the ability to infer causality, as the relationships observed at a single point in time may not hold over longer periods.

Conceptually, the study focuses on specific factors influencing life insurance purchase intentions, including age, education, financial stability, trust in providers, and attitudes towards life insurance. While comprehensive, this framework may still overlook other potentially relevant factors such as cultural beliefs, peer influence, or recent changes in the insurance industry. Moreover, the study's focus on mediating roles of awareness and

financial literacy, though insightful, may not fully capture the complexity of decision-making processes in life insurance purchases.

The study's reliance on self-reported data introduces the potential for response bias. Participants may have provided socially desirable answers or may not have fully understood some of the survey questions, leading to inaccuracies in the data. Additionally, the timing of data collection could have influenced responses, particularly if there were concurrent events affecting public perception of life insurance or the EIC.

Recognizing these limitations opens avenues for future research. Expanding the study to include multiple insurance companies across different regions in Ethiopia or even other countries could enhance the generalizability of the findings. Longitudinal studies that track changes over time would provide deeper insights into the causal relationships between the studied variables. Additionally, integrating qualitative methods such as focus groups could offer richer, more nuanced understandings of customer attitudes and behaviors.

1.9.Organization of the Paper

This study is organized into five chapters. The First chapter includes a general introduction of the study including background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation of the study and organization of the study. Chapter Two covered theoretical framework, empirical review and conceptual framework of the topic under the study. Chapter three deals with research design and methodology. These are the research design and approach of the study. It will also include research method sampling technique, data collection method, validity and reliability, method of data analysis and ethical issues that will be used in the study. Chapter four deals with data presentation, analysis and discussion. Chapter five deals with summary, conclusion and recommendation of the study. Major limitations and indications for further studies in the area were discussed respectively.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1.Theoretical Framework

A theory refers to a tried, tested, and verified ideology aimed at explaining and helping the general understanding of the relationship between the underlying phenomena (Eden & Ackermann, 2018).

The theoretical framework for understanding insurance and life insurance is grounded in several key economic and psychological theories. These theories help to explain why individuals and organizations choose to purchase insurance, including life insurance, and how they perceive the value and benefits of such products.

2.1.1. Expected Utility Theory

This theory posits that individuals make decisions to maximize their expected utility, rather than expected value. Insurance, including life insurance, is purchased because it reduces the uncertainty and potential financial loss associated with unforeseen events. By paying a relatively small, certain premium, policyholders can protect themselves against larger, uncertain losses (Bernoulli, 1954; Von Neumann & Morgenstern, 1944).

2.1.2. Prospect Theory

Proposed by Kahneman and Tversky (1979), prospect theory suggests that individuals evaluate potential losses and gains differently. People are generally more sensitive to losses than to gains. Life insurance is often marketed by emphasizing the potential losses (financial burdens) that beneficiaries might face in the event of the policyholder's death, thus appealing to the loss-averse nature of individuals.

2.1.3. Life-Cycle Hypothesis

This economic theory, developed by Modigliani and Brumberg (1954), suggests that individuals plan their consumption and savings behavior over their lifetime to ensure a stable standard of living. Life insurance fits into this model as a tool for smoothing consumption by providing financial resources to dependents after the policyholder's death.

2.1.4. Behavioral Economics

This field explores how psychological factors influence economic decision-making. In the context of life insurance, concepts such as present bias (overvaluing immediate rewards over future benefits) and the complexity of insurance products can impact purchase decisions (Thaler, 1985).

2.1.5. Health Belief Model

Originally developed to explain health-related behaviors, this model can be applied to life insurance to understand how beliefs about susceptibility to risks, perceived severity of the consequences, and perceived benefits of the insurance influence purchase intentions (Rosenstock, 1974).

2.2.Theoretical Literature

2.2.1. The Concepts of Insurance

Insurance is a risk management tool that provides financial protection against potential future losses or damages. It involves the transfer of risk from an individual or entity to an insurance company, which, in exchange for regular premium payments, agrees to compensate the insured for covered losses (Rejda & McNamara, 2014).

Key Concepts:

- **Risk**: The uncertainty regarding financial loss or damage (Vaughan & Vaughan, 2007).
- **Premium**: The payment made by the insured to the insurance company for coverage (Harrington & Niehaus, 2004).
- **Policy**: A contract between the insurer and the insured outlining the terms of coverage (Black & Skipper, 2000).
- **Claim**: A request by the insured for payment of a loss covered by the policy (Outreville, 1998).
- **Deductible**: The amount the insured must pay out-of-pocket before the insurer pays for a covered loss (Rejda & McNamara, 2014).

2.2.2. The Concepts of Life Insurance

Life insurance is a contract between an insurance policyholder and an insurer, where the insurer promises to pay a designated beneficiary a sum of money upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness may also trigger payment (Black & Skipper, 2000).

Key Concepts:

- **Term Life Insurance**: Provides coverage for a specific period, such as 10, 20, or 30 years. If the insured dies during the term, the beneficiary receives the death benefit (Rejda & McNamara, 2014).
- **Whole Life Insurance**: Provides lifetime coverage with a death benefit and a savings component that grows over time (Outreville, 1998).
- **Universal Life Insurance**: A flexible policy that combines death benefit protection with a savings element, allowing policyholders to adjust premiums and death benefits (Black & Skipper, 2000).
- **Beneficiary**: The person or entity designated to receive the death benefit from the policy (Harrington & Niehaus, 2004).

2.2.3. Types of Life Insurance

2.2.3.1. Term Life Insurance

Offers protection for a specified term and is typically the least expensive form of life insurance. It is designed to provide financial support to beneficiaries in the event of the policyholder's premature death (Black & Skipper, 2000).

2.2.3.2. Whole Life Insurance

A type of permanent life insurance that provides coverage for the policyholder's entire life, as long as premiums are paid. It includes a savings component, known as cash value, which grows over time (Outreville, 1998).

2.2.3.3. Universal Life Insurance

Another form of permanent life insurance that offers more flexibility than whole life insurance. Policyholders can adjust their premium payments and death benefits within certain limits. It also includes a cash value component (Harrington & Niehaus, 2004).

2.2.3.4. Variable Life Insurance

A type of permanent life insurance that allows policyholders to invest the cash value portion of their policy in various investment options, such as stocks and bonds. The death benefit and cash value can fluctuate based on the performance of these investments (Rejda & McNamara, 2014).

2.2.3.5. Indexed Universal Life Insurance

Similar to universal life insurance but with interest credited to the cash value based on the performance of a specified stock market index (Black & Skipper, 2000).

2.2.4. Benefits of Life Insurance

a) **Financial Security for Beneficiaries**: Life insurance provides a financial safety net for the policyholder's dependents, ensuring they can maintain their standard of living and cover essential expenses after the policyholder's death (Rejda & McNamara, 2014).
b) **Debt Repayment**: Life insurance proceeds can be used to pay off outstanding debts, such as mortgages, car loans, and credit card balances, preventing the burden from falling on the beneficiaries (Outreville, 1998).
c) Income Replacement: The death benefit can replace the policyholder's lost income, helping beneficiaries manage day-to-day expenses and future financial goals (Harrington & Niehaus, 2004).
d) Estate Planning: Life insurance can be a key component of estate planning, providing liquidity to cover estate taxes and other expenses, and facilitating the smooth transfer of assets to heirs (Black & Skipper, 2000).
e) Savings and Investment: Certain types of life insurance, such as whole life and universal life, include a savings component that grows over time, offering policyholders a way to build cash value that can be borrowed against or withdrawn (Rejda & McNamara, 2014).

f) **Business Continuity:** For business owners, life insurance can fund buy-sell agreements, ensuring the smooth transition of ownership and providing financial stability to the business in the event of the owner's death (Outreville, 1998).

2.2.5. The Roles of the Mediating Variables

2.2.5.1. Awareness about Life Insurance Benefits

The mediating role of awareness about life insurance benefits and financial literacy in the purchase intention of life insurance is crucial for understanding how consumers make informed decisions about purchasing life insurance policies.

Awareness and understanding of the benefits provided by life insurance policies can significantly influence purchase intentions. When potential policyholders are well-informed about the financial security, debt repayment, and income replacement benefits, they are more likely to recognize the value of life insurance and consider purchasing a policy (Fitzgerald, 2017).

2.2.5.2. Financial Literacy

Financial literacy, defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing, plays a vital role in life insurance purchase decisions. Higher levels of financial literacy enable individuals to better comprehend the importance of life insurance as part of their overall financial planning strategy. Financially literate individuals are more likely to understand the nuances of different life insurance products, assess their own insurance needs, and make informed decisions about purchasing life insurance (Huston, 2010).

2.2.5.3. Theoretical Models

Information-Motivation-Behavioral Skills (IMB) Model: This model posits that information (awareness about life insurance benefits) and motivation (financial literacy) influence behavioral skills (decision-making) that lead to specific behaviors (purchase intention) (Fisher & Fisher, 1992).

Theory of Planned Behavior (TPB): According to TPB, attitudes (formed through awareness and understanding of life insurance benefits), subjective norms, and perceived behavioral control (enhanced by financial literacy) collectively influence intentions and behaviors (Ajzen, 1991).

2.3.Empirical Literature

2.3.1. Global Studies

Globally, numerous studies have explored various factors influencing the purchase intention of life insurance products. Ghani et al. (2020) examined the factors influencing customer purchase intention towards insurance products, focusing on attitude as a mediating variable. Their study found that attitude significantly mediated the relationship between perceived value, perceived risk, and purchase intention, highlighting the importance of psychological factors in decision-making processes.

Similarly, Kumar and Sharma (2019) investigated the role of demographic factors, financial literacy, and risk perception in the purchase intention of life insurance among Indian consumers. They concluded that financial literacy significantly impacted consumers' understanding and valuation of life insurance products, thereby influencing their purchase intentions. The study emphasized the need for insurance companies to enhance financial literacy programs to boost market penetration.

Similarly, Lin and Chen (2015) investigated how financial literacy impacts financial decision-making, including life insurance purchase intentions. Their research demonstrated that individuals with higher levels of financial literacy were more likely to purchase life insurance. Financial literacy enabled consumers to better comprehend the benefits and complexities of insurance products, leading to more informed and confident purchasing decisions.

Rahman and Gan (2020) explored the role of financial literacy in the demand for life insurance in Malaysia. Their findings revealed that financial literacy significantly mediated the relationship between income and life insurance demand. Individuals with higher

financial literacy were more likely to recognize the importance of life insurance, resulting in higher purchase intentions.

Ahmed and Dey (2016) conducted a study in Bangladesh to investigate the level of awareness about life insurance benefits and its impact on purchase intentions. The study found a strong positive correlation between awareness of life insurance benefits and purchase intentions. They suggested that enhancing public knowledge about life insurance benefits could significantly increase insurance penetration in the region.

Kandampully and Hu (2007), although focusing on the hospitality industry, provided insights relevant to the insurance sector. Their study on the role of awareness and customer knowledge in shaping purchase intentions can be extrapolated to life insurance. They highlighted that consumer education and awareness are crucial for building trust and encouraging purchases, principles that are applicable to the life insurance industry as well.

2.3.2. Regional Studies

In the regional context, research has primarily focused on identifying the socio-economic and demographic factors affecting life insurance uptake. For instance, Asamoah and Amankwah (2019) conducted a study in Ghana to understand the factors influencing the purchase of life insurance. Their findings revealed that income level, education, and awareness about life insurance benefits were significant predictors of purchase intention. The study recommended increasing public awareness campaigns to improve life insurance penetration in Ghana.

A study by Mutua and Murungi (2020) in Kenya examined the impact of trust in insurance providers on life insurance purchase intentions. They found that trust significantly influenced customers' decisions to buy life insurance, with transparency and reliability of insurance providers being key determinants. This study underscored the critical role of trust-building measures in the insurance sector.

2.3.3. Local Studies

In Ethiopia, empirical research on life insurance purchase intention is relatively sparse. However, a few studies have provided insights into the local context. Abebe and Mesfin (2018) investigated the factors influencing the purchase intention of life insurance in Addis Ababa. Their study identified financial stability, income level, and education as significant factors. They also highlighted the lack of awareness about life insurance benefits as a major barrier to purchase intention.

Another study by Gebre and Desta (2020) explored the role of financial literacy in life insurance uptake among Ethiopian consumers. They found that higher levels of financial literacy were associated with increased purchase intentions, suggesting the need for financial education initiatives to promote life insurance products.

Gebre (2018) explored the determinants of life insurance demand, highlighting the critical role of awareness and financial literacy. The study revealed that a lack of awareness and understanding of life insurance products was a major barrier to increased insurance uptake. Gebre recommended targeted awareness campaigns to educate the public about the benefits of life insurance.

Tadesse and Feyissa (2014) examined the impact of financial literacy on various financial decisions, including life insurance purchases, in Ethiopia. Their findings confirmed that financial literacy positively influences the likelihood of purchasing life insurance. They emphasized the need for financial education programs to improve financial decision-making among Ethiopians.

Mekonnen and Asfaw (2017) investigated factors affecting life insurance purchase intentions among residents of Addis Ababa. Their results highlighted that awareness of life insurance benefits and financial literacy significantly mediated the relationship between socioeconomic factors (such as income and education) and purchase intentions. They suggested that improving consumer awareness and financial literacy could lead to higher life insurance penetration in Ethiopia.

Across global, regional, and local contexts, studies consistently highlight the importance of demographic factors, financial literacy, awareness about life insurance benefits, and trust in insurance providers as critical determinants of purchase intention. However, there remains a significant gap in understanding the mediating roles of awareness about life insurance benefits and financial literacy in these relationships, particularly in the Ethiopian context. This study aims to address this gap and provide comprehensive insights that can inform strategies to enhance life insurance uptake in Ethiopia.

2.4.Research Hypotheses

These hypotheses aim to test the existence and direction of relationships between each of the predictor variables (age and stage of life, level of education, financial stability and income level, trust in insurance providers, and attitude towards life insurance) and the purchase intention of life insurance in EIC. The researcher used the PLS-SEM methodology to assess the significance of these relationships based on the collected data.

Considering the mediating roles of awareness about life insurance benefits and awareness about finance (financial literacy), the research hypotheses can be extended to investigate how these mediating variables influence the relationships between the predictor variables and the purchase intention of life insurance in EIC.

Based on the reviewed literatures, the following hypotheses were drawn for testing.

Hypothesis 1 (H_1): Age and stage of life have a significant positive effect on the purchase intention of life insurance in EIC.

Hypothesis 2 (H_2): Level of education has a significant positive impact on the purchase intention of life insurance in EIC.

Hypothesis 3 (H_3): Financial stability and income level have a significant positive effect on the purchase intention of life insurance in EIC.

Hypothesis 4 (H_4): Trust in insurance providers has a significant positive influence on the purchase intention of life insurance in EIC.

Hypothesis 5 (H_5): Attitude towards life insurance has a significant positive effect on the purchase intention of life insurance in EIC.

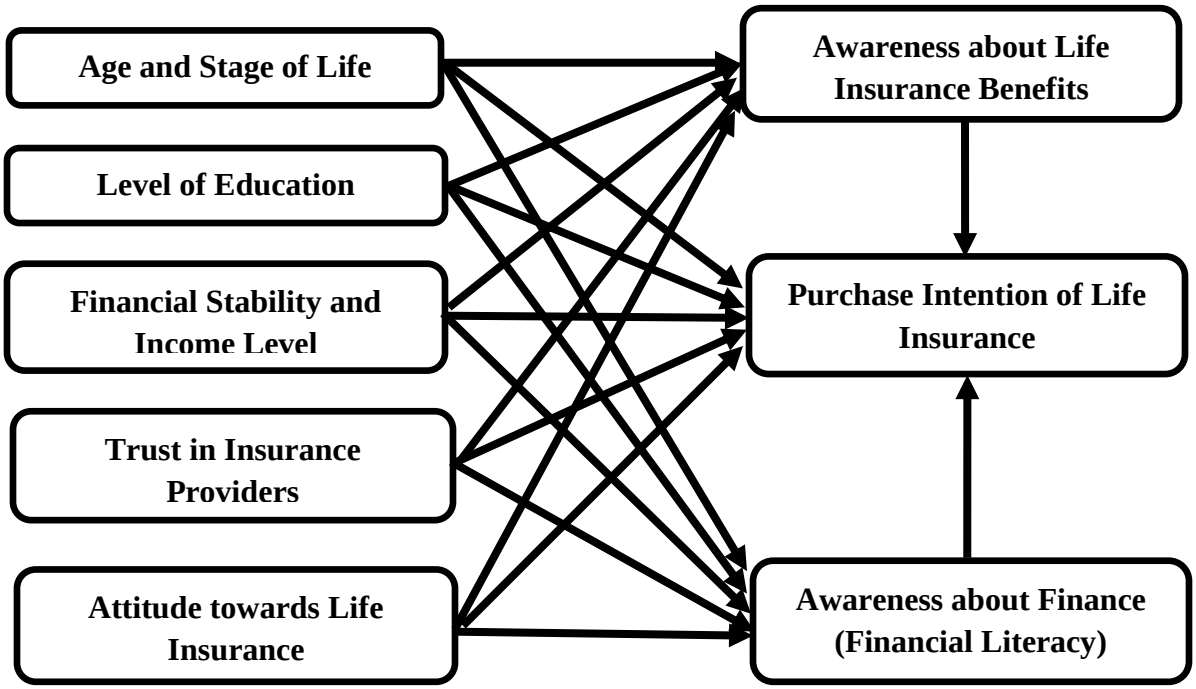
Hypothesis 6 (H_6): Awareness about life insurance benefits significantly mediates the relationship between age & stage of life, level of education, financial stability and income level, trust in insurance providers and the purchase intention of life insurance in EIC.

Hypothesis 7 (H_7): Awareness about finance (financial literacy) significantly mediates the relationship between age & stage of life, level of education, financial stability and income level, trust in insurance providers and the purchase intention of life insurance in EIC.

2.5.Conceptual Framework of the Study

A conceptual framework refers to a group of concepts which are systematically organized to provide a focus, a tool and rational for interpretation and integration of information and is usually achieved in pictorial illustrations (Njeru, 2015). A conceptual framework is a model of presentation where the researcher conceptualizes or represents the relationship between variables diagrammatically. The purpose of the conceptual framework is to help the reader to quickly see the proposed relationship. Figure 1 below shows the relationship between the independent variables (demographic and socio-economic factors), the mediator variables (awareness about life insurance benefits and awareness about finance) and the dependent variable (purchase intention of life insurance).

Figure 1: Conceptual Framework of the Study



Source: Developed by the Researcher based on literatures

CHAPTER THREE
RESEARCH METHODOLOGY

3.1.Introduction

This section elaborates in detail the research design & approach, samples & sampling technique, data type & sources, data collection instrument, methods and tools of data analysis, and ethical considerations.

3.2.Research Design

Research design is a framework that guides the collection and analysis of data in a systematic manner. Various types of research designs are available, each serving different research purposes and questions. According to Creswell (2014), research designs can be broadly categorized into three main types: exploratory, descriptive, and explanatory.

Exploratory research design is used when the research problem is not clearly defined and aims to explore the phenomenon to gain new insights. It often involves qualitative methods such as interviews, focus groups, and literature reviews (Saunders, Lewis, & Thornhill, 2016). Descriptive research design aims to describe characteristics of a population or phenomenon. It provides a detailed account of the situation as it exists and often involves quantitative methods such as surveys and observational studies (Bhattacherjee, 2012). Explanatory research design seeks to explain the relationships between variables and establish cause-and-effect links. It is used to test hypotheses and theories and often employs advanced quantitative methods such as experiments and structural equation modeling (Creswell, 2014).

For this study, an explanatory research design is chosen as it is well-suited to investigate the factors influencing the purchase intention of life insurance among customers of the Ethiopian Insurance Corporation (EIC). An explanatory research design is suitable for this study as it seeks to explain the relationships between demographic, attitudinal, and socio-economic factors and the purchase intention of life insurance. This design allows for the establishment of cause-and-effect relationships and provides a deeper understanding of the underlying determinants influencing customers' behaviors.

3.3.Research Approach

There are three types of research approaches mentioned in research method such as quantitative, qualitative, and mixed, where one of them is not better than the others, all of this depends on how the researcher want to do a research of study (Creswell, 2013). According to Creswell (2013), given the three approaches there is some consideration a researcher need to give attention of which approach to use: the research problem, the personal experiences of the researcher and the audience for whom the research report was written. To achieve the research objective, mixed research approach was applied to obtain the findings.

3.4.Sampling Technique

The sampling technique that was used in this study was convenience sampling, for gathering primary data. Convenience sampling (also known as availability sampling) is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in study (Saunders et. al, 2012).

As the aim of this research is to investigate factors affecting life insurance purchase intention, therefore, the target population was defined as all customers who have purchased life insurance from EIC. In order to gather pertinent information with respect to the customers' factors towards life insurance purchase a structured questionnaires were distributed to customers who have purchased life insurance at the help desk for different reasons. Pursuant to the limited variety of insurance policies available to the customers and the researcher considered as the population has homogenous nature, randomly determined 400 sample size.

3.5.Data Type and Sources

The source of data used in this research is comprised of both primary and secondary. The primary data was collected from the life insurance customers in EIC. Accordingly, the researcher made use of primary data types for making analysis & interpretation of the study results. The primary quantitative data was collected through self-administered five point

Likert-scale (Likert, 1932) questionnaires filled by the customers of EIC. In addition, reliable secondary data was collected from different documents obtained from review of related literatures, previous researches, and journal articles, internal records of the company, website (internet), relevant books and other available sources.

3.6.Data Collection Instrument

The data collection instrument which was used in this study was close-ended five point Likert-scale questionnaire to determine the purchase intention of customers towards life insurance in case of EIC. The questionnaire consisted of two parts. The first part was the demographic profile which helped the researcher to identify the participants' gender, age, educational background, occupation and monthly income. The second part consisted of 34 items that helped the researcher to investigate each determinant factors that affects purchase intention towards life insurance.

The questions were prepared using a five point Likert scale (Likert, 1932) such that scale 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree & 5=Strongly Agree. Respondents were asked to indicate their level of agreement/disagreement for each of the questions provided. A large amount of researchers uses this methodological instrument, because it is relatively easy for respondents to use, and responses from such a scale are likely to be reliable (Balzan & Baldacchino, 2007); (Lam and Kolic, 2008).

After collecting the distributed questionnaires, the data gathered was edited & carefully checked to eliminate improperly filled questionnaires so that only valid questionnaires will be considered for the analysis. Next, the data was coded into SPSS software. The coded data then converted into comma separated value (csv) file for the analysis purpose using SmartPLS software. Finally, the data obtained after analysis was presented using different statistical tools and models.

3.7.Methods of Data Analysis and Tools

Multivariate data analysis technique called Partial Least Squares Structural Equation Modeling (PLS-SEM), which is also referred to as second-generation statistical method, was employed to analyze the collected data. For the past 20 years, many researchers have

increasingly been turning to second-generation techniques to overcome the weaknesses of first-generation methods like multiple regression & ANOVA.

First-generation multivariate data analysis techniques, such as multiple regression, logistic regression, and analysis of variance, belong to the core set of statistical methods employed by researchers to empirically test hypothesized relationships between variables of interest. These techniques have three important limitations in common, namely (1) the postulation of a simple model structure (2) requiring that all variables can be considered observable, and (3) the assumption that all variables are measured without error (Haenlein & Kaplan, 2004) as cited in (Hair et al., 2021).

To overcome these limitations, researchers have increasingly been turning to second-generation techniques. These methods, referred to as structural equation modeling (SEM), enable researchers to simultaneously model and estimate complex relationships among multiple dependent and independent variables. The concepts under consideration are typically unobservable and measured indirectly by multiple indicators. In estimating the relationships, SEM accounts for measurement error in observed variables. As a result, the method obtains a more precise measurement of the theoretical concepts of interest (Cole & Preacher, 2014) as cited in (Hair et al., 2021).

Structural equation modeling (SEM), enable researchers to incorporate unobservable variables measured indirectly by indicator variables. They also facilitate accounting for measurement error in observed variables (Chin, 1998). In exploratory research and theory development, it is more appropriate to use variance-based structural equation modelling than confirmatory research. In situations where theory is less developed, researchers should consider the use of PLS-SEM as an alternative approach to CB-SEM. This is particularly true if the primary objective of applying structural modeling is prediction and explanation of target constructs (Rigdon, 2012).

Two popular methods dominate SEM in practice: Covariance-Based SEM (CB-SEM) and Partial Least Squares SEM (PLS-SEM, also called PLS path modeling). CB-SEM is

primarily used to confirm (or reject) theories and their underlying hypotheses. This approach confirms/rejects hypotheses by determining how closely a proposed theoretical model can reproduce the covariance matrix for an observed sample dataset. In contrast, PLS has been introduced as a "causal-predictive" approach to SEM (Jöreskog & Wold, 1982, p. 270), which focuses on explaining the variance in the model's dependent variables (Chin et al., 2020) as cited in (Hair et al., 2021).

PLS-SEM is evolving rapidly as a statistical modeling technique. Over the last few decades, there have been numerous introductory articles on this methodology (e.g., Chin, 1998; Haenlein & Kaplan, 2004; Hair et al., 2020; Hair, Howard, & Nitzl, 2020; Hair, Risher, Sarstedt, & Ringle, 2019; Nitzl & Chin, 2017; Rigdon, 2013; Roldán & Sánchez-Franco, 2012; Tenenhaus, Esposito Vinzi, Chatelin, & Lauro, 2005; Wold, 1985) as well as review articles examining how researchers across different disciplines have used the method. In light of the increasing maturation of the field, researchers have also started exploring the knowledge infrastructure of methodological research on PLS-SEM by analyzing the structures of authors, countries, and co-citation networks (Hwang, Sarstedt, Cheah, & Ringle, 2020; Khan et al., 2019) as cited in (Hair et al., 2021). The following sections of this chapter provides a brief introduction of measurement and structural model analysis techniques as a basis for presenting the PLS-SEM data analysis methodology.

3.7.1. Structural and Measurement Model Analysis Procedures

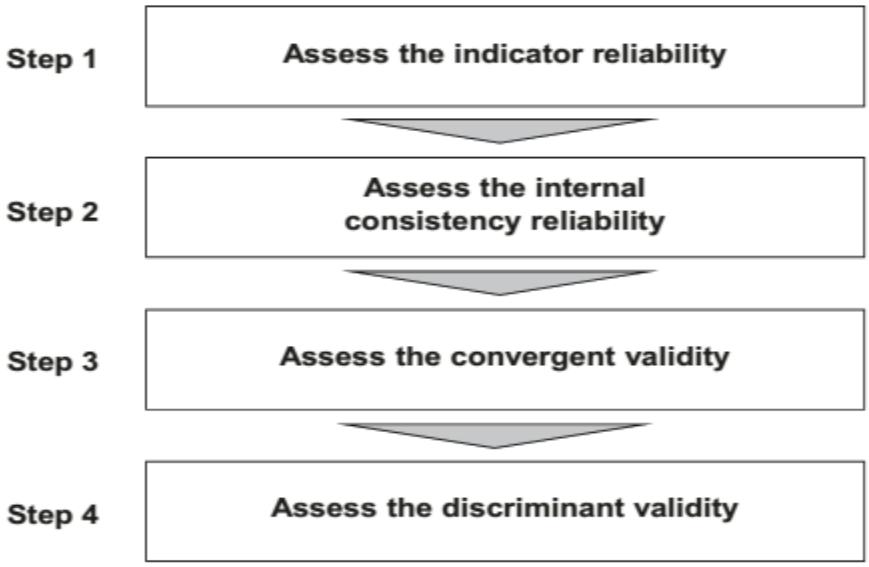
The conceptual model analysis is performed in two stages to evaluate the validity and reliability of the measurement models as well as the structural model analysis.

3.7.1.1. Measurement (Validity and Reliability) Model Analysis Procedure

In research, it is important to assess the reliability and validity of measurement models. Reliability analysis involves evaluating the consistency of measurements, while validity analysis focuses on whether the measurements accurately represent the construct being studied.

In the following sections, the researcher addresses each criterion for the evaluation of reflective measurement models and the rules of thumb for their use in determining reliability and validity of the measurement model under study.

Figure 2: Reflective Measurement Model Assessment Procedure



Source: Hair et al. (2021)

The first step in assessing the reliability of a measurement model is to determine how much of an indicator's variation is explained by its construct, which is known as indicator reliability. An indicator loading above 0.708 is recommended, as it indicates that the construct explains more than 50% of the indicator's variance, providing acceptable indicator reliability (Hair et al., 2021).

The second step in assessing a reflective measurement model involves checking the internal consistency reliability, which is the extent to which indicators measuring the same construct are associated with each other. Two primary measures used in PLS-SEM are Cronbach's alpha and composite reliability rho, with values between 0.60 and 0.70 considered acceptable for exploratory research and values above 0.90 indicating problematic redundancy. To address the limitations of these measures, an alternative reliability coefficient rho has been proposed as a compromise between Cronbach's alpha and composite reliability (Diamantopoulos, Sarstedt, Fuchs, Wilczynski, & Kaiser, 2012) as cited in (Hair et al., 2021).

The third step is to assess the convergent validity of each constructs. Convergent validity is a measure of how well a construct explains the variance of its indicators. The Average Variance Extracted (AVE) is a metric used to evaluate convergent validity, which is calculated as the grand mean value of the squared loadings of the indicators associated with the construct. An AVE of 0.50 or higher is considered acceptable, indicating that the construct explains at least 50% of the variance in its indicators (Hair et al., 2021).

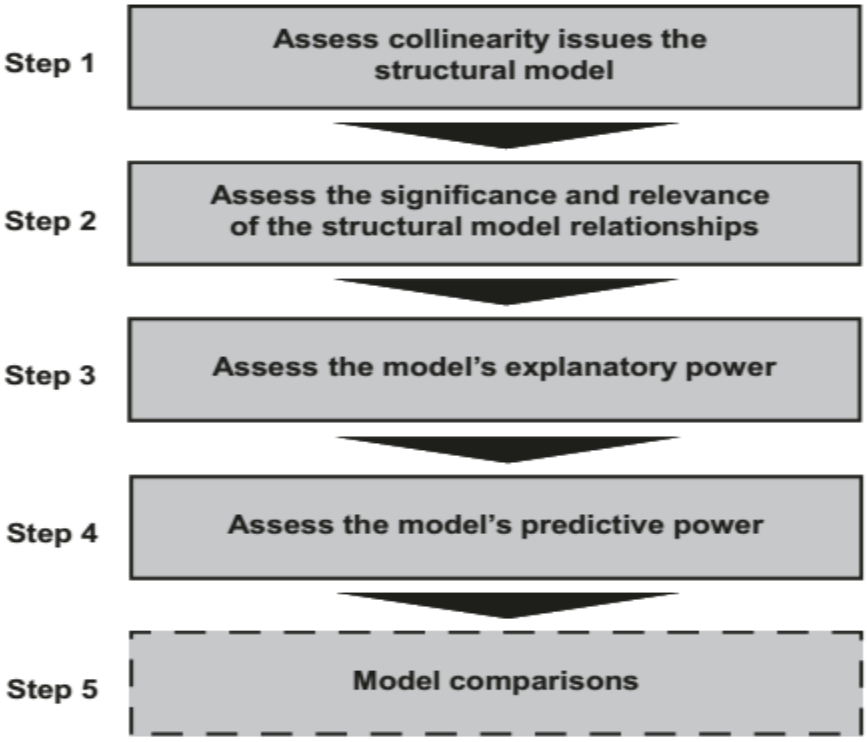
The fourth step is to assess discriminant validity of each constructs. Discriminant validity is a measure of how distinct a construct is from other constructs in a structural model. The traditional metric proposed by Fornell and Larcker (1981) compares the squared variance within a construct to the squared inter-construct correlation, but recent research suggests that this metric may not be suitable for discriminant validity assessment. The authors of the text caution against relying solely on this metric and suggest using alternative methods to reliably identify discriminant validity problems.

In addition to the above appropriate methods of measurement for validity, the researcher will address the issue of validity through consultation of the research advisor and appropriate experts in the area and review of well-known/reputable literatures so as to ensure that the measurements accurately represent the construct being studied.

3.7.1.2. Structural Model Analysis Procedure

Once we have confirmed that the measurement of constructs is reliable and valid, the next step will be to address the assessment of the structural model results. The researcher followed the procedure involved in structural model assessment in order to make analysis of the structural model. Figure 3 shows a systematic approach to the structural model assessment.

Figure 3: Structural Model Assessment Procedure



Source: Hair et al. (2021)

In the first step, we need to examine the structural model for potential collinearity issues. The reason is that the estimation of path coefficients in the structural models is based on ordinary least squares (OLS) regressions of each endogenous construct on its corresponding predictor constructs. Just as in an OLS regression, the path coefficients might be biased if the estimation involves high levels of collinearity among predictor constructs. Once we have ensured that collinearity is not a problem, we will evaluate the significance and relevance of the structural model relationships (i.e., the path coefficients). Steps 3 and 4 of the procedure involve examining the model's explanatory power and predictive power. In addition, some research situations involve the computation and comparison of alternative models, which can emerge from different theories or contexts. PLS-SEM facilitates the comparison of alternative models using established criteria, which are well known from the regression literature. As model comparisons are not relevant for every PLS-SEM analysis, Step 5 should be considered optional (Hair et al., 2021).

When creating a structural model, it is important to check for collinearity issues among predictor constructs, which can bias the point estimates and standard errors of the regression coefficients (Sarstedt & Mooi, 2019). To assess collinearity, the variance inflation factor (VIF) values are calculated based on the construct scores of the predictor constructs in each regression. VIF values above 5 indicate probable collinearity issues, and if collinearity is a problem, creating higher order constructs is a commonly used solution (Hair, Risher, Sarstedt, & Ringle, 2019; Hair, Sarstedt, Ringle, & Gudergan, 2018; Sarstedt et al., 2019) as cited in (Hair et al., 2021).

Secondly, the researcher evaluated the significance and relevance of path coefficients to understand the strength and direction of relationships between predictor and endogenous constructs. The significance of a path coefficient is determined by bootstrapping standard errors and calculating t-values or confidence intervals (Streukens & Leroi-Werelds, 2016), with a coefficient being significant if the value zero does not fall into the 95% confidence interval (AguirreUrreta & Rönkkö, 2018). The relevance of a path coefficient is measured on a scale of -1 to +1, with values closer to -1 or +1 indicating stronger negative or positive relationships, respectively (Hair et al., 2021).

In the third step, the researcher evaluated the model's explanatory power that involves examining the coefficient of determination (R2) of the endogenous construct(s), which represents the variance explained in each construct (Shmueli & Koppius, 2011) and is a measure of the model's in-sample predictive power (Rigdon, 2012). R2 values range from 0 to 1, with higher values indicating greater explanatory power. Acceptable R2 values depend on the research context, but as a general guideline, values of 0.75, 0.50, and 0.25 can be considered substantial, moderate, and weak, respectively, in many social science disciplines (Hair, Ringle, & Sarstedt, 2011).

Fourthly, the researcher evaluated the model's predictive power. Researchers can use prediction statistics like root-mean-square error (RMSE) or mean absolute error (MAE) to quantify the amount of prediction error in the indicators of a particular endogenous

construct (Hair et al., 2021). These metrics depend on the indicators' measurement scales and should be compared to a naïve linear regression model (LM) benchmark. If all indicators in the PLS-SEM analysis have lower RMSE (or MAE) values compared to the LM benchmark, the model has high predictive power, while if a minority of the dependent construct's indicators produce lower PLS-SEM prediction errors compared to the naïve LM benchmark, this indicates the model has low predictive power (Shmueli et al., 2019). Accordingly, the researcher conducted PLSpredict estimation (a procedure for out-of-sample prediction) as introduced by (Shmueli et al., 2019).

Lastly, but optionally, the researcher will evaluate the predictive power of different models that result from different theories or research contexts. Sharma et al. (2019, 2021) compared the effectiveness of various metrics for model comparison tasks and found that Bayesian Information Criterion (BIC) and Geweke and Meese's criterion (GM) achieve a good balance between model fit and predictive power in PLS path models. These criteria allow researchers to compare models without using a holdout sample, which is useful for PLS-SEM analyses with small sample sizes. The model with the lowest value in BIC or GM should be selected, and BIC is easier to compute than GM.

3.8.Ethical Considerations

There are certain ethical protocols to be followed by the researcher. The first was asking explicit consent from the respondents. This ensured that their participation to the study is not out of their own desire. The researcher ensured that the respondents are aware of the objectives of the research and their contribution to its completion. One other ethical measure which was exercised by the researcher was treating the respondents with respect and courtesy. Following the above ethical considerations, the researcher motivated and initiated the respondents to be at ease and more likely to give honest responses to the items of the questionnaire. There are also ethical measures taken in the data analysis. To ensure the integrity of the data, the researcher checked the accuracy of encoding for the survey responses. This shall be carried out to ensure that the statistics generated from the study would be truthful and verifiable.

CHAPTER 4: RESULTS AND DISCUSSIONS

This chapter deals with data presentation, analysis as well as interpretation of the data collected using questionnaire. Statistical tools of descriptive statistics like mean, SD, frequency, percentage and inferential statistics (PLS path analysis) were used to describe and analyze the collected data with the help of SmartPLS statistical software packages.

4.1. Questionnaire Response Rate

The study targeted almost 400 respondents and 278 valid questionnaires were returned for the analysis. Accordingly, the response rate for the study was almost 70%. Hence, the response rate of study was presented in table 1 below.

Table 1: Response Rate of the Study

Items	Frequency	Percentage
Distributed questionnaires	400	100%
Collected questionnaires	278	70%
Not returned questionnaires	122	30%
Usable questionnaires	278	70%

Source: Researcher's Survey (2024)

4.2. Demographic Profile of the Respondents

Under this section, the data collected about the demographic background of the respondents is presented. The demographic information of the respondents' gathered for this study were gender, age, level of educational, occupation and monthly income level of the respondents as presented in Table 2 below.

From the overall respondents of the survey, 138 (49.6%) were male and 140 (50.4%) were females. This implies that both genders were involved impartially in the study and thus the finding of the study did not suffer from gender bias (Refer to Table 2). The frequency table result showed that 38 (13.7%) of the respondents belong to age group of 20-29 years, 113 (40.6%) of them belong to 30-39 years of age group, 88 (31.7%) of them were between 40-49 years of age and 39 (14%) of them were above 50 years & above. The result showed that even though majority of the respondents belong to 30-39 years of age, other age groups were also fairly included in the study.

Regarding their level of educational, 13 (4.7%) of them were certificate holders, 13 (4.7%) were diploma holders, 165 (59.4%) of them Bachelor's degree holders, 48 (17.3%) of them were master's degree holders and the remaining 39 (14%) were in other group. This indicated that the majority of the respondents can easily comprehend and fill out the questionnaire.

Table 2: Demographic Characteristics of the Respondents

Demographic Profile			
Type	**Description**	**Frequency**	**Percent**
Gender	Male	138	49.6
	Female	140	50.4
	Total	**278**	**100.0**
Age	20-29 Years	38	13.7
	30-39 years	113	40.6
	40-49 years	88	31.7
	50 years and above	39	14.0
	Total	**278**	**100.0**
Level of Educational	Certificate	13	4.7
	Diploma	13	4.7
	Bachelor's Degree	165	59.4
	Master's Degree	48	17.3
	Other	39	14.0
	Total	**278**	**100.0**
Occupation	Public sector	125	45.0
	Private sector	25	9.0
	Self-employed	77	27.7
	Other	51	18.3
	Total	**278**	**100.0**
Monthly Income	Birr 5,000 and below	39	14.0
	Birr 5,001-10,000	26	9.4
	Birr 10,001-20,000	25	9.0
	Birr 20,001-30,000	88	31.7
	Birr 30,001-50,000	87	31.3
	Above Birr 50,000	13	4.7
	Total	**278**	**100.0**

Source: Researcher's Analysis from the SPSS Package Output (2024)

Regarding their occupation, 125 (45%) of them works in public sector, 25 (9%) of them works in private sector, 77 (27.7%) of them were self-employed and the remaining 51 (18.3%) in other sector.

4.3. Descriptive Statistics Analysis

A standard deviation of one (1.000) for all latent variables (LV) in the SEM or latent variable model indicates that the observed scores for the variables in the model were relatively tightly clustered around the mean. In statistical terms, it indicates a relatively low level of variability or dispersion of scores around the mean (Please, see Table 3).

Table 3: Latent Variables (LV) Descriptives

	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness	Number of Observations Used
Age and Stage of Life	0.000	0.292	-3.555	0.859	1.000	4.929	-2.058	278
Attitude towards Life Insurance	0.000	0.303	-2.685	0.995	1.000	2.185	-1.725	278
Awareness about Life Insurance Benefits	0.000	0.314	-2.116	1.690	1.000	-0.845	-0.533	278
Awareness of Finance (Financial Literacy)	0.000	0.314	-2.791	1.349	1.000	1.168	-1.266	278
Financial Stability and Income Level	0.000	0.002	-1.810	1.290	1.000	-0.904	-0.474	278
Level of Education	0.000	0.184	-2.797	1.144	1.000	2.303	-1.669	278
Purchase Intention of Life Insurance	0.000	0.249	-2.541	1.674	1.000	0.193	-0.708	278
Trust in Insurance Providers	0.000	0.457	-2.359	1.491	1.000	0.423	-0.973	278

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

The mean and median values for all latent variables are centered around zero, which is typical when data is standardized. This means being close to zero indicate that the average scores for each latent variable do not deviate significantly from the central point. Similarly, the medians being close to zero reflect that the data distribution is relatively balanced around the central point, with half of the observations falling below and half above this point.

The standard deviation for each latent variable is 1.000, indicating that the data has been standardized. Standardization is a common practice in statistical analysis to allow comparison across different variables by converting them to a common scale. This ensures that all variables contribute equally to the analysis and interpretation.

Excess kurtosis values provide insights into the tailedness of the data distribution. Positive excess kurtosis values (e.g., Age and Stage of Life with 4.929 and Level of Education with 2.303) indicate that the data has heavier tails than a normal distribution, indicating the presence of outliers. Negative excess kurtosis values (e.g., Awareness about Life Insurance Benefits with -0.845 and Financial Stability and Income Level with -0.904) indicate lighter tails and fewer outliers compared to a normal distribution. The variability in excess kurtosis across the variables highlights the differing degrees of outlier presence and distribution shapes among the latent variables.

Skewness measures the asymmetry of the data distribution. Negative skewness values (e.g., Age and Stage of Life with -2.058 and Attitude towards Life Insurance with -1.725) indicate that the data distribution is left-skewed, meaning there are more observations on the higher end of the scale and a long tail on the lower end. This could imply that for these variables, a higher proportion of respondents rated them positively, with fewer low scores. The less negative skewness values (e.g., Awareness about Life Insurance Benefits with -0.533 and Financial Stability and Income Level with -0.474) indicate a more symmetric distribution but still with a slight left skew. This variety in skewness among the latent variables indicates different response patterns and tendencies in the data.

In summary, the descriptive results of the latent variables showed that the data has been effectively standardized, with means and medians centered around zero and consistent standard deviations. These insights provide a comprehensive understanding of the data distribution and variability, which is crucial for interpreting the factors influencing life insurance purchase intentions in the case of EIC.

4.4. Correlation Analysis

The correlation results reveal various levels of relationships between constructs, categorized as strong, moderate, or weak based on the provided rules of thumb below.

Correlation Coefficient Range	**Strength of Association**
±r- between 0.67 and 0.99	Strong relationship
±r- between 0.34 and 0.66	Moderate relationship
±r < 0.33	Weak relationship

The above rules of thumb criterion proposed by Somekh and Lewin (2005) for measuring the degree of a correlation was utilized as a guide when interpreting the correlation's findings.

Table 4: Latent Variables Correlations

Latent Variables	Age and Stage of Life	Attitude towards Life Insurance	Awareness about Life Insurance Benefits	Awareness of Finance (Financial Literacy)	Financial Stability and Income Level	Level of Education	Purchase Intention of Life Insurance	Trust in Insurance Providers
Age and Stage of Life	1.000							
Attitude towards Life Insurance	0.714	1.000						
Awareness about Life Insurance Benefits	0.568	0.697	1.000					
Awareness of Finance (Financial Literacy)	0.649	0.845	0.601	1.000				
Financial Stability and Income Level	0.382	0.475	0.581	0.504	1.000			
Level of Education	0.408	0.636	0.666	0.734	0.539	1.000		
Purchase Intention of Life Insurance	0.595	0.601	0.428	0.630	0.342	0.320	1.000	
Trust in Insurance Providers	0.299	0.504	0.524	0.543	0.519	0.829	0.024	1.000

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

a) Strong Relationships (±0.67 to ±0.99)

The analysis shows strong relationships between several pairs of latent variables. Attitude towards Life Insurance and Awareness of Finance (Financial Literacy) exhibit a very strong correlation (r = 0.845), indicating that individuals with a positive attitude towards life insurance also tend to have high financial literacy. Additionally, there is a strong correlation between Level of Education and Trust in Insurance Providers (r = 0.829), suggesting that more educated individuals have higher trust in insurance providers. Other notable strong relationships include Awareness of Finance (Financial Literacy) and Level of Education (r = 0.734), Attitude towards Life Insurance and Age and Stage of Life (r = 0.714), Awareness about Life Insurance Benefits and Attitude towards Life Insurance (r = 0.697), highlighting the interconnectedness of education, financial awareness, attitudes towards insurance and Age and Stage of Life.

b) Moderate Relationships (±0.34 to ±0.66)

Several moderate relationships were identified, indicating a reasonable degree of association between the variables. Age and Stage of Life show moderate correlations with various factors such as Awareness about Life Insurance Benefits (r = 0.568), Purchase Intention of Life Insurance (r = 0.595) and Awareness of Finance (r = 0.649). This suggests that as individuals progress through different life stages, their awareness about life benefits, awareness about Finance and their Purchase Intention of Life Insurance change accordingly.

Similarly, Attitude towards Life Insurance is moderately correlated with Financial Stability and Income Level (r = 0.475) and Purchase Intention of Life Insurance (r = 0.601), Level of Education (r = 0.636), indicating that a positive attitude towards life insurance is associated with better financial stability, Level of Education and a higher intention to purchase life insurance. Other moderate relationships include Awareness about Life Insurance Benefits with Trust in Insurance Providers (r = 0.524) and Awareness of Finance (Financial Literacy) with Trust in Insurance Providers (r = 0.543), showing that awareness and financial literacy moderately influence trust in insurance providers.

c) Weak Relationships (±0.33 and below)

Weak relationships were observed between a few pairs of latent variables, indicating low levels of association. Age and Stage of Life have a weak correlation with Trust in Insurance Providers (r = 0.299), suggesting that an individual's life stage has little influence on their trust in insurance providers. Similarly, the relationship between Purchase Intention of Life Insurance and Trust in Insurance Providers is also weak (r = 0.024), implying that the decision to purchase life insurance is not significantly affected by the level of trust in the providers. These weak correlations highlight areas where the variables do not strongly influence each other, providing insights into the less interconnected aspects of the model.

4.5. Measurement Model Analysis (Validity and Reliability)

This section of the study makes presentation and evaluation of the quality of the reflective measurement model estimated by PLS-SEM, both in in terms of reliability and validity. Assessing the reflective measurement model includes evaluating the reliability of measures, on both an indicator level (indicator reliability) and a construct level (internal consistency reliability). Hence, the researcher addresses each criterion for the evaluation of the reflective measurement model along with the rules of thumb for their use.

4.5.1. Indicator Reliability Analysis (Outer Loadings)

Measurement loadings are the standardized path weights connecting the factors to the indicator variables. As data are standardized automatically in SmartPLS, the loadings vary from 0 to 1. The loadings should be significant. In general, the larger the loadings, the stronger and more reliable the measurement model. Indicator reliability may be interpreted as the square of the measurement loading: thus, .708^2 = .50 reliability (Hair et al., 2014). Indicator loadings above 0.708 are recommended, since they indicate that the construct explains more than 50 percent of the indicator's variance, thus providing acceptable indicator reliability (Hair et al., 2021).

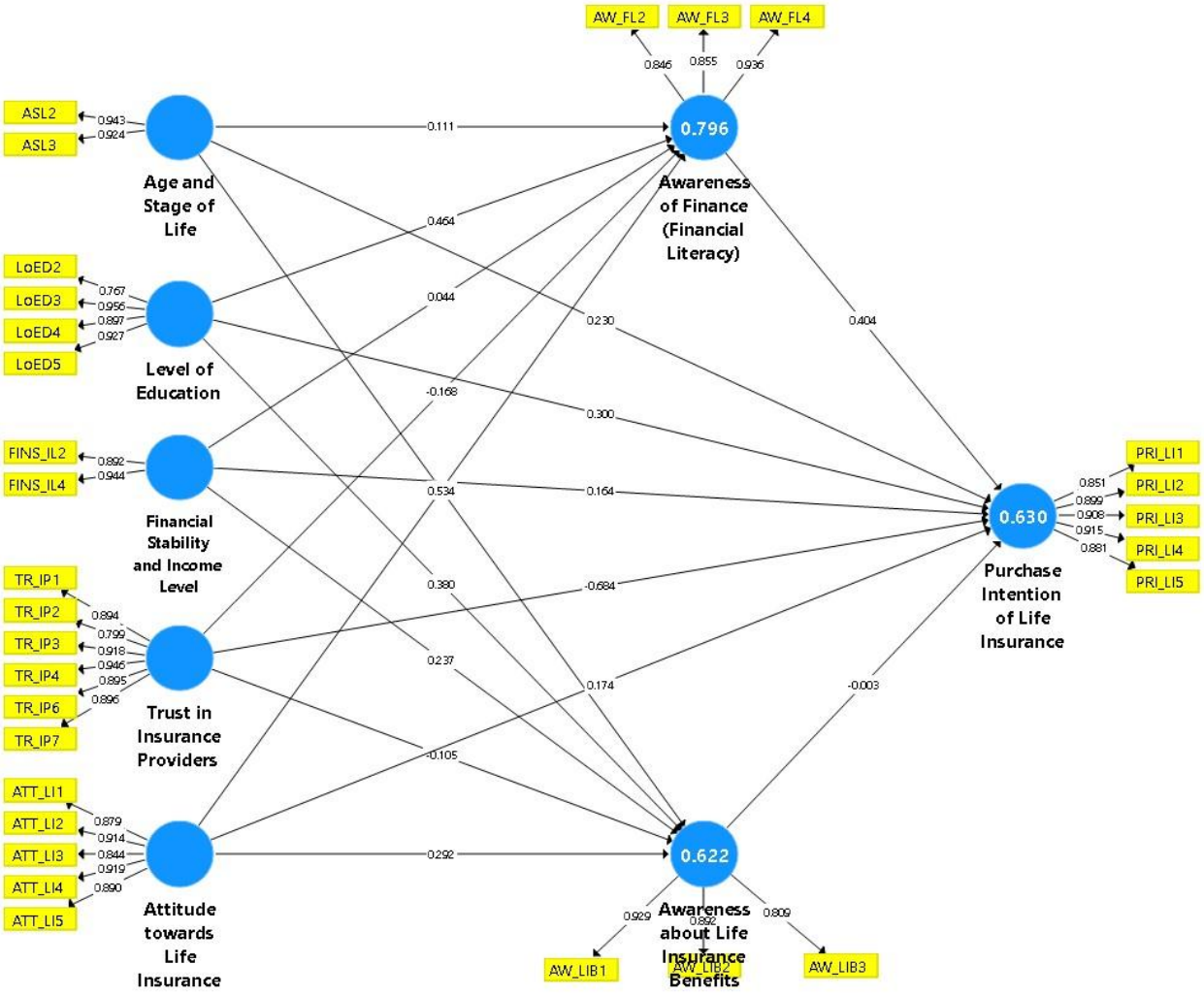
The outer loadings for the latent variables in the study are consistently high, indicating strong reliability and validity of the measurement model. Most loadings exceed the commonly accepted threshold of 0.708, demonstrating robust internal consistency across constructs such as Age and Stage of Life, Attitude towards Life Insurance, Awareness about Life Insurance Benefits, Awareness of Finance (Financial Literacy), Financial Stability and Income Level, Level of Education, Purchase Intention of Life Insurance, and Trust in Insurance Providers.

These high loadings indicate that the indicators used are effective in capturing the essence of their respective latent variables, ensuring that the measurement model is reliable. This consistency in high values across different constructs supports the robustness of the study's findings and enhances confidence in the conclusions drawn about the factors influencing life insurance purchase intentions.

Overall, the outer loadings indicate that all the indicators used for the latent variables in the model are reliable. All indicator loadings of the reflectively measured constructs are well above the threshold value of 0.708, which indicates sufficient levels of indicator reliability (see figure 4 below and Annex 4 at the end of this study).

Accordingly, the outer measurement model loadings appeared in the graphical model below (figure 4) are significant and more reliable as all the outer path loadings are above the thresh hold level of 0.708 indicating that well-fitting reflective model.

Figure 4: Graphical PLS Reflective Model Results



Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

In the process of conducting Partial Least Squares (PLS) path analysis, it is crucial to ensure that the indicators used in the model exhibit strong and reliable loadings on their respective constructs. This helps in maintaining the validity and reliability of the measurement model. During the analysis, seven indicators, namely ASL1, ASL4, AW_FL1, FINS_IL1, FINS_IL3, LoED1, and TR_IP5, were removed from the model. The reason for their removal is that indicators with low cross loadings indicate that they do not adequately correlate with their respective constructs, which can compromise the validity of the model. By removing these indicators, the model retains only those measures that reliably represent their constructs.

4.5.2. Internal Consistency Reliability Analysis

The construct reliability and validity results for the model indicate strong internal consistency and convergent validity for each latent variable. Cronbach's Alpha values range from 0.819 to 0.949, all exceeding the 0.7 threshold (Hair et al., 2019), demonstrating high internal consistency across the constructs. Age and Stage of Life has a Cronbach's Alpha of 0.854, Attitude towards Life Insurance is 0.934, Awareness about Life Insurance Benefits is 0.854, Awareness of Finance (Financial Literacy) is 0.854, Financial Stability and Income Level is 0.819, Level of Education is 0.910, Purchase Intention of Life Insurance is 0.935, and Trust in Insurance Providers is 0.949. Please, see Table 5.

Table 5: Construct Reliability and Convergent Validity

Latent Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Age and Stage of Life	0.854	0.865	0.932	0.872
Attitude towards Life Insurance	0.934	0.937	0.950	0.792
Awareness about Life Insurance Benefits	0.854	0.897	0.909	0.771
Awareness of Finance	0.854	0.865	0.912	0.775
Financial Stability and Income Level	0.819	0.878	0.915	0.844
Level of Education	0.910	0.933	0.938	0.791
Purchase Intention of Life Insurance	0.935	0.941	0.951	0.794
Trust in Insurance Providers	0.949	0.960	0.959	0.797

Source: Researcher’s Analysis from Smart-PLS Package Output (2024)

Similarly, rho_A values, which provide an alternative measure of internal consistency, are all above the acceptable threshold of 0.7 (Hair et al., 2019). Age and Stage of Life has a rho_A of 0.865, Attitude towards Life Insurance is 0.937, Awareness about Life Insurance Benefits is 0.897, Awareness of Finance (Financial Literacy) is 0.865, Financial Stability and Income Level is 0.878, Level of Education is 0.933, Purchase Intention of Life Insurance is 0.941, and Trust in Insurance Providers is 0.960.

Composite Reliability values for all constructs are also well above the 0.7 threshold, (Hair et al., 2019), indicating high overall reliability. Specifically, Age and Stage of Life has a Composite Reliability of 0.932, Attitude towards Life Insurance is 0.950, Awareness about Life Insurance Benefits is 0.909, Awareness of Finance (Financial Literacy) is 0.912, Financial Stability and Income Level is 0.915, Level of Education is 0.938, Purchase Intention of Life Insurance is 0.951, and Trust in Insurance Providers is 0.959.

The results can also be visualized using a bar chart, analyzed using the SmartPLS statistical package. This plot visualizes the reliability in terms of Cronbach's alpha, rho_A and composite reliability for all constructs. The horizontal dashed blue line indicates the common minimum threshold level for the three reliability measures (i.e., 0.70). As indicated in Appendix 4, all Cronbach's alpha, rho_A and composite reliability values exceed the threshold.

4.5.3. Convergent Validity Analysis

Convergent validity assessment is based on the average variance extracted (AVE) values (Hair et al., 2019). Table 5 shows the AVE values of Age and Stage of Life (0.872), Attitude towards Life Insurance (0.792), Awareness about Life Insurance Benefits (0.771), Awareness of Finance (0.775), Financial Stability and Income Level (0.844), Level of Education (0.791), Purchase Intention of Life Insurance (0.794) and Trust in Insurance Providers (0.797) are well above the required minimum level of 0.50 (Hair et al., 2019). Thus, the measures of the eight reflectively measured constructs have high levels of convergent validity.

4.5.4. Discriminant Validity Analysis

Discriminant validity is a measure used to ensure that a construct is truly distinct from other constructs within the model. According to the Fornell-Larcker criterion, discriminant validity is established if the square root of the Average Variance Extracted (AVE) of each latent variable is greater than the correlations between that latent variable and any other latent variables in the model.

The discriminant validity analysis reveals that each construct in the model is distinct from one another. The square root of the Average Variance Extracted (AVE) for each construct is higher than its correlations with other constructs. This suggests that each construct captures unique aspects of the phenomenon under study, without significant overlap with other constructs (Please, see Table 6).

Table 6: Discriminant Validity (Fornell-Larcker Criterion)

Latent Variables	Age and Stage of Life	Attitude towards Life Insurance	Awareness about Life Insurance Benefits	Awareness of Finance (Financial Literacy)	Financial Stability and Income Level	Level of Education	Purchase Intention of Life Insurance	Trust in Insurance Providers
Age and Stage of Life	0.934							
Attitude towards Life Insurance	0.714	0.890						
Awareness about Life Insurance Benefits	0.568	0.697	0.878					
Awareness of Finance (Financial Literacy)	0.649	0.845	0.601	0.880				
Financial Stability and Income Level	0.382	0.475	0.581	0.504	0.919			
Level of Education	0.408	0.636	0.666	0.734	0.539	0.890		
Purchase Intention of Life Insurance	0.595	0.601	0.428	0.630	0.342	0.320	0.891	
Trust in Insurance Providers	0.299	0.504	0.524	0.543	0.519	0.829	0.024	0.893

Source: Researcher's Analysis from Smart-PLS Package Output (2024)

The strong discriminant validity observed indicates that the model effectively measures different dimensions related to the purchasing intention of life insurance. Each construct, characterized by its own set of indicators, contributes uniquely to the overall understanding of the factors influencing individuals' decisions regarding life insurance. This ensures that the model accurately captures the complexities of the phenomenon and provides valuable insights into customer behavior and attitudes towards life insurance.

Overall, the findings confirm that the constructs in the model are well-defined and distinct, supporting the validity and reliability of the measurement model. This enhances confidence in the study's results and strengthens the basis for drawing meaningful conclusions about the factors affecting individuals' purchasing intentions regarding life insurance.

4.6. Structural Model Analysis (Inner Model)

4.6.1. Collinearity Analysis

Variance Inflation Factor (VIF) is a measure used to detect multicollinearity in regression models. Multicollinearity occurs when predictor variables are highly correlated, inflating the standard errors of the coefficients and leading to unreliable statistical inferences. According to Hair et al. (2011), VIF values above 10 indicate high multicollinearity, which is a cause for concern.

Table 7: Collinearity Statistics

	Awareness about Life Insurance Benefits	Awareness about Finance	Purchase Intention of Life Insurance
Age and Stage of Life	2.093	2.093	2.256
Attitude towards Life Insurance	2.904	2.904	5.036
Awareness about Life Insurance Benefits			2.887
Awareness about Finance			5.351
Financial Stability and Income Level	1.534	1.534	1.731
Level of Education	4.076	4.076	6.049
Trust in Insurance Providers	3.325	3.325	3.547

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

As shown in Table 7, all the predictor variables have VIF values below 10 (Hair et al., 2011) indicate absence of multicollinearity issue, which leads to reliable statistical inferences.

4.6.2. Significance & Relevance of the Model's Relationships Analysis

4.6.2.1. Path Coefficients Analysis

Path coefficients in SmartPLS are standardized values that indicate the strength and direction of the relationships between latent variables in a structural equation model. These coefficients are similar to standardized regression coefficients in multiple regression analysis and range from -1 to +1.

Table 8: Path Coefficient Estimates

	Original Sample[1] (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Age and Stage of Life -> Awareness about Life Insurance Benefits	0.145	0.150	0.040	3.631	0.000
Age and Stage of Life -> Awareness of Finance (Financial Literacy)	0.111	0.113	0.034	3.263	0.001
Age and Stage of Life -> Purchase Intention of Life Insurance	0.230	0.223	0.065	3.558	0.000
Attitude towards Life Insurance -> Awareness about Life Insurance Benefits	0.292	0.288	0.049	5.975	0.000
Attitude towards Life Insurance -> Awareness of Finance (Financial Literacy)	0.534	0.534	0.024	21.925	0.000
Attitude towards Life Insurance -> Purchase Intention of Life Insurance	0.174	0.177	0.059	2.943	0.003
Awareness about Life Insurance Benefits -> Purchase Intention of Life Insurance	-0.003	-0.001	0.052	0.055	0.956
Awareness of Finance (Financial Literacy) -> Purchase Intention of Life Insurance	0.404	0.403	0.091	4.441	0.000
Financial Stability and Income Level -> Awareness about Life Insurance Benefits	0.237	0.238	0.051	4.642	0.000
Financial Stability and Income Level -> Awareness of Finance (Financial Literacy)	0.044	0.044	0.023	1.925	0.054
Financial Stability and Income Level -> Purchase Intention of Life Insurance	0.164	0.165	0.033	4.978	0.000
Level of Education -> Awareness about Life Insurance Benefits	0.380	0.376	0.093	4.075	0.000
Level of Education -> Awareness of Finance (Financial Literacy)	0.464	0.462	0.061	7.605	0.000
Level of Education -> Purchase Intention of Life Insurance	0.300	0.296	0.101	2.961	0.003
Trust in Insurance Providers -> Awareness about Life Insurance Benefits	-0.105	-0.102	0.103	1.018	0.309
Trust in Insurance Providers -> Awareness of Finance (Financial Literacy)	-0.168	-0.168	0.060	2.780	0.005
Trust in Insurance Providers -> Purchase Intention of Life Insurance	-0.684	-0.685	0.070	9.753	0.000

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

[1] In the context of SmartPLS and other Structural Equation Modeling (SEM) software, the Original Sample (O) value typically represents the standardized beta coefficient (β).

Path coefficients are always standardized path coefficients. Given standardization, path weights therefore vary from -1 to +1. Weights closest to absolute 1 reflect the strongest paths. Weights closest to 0 reflect the weakest paths (David, 2016). All exogenous variables had statistically significant effect on purchase intention of life insurance except the exogenous variable (i.e. awareness about life insurance benefits) had no statistically significant effect on purchase intention of life insurance as presented in Table 8.

The path weight of 0.145 showed that age and stage of life had a positive significant effect on awareness about life insurance benefits as the critical p-value was below 0.05, which was (β=0.145, t=3.631, p=0.000). This positive effect indicates that as individuals' progress in age and stage of life, their awareness about life insurance benefits increases in case of EIC (see Table 15).

The path weight of 0.111 showed that age and stage of life had a positive significant effect on awareness of finance (financial literacy) as the critical p-value was below 0.05, which was (β=0.111, t=3.263, p=0.001). This implies that as people age and progress through different life stages, their financial literacy improves as far as EIC is concerned.

The path weight of 0.230 indicated that age and stage of life had a positive significant effect on the purchase intention of life insurance, with the critical p-value below 0.05 (β=0.230, t=3.558, p=0.000). This indicates that an increase in age and progression through life stages enhances the intention to purchase life insurance.

The path weight of 0.292 demonstrated that attitude towards life insurance had a positive significant effect on awareness about life insurance benefits, as the critical p-value was below 0.05 (β=0.292, t=5.975, p=0.000). This indicates that a positive attitude towards life insurance increases awareness about its benefits.

The path weight of 0.534 showed that attitude towards life insurance had a positive significant effect on awareness of finance (financial literacy) with the critical p-value below 0.05 (β=0.534, t=21.925, p=0.000). This indicates that a positive attitude towards life insurance significantly enhances financial literacy.

The path weight of 0.174 indicated that attitude towards life insurance had a positive significant effect on the purchase intention of life insurance, with the critical p-value below 0.05 (β=0.174, t=2.943, p=0.003). This implies that a more favorable attitude towards life insurance leads to a higher intention to purchase it.

The path weight of -0.003 showed that awareness about life insurance benefits had a non-significant effect on the purchase intention of life insurance, with a p-value above 0.05 (β=-0.003, t=0.055, p=0.956). This indicates that awareness about life insurance benefits does not significantly influence the intention to purchase life insurance.

The path weight of 0.404 demonstrated that awareness of finance (financial literacy) had a positive significant effect on the purchase intention of life insurance, as the critical p-value was below 0.05 (β=0.404, t=4.441, p=0.000). This indicates that higher financial literacy leads to an increased intention to purchase life insurance.

The path weight of 0.237 showed that financial stability and income level had a positive significant effect on awareness about life insurance benefits, with the critical p-value below 0.05 (β=0.237, t=4.642, p=0.000). This implies that greater financial stability and higher income levels enhance awareness about life insurance benefits.

The path weight of 0.044 indicated that financial stability and income level had a non-significant effect on awareness of finance (financial literacy), with the p-value slightly above 0.05 (β=0.044, t=1.925, p=0.054). This suggests that while there is a positive relationship, it is not statistically significant.

The path weight of 0.164 showed that financial stability and income level had a positive significant effect on the purchase intention of life insurance, with the critical p-value below 0.05 (β=0.164, t=4.978, p=0.000). This indicates that higher financial stability and income levels lead to a greater intention to purchase life insurance.

The path weight of 0.380 demonstrated that the level of education had a positive significant effect on awareness about life insurance benefits, as the critical p-value was below 0.05 (β=0.380, t=4.075, p=0.000). This implies that higher educational attainment increases awareness about life insurance benefits.

The path weight of 0.464 showed that the level of education had a positive significant effect on awareness of finance (financial literacy), with the critical p-value below 0.05 (β=0.464, t=7.605, p=0.000). This indicates that higher levels of education significantly enhance financial literacy.

The path weight of 0.300 indicated that the level of education had a positive significant effect on the purchase intention of life insurance, with the critical p-value below 0.05 (β=0.300, t=2.961, p=0.003). This implies that higher educational attainment leads to a greater intention to purchase life insurance.

The path weight of -0.105 showed that trust in insurance providers had a non-significant effect on awareness about life insurance benefits, with the p-value above 0.05 (β=-0.105, t=1.018, p=0.309). This indicates that trust in insurance providers does not significantly influence awareness about life insurance benefits.

The path weight of -0.168 demonstrated that trust in insurance providers had a negative significant effect on awareness of finance (financial literacy), with the critical p-value below 0.05 (β=-0.168, t=2.780, p=0.005). This indicates that greater trust in insurance providers is associated with lower financial literacy.

The path weight of -0.684 indicated that trust in insurance providers had a negative significant effect on the purchase intention of life insurance, with the critical p-value below 0.05 (β=-0.684, t=9.753, p=0.000). This implies that higher trust in insurance providers significantly decreases the intention to purchase life insurance.

4.6.3. Model's Explanatory Power Analysis

4.6.3.1. R-Square Analysis

In Partial Least Squares Structural Equation Modeling (PLS-SEM), the R Square (R^2) value, also known as the coefficient of determination, measures the proportion of variance in the dependent variable that is explained by the independent variables. It reflects the explanatory power of the model as presented in Table 9 below.

Table 9: R^2 and Adjusted R^2 Values

	R Square	R Square Adjusted
Awareness about Life Insurance Benefits	0.622	0.615
Awareness of Finance (Financial Literacy)	0.796	0.792
Purchase Intention of Life Insurance	0.630	0.621

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

The R^2 value for Awareness about Life Insurance Benefits is 0.622, with an adjusted R^2 of 0.615. This indicates that 62.2% of the variance in "Awareness about Life Insurance Benefits" is explained by the independent variables in the model. The adjusted R^2 value of 0.615 suggests that this explanatory power is quite robust, making the model highly effective in predicting this particular dependent variable.

For Awareness of Finance (Financial Literacy), the R^2 value is 0.796, and the adjusted R^2 is 0.792. This means that 79.6% of the variance in "Awareness of Finance (Financial Literacy) is explained by the predictors in the model. The adjusted R^2 of 0.792 indicates very high explanatory power, showcasing that the model is exceptionally strong in explaining this outcome.

The R^2 value for Purchase Intention of Life Insurance is 0.630, with an adjusted R^2 of 0.621. This indicates that 63.0% of the variance in "Purchase Intention of Life Insurance" is accounted for by the model. The adjusted R^2 value of 0.621 confirms the robustness of this explanatory power, indicating that the model is highly effective in predicting this dependent variable.

According to Cohen (1988), the R^2 value can be interpreted as follows: an $R^2 \approx 0.02$ indicates a small effect size, $R^2 \approx 0.13$ indicates a medium effect size, and $R^2 \approx 0.26$ indicates a large effect size. Given these guidelines, the R^2 values in the model can be interpreted as follows:

- The R^2 of 0.622 for Awareness about Life Insurance Benefits indicates a very large effect size, suggesting that the model explains a substantial portion of the variance.
- The R^2 of 0.796 for Awareness of Finance (Financial Literacy) indicates an even larger effect size, demonstrating that the model has very strong explanatory power.
- The R^2 of 0.630 for Purchase Intention of Life Insurance also indicates a very large effect size, confirming that the model effectively explains a significant portion of the variance.

4.6.3.2. F-Square Analysis

The f Square (f^2) statistic in PLS-SEM measures the effect size of each predictor variable on an endogenous variable. It quantifies the change in R^2 when a specific predictor is omitted from the model, indicating the relative impact of each predictor. According to Cohen (1988), f^2 values of 0.02, 0.15, and 0.35 can be considered as indicating small, medium, and large effects, respectively.

We can say that the effect of dropping Age and Stage of Life would result in a medium effect size on Purchase Intention of Life Insurance ($f^2 = 0.063$). Similarly, Attitude towards Life Insurance shows a large effect size on Awareness of Finance (Financial Literacy)" ($f^2 = 0.482$), while Financial Stability and Income Level has a medium effect on Awareness about Life Insurance Benefits ($f^2 = 0.097$) as demonstrated in Table 10.

Table 10: f^2 Effect Sizes

	Awareness about Life Insurance Benefits	Awareness of Finance (Financial Literacy)	Purchase Intention of Life Insurance
Age and Stage of Life	0.026	0.029	0.063
Attitude towards Life Insurance	0.078	0.482	0.016
Awareness about Life Insurance Benefits			0.000
Awareness about Finance (Financial Literacy)			0.083
Financial Stability and Income Level	0.097	0.006	0.042
Level of Education	0.094	0.259	0.040
Trust in Insurance Providers	0.009	0.041	0.357

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Additionally, Level of Education exhibits a medium effect size on Awareness of Finance ($f^2 = 0.259$). Conversely, the effect of Awareness about Life Insurance Benefits on Purchase Intention of Life Insurance is negligible ($f^2 = 0.000$). Overall, the findings highlight varying degrees of influence across different predictor-endogenous variable relationships, with some demonstrating notable effects while others have minimal impact.

4.7. The Mediating Role of Awareness about Life Insurance Benefits and Financial Literacy

Awareness about life insurance benefits serves as a mediator between several predictor variables and Purchase Intention of Life Insurance. However, the indirect effects mediated by awareness about life insurance benefits on purchase intention of life insurance are negligible, as evidenced by the near-zero coefficients and non-significant p-values across all paths ($p > 0.05$). This implies that while awareness about life insurance benefits did not influence purchase intention of life insurance indirectly through other variables and its direct impact is also not statistically significant in this model.

Financial Literacy acts as a mediator between predictor variables and purchase intention of life insurance. Here, the indirect effects mediated by financial literacy on purchase intention of life insurance are more pronounced. The coefficients for these paths are significant ($p < 0.05$), indicating that Financial Literacy plays a meaningful role in shaping individuals' intentions to purchase life insurance.

Specifically, attitude towards life insurance, level of education, and trust in insurance providers demonstrate significant indirect effects on purchase intention of life insurance through financial literacy, highlighting the importance of financial knowledge in influencing insurance purchase decisions (see Table 11).

The significant but negative indirect effect from trust in insurance providers to purchase intention of life insurance via awareness of finance (financial literacy) indicates an interesting relationship. It implies that higher trust in insurance providers leads to lower levels of financial literacy, which in turn negatively affects individuals' intention to purchase life insurance. This result may indicate that individuals who trust insurance providers more may rely less on their own financial knowledge or seek less information about insurance products, possibly due to a perceived sense of security or trust in the providers' expertise. Alternatively, it could indicate a lack of transparency or clarity in communication from insurance providers, leading to reduced financial literacy and subsequent reluctance to purchase insurance. Further investigation into the underlying mechanisms driving this negative indirect effect would provide valuable insights into consumer decision-making processes in the insurance industry.

Table 11: Mediating Role of Awareness about Life Insurance Benefits and Financial Literacy (Specific Indirect Effects)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Age and Stage of Life -> Awareness about Life Insurance Benefits -> Purchase Intention of Life Insurance	0.000	-0.001	0.008	0.052	0.959
Attitude towards Life Insurance -> Awareness about Life Insurance Benefits -> Purchase Intention of Life Insurance	-0.001	0.000	0.015	0.054	0.957
Financial Stability and Income Level -> Awareness about Life Insurance Benefits -> Purchase Intention of Life Insurance	-0.001	0.000	0.013	0.053	0.958
Level of Education -> Awareness about Life Insurance Benefits -> Purchase Intention of Life Insurance	-0.001	0.001	0.020	0.053	0.958
Trust in Insurance Providers -> Awareness about Life Insurance Benefits -> Purchase Intention of Life Insurance	0.000	-0.002	0.008	0.038	0.970
Age and Stage of Life -> Awareness of Finance (Financial Literacy) -> Purchase Intention of Life Insurance	0.045	0.045	0.016	2.748	0.006
Attitude towards Life Insurance -> Awareness of Finance (Financial Literacy) -> Purchase Intention of Life Insurance	0.216	0.216	0.052	4.153	0.000
Financial Stability and Income Level -> Awareness of Finance (Financial Literacy) -> Purchase Intention of Life Insurance	0.018	0.018	0.011	1.619	0.105
Level of Education -> Awareness of Finance (Financial Literacy) -> Purchase Intention of Life Insurance	0.188	0.186	0.048	3.907	0.000
Trust in Insurance Providers -> Awareness of Finance (Financial Literacy) -> Purchase Intention of Life Insurance	-0.068	-0.068	0.029	2.298	0.022

Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

4.8. Discussion of Results

The Influence of Age and Stage of Life on Purchase Intention of Life Insurance

This study found that age and stage of life significantly influence the purchase intention of life insurance, aligning with previous research (Lim, Yusuf, & Ghani, 2020; Rahman & Gan, 2020). This is consistent with the findings of Ahmed and Dey (2016), who also reported that age is a significant predictor of life insurance demand. However, this study goes further by quantifying the impact and demonstrating that this variable remains significant even when mediated by awareness and financial literacy.

The Impact of Level of Education on Purchase Intention of Life Insurance

The results indicated a strong positive relationship between the level of education and the purchase intention of life insurance, which supports findings by Gebre (2018) and Tadesse and Feyissa (2014). Educated individuals are more likely to understand the benefits and intricacies of life insurance, leading to higher purchase intentions. This reinforces the argument that educational initiatives can play a crucial role in increasing life insurance uptake.

The Effect of Financial Stability and Income Level on Purchase Intention of Life Insurance

Our findings reveal that financial stability and income level significantly affect the purchase intention of life insurance, corroborating previous studies (Lin & Chen, 2015; Mekonnen & Asfaw, 2017). Financially stable individuals with higher incomes are more capable and willing to invest in life insurance products. However, this study also identifies financial literacy as a crucial mediator, which adds depth to the understanding of how income influences insurance purchases through increased financial literacy.

The Influence of Trust in Insurance Providers on Purchase Intention of Life Insurance

Trust in insurance providers emerged as a significant factor affecting life insurance purchase intentions, a finding that resonates with Kandampully and Hu's (2007) broader research on trust and purchase intentions. However, our study also highlighted a negative

indirect effect mediated by financial literacy, suggesting that while trust is critical, it can be undermined if consumers lack financial literacy. This nuanced understanding suggests that insurance providers must not only build trust but also actively enhance consumer financial literacy.

The Role of Attitude towards Life Insurance

The study confirmed that a positive attitude towards life insurance significantly boosts purchase intentions, echoing the findings of Lim, Yusuf, and Ghani (2020). Attitude serves as a crucial mediator, with those having positive perceptions of life insurance more likely to intend to purchase. This underscores the importance of public relations and marketing strategies that foster positive attitudes towards life insurance.

The Mediating Role of Awareness about Life Insurance Benefits

Awareness about life insurance benefits did not significantly mediate the relationship between the predictor variables and purchase intentions, which contrasts with some previous findings (Ahmed & Dey, 2016; Rahman & Gan, 2020). This discrepancy may be due to differing levels of public knowledge and awareness in different geographical contexts. It suggests that in the Ethiopian context, mere awareness is insufficient without deeper financial literacy.

The Mediating Role of Awareness of Finance (Financial Literacy)

This study found that financial literacy significantly mediates the relationship between the predictors (age, education, financial stability, and trust) and the purchase intention of life insurance. This aligns with the findings of Lin and Chen (2015) and Rahman and Gan (2020), who emphasized the critical role of financial literacy in enhancing life insurance uptake. Financial literacy enables consumers to make informed decisions, thereby increasing their intention to purchase life insurance.

The findings of this study contribute to the growing body of literature on life insurance purchase intentions by highlighting the significant roles of demographic factors, financial stability, and particularly financial literacy. While many of the results align with previous studies, the unique context of Ethiopia provides new insights, particularly regarding the limited mediating role of mere awareness about life insurance benefits. These results suggest that efforts to increase life insurance uptake in Ethiopia should focus not only on raising awareness but also on improving financial literacy to enable more informed and confident decision-making among potential consumers.

4.9. Secondary Data about EIC

4.9.1. Financial Highlights

Over the past five years, EIC has demonstrated consistent growth in various financial metrics, reflecting its strong performance and stability in the insurance market. Despite fluctuations in certain indicators, such as total claims paid and investment income, the company has maintained a positive trajectory overall. Key financial highlights include a steady increase in total assets, gross written premiums, premium earned, and profit before and after tax as presented in Table 12 below.

Table 12: EIC's Financial Performance over the past five years (in '000 of Birr)

PARTICULARS	2021/2022	2020/2021	2019/2020	2018/19	2017/18
Paid Up Capital	592,000	592,000	592,000	592,000	592,000
Legal Reserve & Un Appropriated Profit	1,426,146	1,329,028	386,747	1,209,046	1,006,255
Total Claims Payed	5,430,775	1,273,403	1,565,519	1,126,824	1,161,269
Total Assets	14,561,418	18,224,110	12,363,929	9,685,949	6,808,552
Investment Income	528,301	477,807	413,547	335,328	305,958
Gross Written Premium	6,545,305	6,103,735	4,938,704	3,435,554	2,974,508
Premium Earned	2,896,904	2,545,643	3,540,497	1,992,663	2,030,301
Profit Before Tax	1,321,223	1,128,128	991,812	890,564	648,994
Profit After Tax	926,856	884,730	764,289	688,540	508,630

Source: EIC's Internal Document

These trends indicate EIC's robust financial health and its ability to effectively manage risks and capitalize on opportunities in the insurance sector. Additionally, the growth in paid-up capital and legal reserves underscores the company's commitment to financial strength and sustainability. Overall, EIC's financial highlights reflect its resilience,

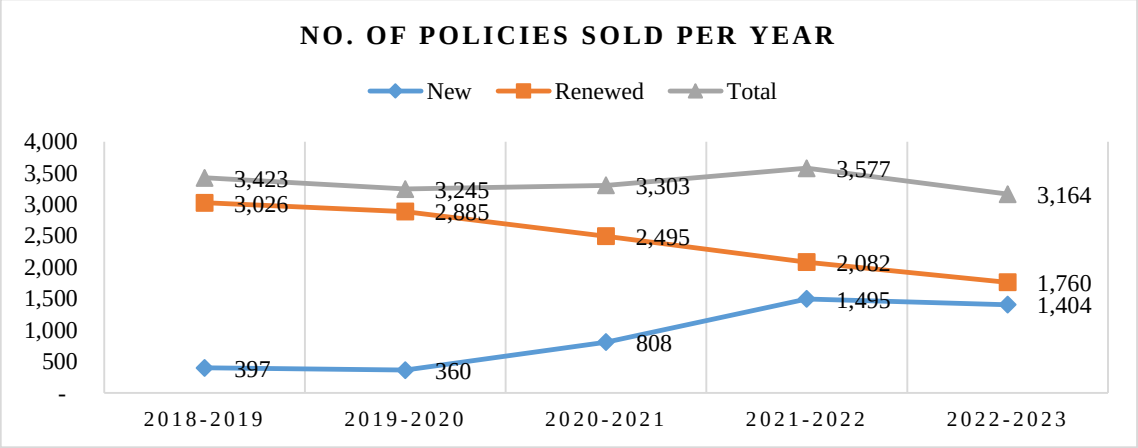
competitiveness, and strategic management in navigating the evolving landscape of the insurance industry.

4.9.2. Sales and Marketing data

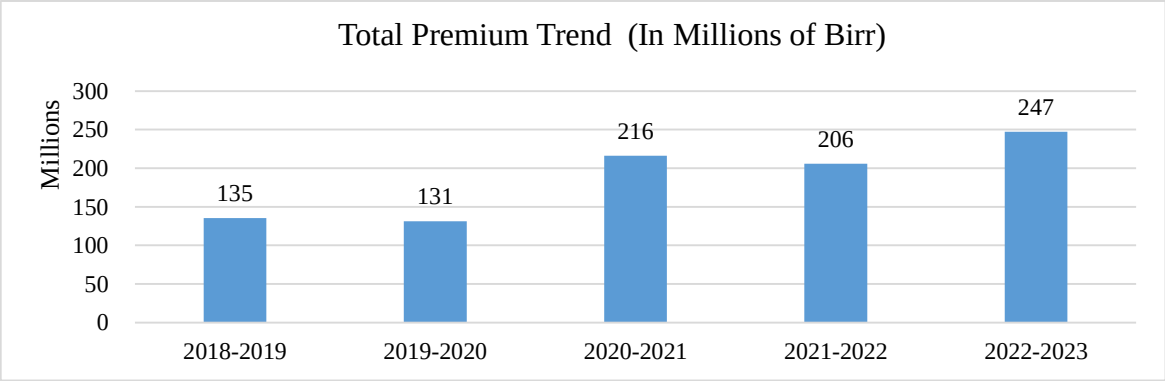
a) Number of Policies Sold per Year

EIC has witnessed consistent growth in policy sales over the past five years, with a steady increase in both new and renewed policies. This indicates successful efforts to attract new customers while maintaining existing ones. The total premium generated from these policies has also shown a significant uptrend, reflecting improved revenue generation and financial performance for EIC as presented in Figure 5 below.

Figure 5: EIC's Policy Sells Trend against Premium Earned



Source: Researcher's computation based on EIC's Internal Data



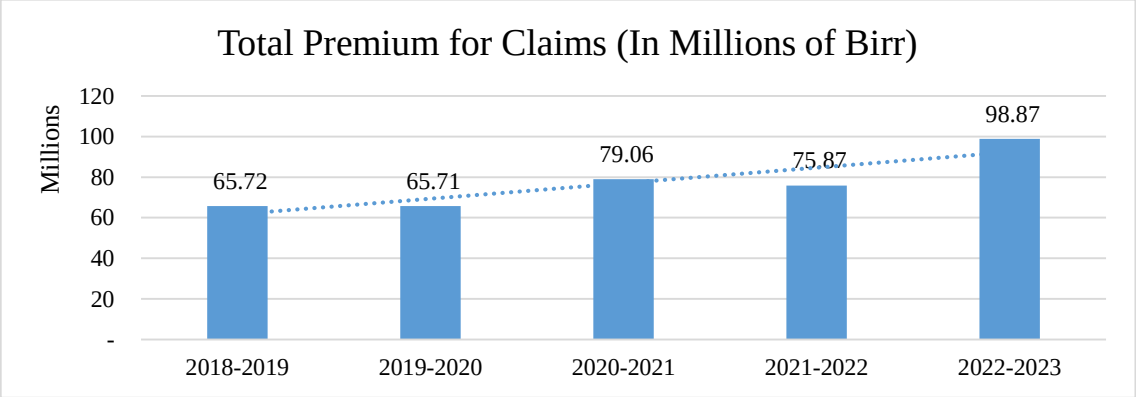
Source: Researcher's computation based on EIC's Internal Data

The company's strong market position is evident from its sustained growth in policy sales, highlighting effective sales and marketing strategies. Overall, the increasing number of policies sold annually underscores EIC's competitiveness and resilience in the insurance market, contributing significantly to its overall revenue and market presence.

b) Claims Trend

Over the five-year period, EIC's total claims data reflects fluctuations in claims payouts, with varying amounts recorded each year. Despite some fluctuations, the overall trend shows an increasing trajectory, reaching its peak in the fourth year before experiencing a slight decrease in the final year as presented in Figure 6 below.

Figure 6: EIC's Five Years' Claims Trend



Source: Researcher's computation based on EIC's Internal Data

This pattern indicates a potential correlation between the total premium collected and the total claims paid out, indicating that higher premiums may lead to increased claims payouts. However, further analysis is needed to determine the specific factors driving these fluctuations and their implications for EIC's financial performance and risk management strategies. Additionally, understanding the underlying reasons for the fluctuations in claims data can help EIC better anticipate and manage future claims liabilities, ensuring financial stability and sustainability in the long-run.

c) Channels used for Selling Life Insurance

EIC provides Long term, Property and Liability Insurance covers. To sell its products, EIC uses different channels to reach out its customers. Among these

Branches: More than 100 branches throughout the country

Contact Offices: EIC has 29 contact offices (satellite offices)

Sales Agents: Currently EIC hold about 503 sales Agents

Brokers: EIC is currently working with more than 10 brokers

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter outlines brief summary and conclusion of the study in accordance with the study results and forward recommendations based on the overall results of the study.

5.1.Summary of the Major Findings

- All indicator loadings of the reflectively measured constructs are well above the threshold value, which indicates sufficient levels of indicator reliability. Accordingly, the outer measurement model loadings are significant and more reliable indicating that well-fitting reflective model.
- All reflectively measured constructs had high levels of internal consistency reliability indicating that all construct measures are reliable.
- All the reflectively measured constructs had high levels of convergent validity.
- The square roots of the AVEs for the reflectively measured constructs are all higher than the correlations of these constructs with other latent variables in the PLS path model indicating presence of discriminant validity.
- The analysis revealed several significant path coefficients, indicating the strength and direction of the relationships between different latent variables. Age and stage of life, attitude towards life insurance, financial stability and income level, level of education and trust in insurance providers had statistically significant positive effect on purchase intention of life insurance. It was also found that awareness about finance had statistically significant positive direct effect on purchase intention of life insurance.
- Trust in insurance providers had statistically significant but negative effect on purchase intention of life insurance
- Awareness about life insurance benefits had no statistically significant effect on purchase intention of life insurance.
- Notably, financial literacy emerged as statistically strong positive predictor of purchase intention of life insurance, as evidenced by high path coefficients and effect size (f^2).

- However, trust in insurance providers emerged as a strong but negative predictor of purchase intention of life insurance, as evidenced by high path coefficients and effect size (f^2).
- The study investigated the mediating role of awareness about life insurance benefits and awareness of finance (financial literacy) on the relationship between various predictors and purchase intention of life insurance. The specific indirect effects analysis revealed interesting insights into how these mediating variables influence the ultimate decision to purchase life insurance.
- For awareness about life insurance benefits, the analysis showed negligible or even negative indirect effects for predictors such as age and stage of life, attitude towards life insurance, financial stability and income level, level of education, and trust in insurance providers. This implies that the influence of these predictors on purchase intention is not significantly mediated by awareness about life insurance benefits. In other words, awareness about life insurance benefits had no statistically significant mediating role in affecting purchase intention of life insurance.
- Similarly, awareness of finance (financial literacy) displayed significant indirect effects for attitude towards life insurance and level of education. However, predictors such as age and stage of life, financial stability and income level, and trust in insurance providers showed relatively weaker indirect effects. This indicates that financial literacy plays a more substantial mediating role for certain predictors compared to others.
- Trust in insurance providers negatively influences purchase intention of life insurance, indicating that individuals with lower trust levels are less likely to purchase insurance, possibly due to concerns about provider's reliability or transparency.
- The significant but negative indirect effect from trust in insurance providers to purchase intention of life insurance via awareness of finance (financial literacy) indicates an interesting relationship. It implies that higher trust in insurance providers leads to lower levels of financial literacy, which in turn negatively affects individuals' intention to purchase life insurance

5.2.Conclusions

The analysis of the significance and relevance of the model's relationships in the context of life insurance purchase intention reveals compelling insights into the dynamics of factors affecting life insurance purchase intention.

The findings of the path coefficient analysis highlight several key insights into the factors influencing individuals' attitudes and purchase intentions towards life insurance. Age, attitude towards life insurance, financial stability, income level, and education emerged as significant predictors of awareness about life insurance benefits, financial literacy, and purchase intention.

Notably, higher levels of education were associated with increased awareness of both life insurance benefits and financial literacy, underscoring the importance of educational attainment in fostering financial knowledge. Financial stability and income levels also played pivotal roles, positively impacting awareness and purchase intention. Surprisingly, trust in insurance providers exhibited a negative relationship, with lower levels of trust correlating with decreased purchase intention, implying potential concerns regarding insurance providers' reliability and transparency. These findings collectively emphasized the multifaceted nature of factors shaping life insurance decisions and highlighted the need for targeted interventions to enhance awareness and encourage informed decision-making. Efforts to promote financial education and build trust in insurance providers could prove instrumental in fostering a more conducive environment for individuals to make informed choices regarding life insurance.

Financial literacy emerged as a crucial factor influencing purchase intention, highlighting the importance of promoting financial education initiatives. Trust in insurance providers had a complex relationship with purchase intention, implying a need for insurers to focus on building trust and transparency.

The findings of this study underscored the importance of individuals' attitudes towards life insurance in shaping their awareness about insurance benefits and financial literacy, which, in turn, influence their intention to purchase life insurance. Moreover, the negative path

coefficients observed for trust in insurance providers implies that lower levels of trust are associated with decreased purchase intention of life insurance. These results highlighted the complex interplay of psychological factors, financial knowledge, and trust in shaping consumer behavior in the life insurance market.

While awareness about life insurance benefits mediate the relationship between some predictors and purchase intention, its effects vary across different predictor variables. Understanding these interplays is crucial for designing effective marketing strategies and educational initiatives to promote life insurance uptake.

5.3.Recommendations

Based on the study findings, the following recommendations are proposed for EIC to make targeted interventions in the future:

- EIC needs to prioritize building trust with customers by ensuring transparent communication and ethical business practices. Establishing clear channels for customer inquiries, providing accessible information about insurance policies, and demonstrating reliability and integrity in service delivery can help foster trust and confidence in the insurance provider.
- EIC needs to develop and implement comprehensive consumer education programs to improve awareness about life insurance benefits and enhance financial literacy among potential customers. These programs should focus on addressing misconceptions, providing clear information about insurance products, and fostering a better understanding of financial concepts related to insurance.
- Invest in financial literacy programs aimed at enhancing consumers' understanding of insurance concepts and financial planning. By empowering individuals with the knowledge to make informed decisions, insurers can improve their perception of life insurance and increase uptake.
- Continuously monitor the effectiveness of awareness campaigns and financial literacy programs through surveys, feedback mechanisms, and performance metrics. Adjust strategies as needed based on feedback and changing consumer preferences to ensure sustained impact.
- Develop targeted marketing strategies that align with the attitudes and preferences of different customer segments. Personalized marketing campaigns that emphasize the value of life insurance, address specific customer concerns, and highlight the benefits of financial security can effectively influence purchase intention and drive customer acquisition.
- Introduce flexible insurance products that cater to diverse customer needs and preferences. Providing customizable coverage options, flexible premium payment plans, and innovative policy features can attract a wider customer base and increase the appeal of life insurance products among potential buyers.

5.4.Major Limitations and Indication for Further Studies

Despite the comprehensive nature of this study, several limitations should be acknowledged. Firstly, the data collection was limited to customers of EIC in Addis Ababa, which may not be representative of the broader Ethiopian population or other regions. This geographical constraint could limit the generalizability of the findings to other parts of the country.

Secondly, the cross-sectional design of the study captures data at a single point in time, which restricts the ability to infer causality. Longitudinal studies would be more effective in assessing how the relationships between variables evolve over time. Additionally, the study relies on self-reported data, which may be subject to biases such as social desirability or inaccurate recall.

Thirdly, while the study focuses on key predictors such as age, education, financial stability, trust in insurance providers, and attitudes towards life insurance, other potentially influential factors were not included. Variables such as cultural attitudes, macroeconomic conditions could also play significant roles in shaping purchase intentions.

Future research in this area could address the aforementioned limitations to provide a more robust understanding of the factors influencing life insurance purchase intentions. Firstly, expanding the geographic scope of the study to include multiple regions within Ethiopia would enhance the generalizability of the findings. Comparative studies between urban and rural populations could yield insights into regional differences in life insurance uptake.

Secondly, employing a longitudinal research design could help establish causal relationships and track changes in consumer behavior over time. This approach would also allow for the examination of how external factors, such as economic shifts or changes in regulatory policies, impact life insurance purchase intentions.

Further studies should also consider incorporating additional variables that may influence life insurance purchase decisions. For instance, exploring the impact of cultural factors, macroeconomic indicators would provide a more holistic view of the determinants of life insurance uptake. Finally, comparative studies across different countries or regions could

highlight unique contextual factors and best practices, facilitating the development of tailored strategies to enhance life insurance penetration in diverse settings.

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Appendix 1: Survey Questionnaire

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MASTERS OF BUSINESS ADMINISTRATION (MBA)

Welcome to Life Insurance Survey!

Dear Respondent,
I am a postgraduate student at St. Mary's University. As part of the requirement of my postgraduate program, I am required to undertake a research project in my area of study. The research title is **"*Factors Affecting Purchase Intention of Customers towards Life Insurance: A Case Study on Ethiopian Insurance Corporation (EIC)*"**.

Your valuable insights will help understand the factors influencing individuals' decisions regarding life insurance. Your honest and accurate responses will be important in attaining the objective of the study. Your responses are entirely confidential, and there are no right or wrong answers. Please answer each question honestly based on your own experiences and beliefs.

Thank you in advance for your time and cooperation!
If you have any questions or concerns about the survey, please don't hesitate to reach out to me via my Mobile: +251912975255

Kebebush Hailu

Part I: Demographic Information

Please make a tick "✓" mark for the correct answer that represent your personal information

6. **Gender**

   Male ☐ Female ☐

7. **Age (in years)**

   Below 20 ☐ 20-29 ☐ 30-39 ☐ 40-49 ☐ 50 and Above ☐

8. **Level of Education**

   Certificate ☐ Diploma ☐ Bachelor's Degree ☐ Master's Degree ☐

   PhD ☐

   Other

9. **Occupation**

   Public sector ☐ Private sector ☐ Self-employed ☐ Other ☐

10. **Monthly Income**

    Birr 5,000 and below ☐ Birr 5,001-10,000 ☐ Birr 10,001-20,000 ☐

    Birr 20,001-30,000 ☐ Birr 30,001-50,000 ☐ Above Birr 50,000 ☐

Part II: About Factors Affecting Purchase Intention of Life Insurance

Please put a tick "✓" mark on the appropriate box that represents your agreement/disagreement.

Likert-scale:

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

Age and Stage of Life						
	Items	**1**	**2**	**3**	**4**	**5**
1	My age influences my perception of the importance of life insurance.					
2	I believe that life insurance becomes more critical as one gets older.					
3	I am considering life insurance as part of my long-term financial planning.					
4	I believe that my age impacts my insurance needs and priorities.					

Level of Education						
	Items	**1**	**2**	**3**	**4**	**5**
1	My level of education influences my understanding of insurance concepts.					
2	I feel confident in my ability to make informed decisions about insurance products/services based on my education level.					
3	I believe that higher education leads to better financial planning, including insurance coverage.					
4	I believe that individuals with higher levels of education are more likely to recognize the importance of life insurance.					
5	I am actively seeking opportunities to improve my financial knowledge and decision-making skills through education.					

Financial Stability and Income Level						
	Items	**1**	**2**	**3**	**4**	**5**
1	I feel financially secure in my current situation.					
2	My income level allows me to comfortably afford insurance premiums.					
3	I am confident in my ability to handle unexpected financial expenses.					
4	I consider insurance as an important aspect of my financial security.					

Trust in Insurance Providers						
	Items	**1**	**2**	**3**	**4**	**5**
1	I trust that insurance providers will deliver on their promises to policyholders.					
2	I have confidence in the reliability and integrity of insurance companies.					
3	I believe that insurance providers prioritize the best interests of their customers.					
4	I feel comfortable relying on insurance companies to protect my financial interests.					
5	I have had positive experiences with insurance providers in the past.					
6	I trust that insurance companies will provide fair and transparent policies.					
7	I am confident in the stability and financial strength of insurance providers.					

Awareness about Life Insurance Benefits						
	Items	**1**	**2**	**3**	**4**	**5**
1	I am aware of the various benefits provided by life insurance products/services.					
2	I understand how life insurance can protect my family's financial future.					
3	I am knowledgeable about the different types of life insurance policies available.					

Awareness about Finance (Financial Literacy)						
	Items	**1**	**2**	**3**	**4**	**5**
1	I feel confident in my understanding of financial concepts such as premiums, deductibles, and coverage limits.					
2	I actively seek out information to improve my financial knowledge and decision-making.					
3	I believe that the purchase of life insurance would benefit my future.					
4	If I have a better financial condition, I will purchase higher life insurance coverage.					

Perception/Attitude towards Life Insurance						
	Items	**1**	**2**	**3**	**4**	**5**
1	I have a positive attitude towards purchasing life insurance.					
2	I believe that life insurance is a valuable investment for the future.					
3	I trust that life insurance companies will fulfill their obligations to policyholders.					
4	I am confident in my ability to select a life insurance policy that meets my needs.					
5	I view life insurance as a responsible financial decision for securing my family's future.					

Part III: About Purchase Intention of Life Insurance

Please put a tick "✓" mark on the appropriate box that represents your agreement/disagreement.

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

Purchase Intention of Life Insurance						
	Items	**1**	**2**	**3**	**4**	**5**
1	I believe that purchasing life insurance is an important financial decision for me.					
2	I am likely to purchase a life insurance policy within the next year.					
3	I am currently in the process of evaluating different life insurance products/services for potential purchase.					
4	I have already taken steps towards purchasing a life insurance policy.					
5	I am confident in my decision to purchase life insurance to protect my financial future and that of my loved ones.					

Appendix 2: Indicators' Outer Loadings

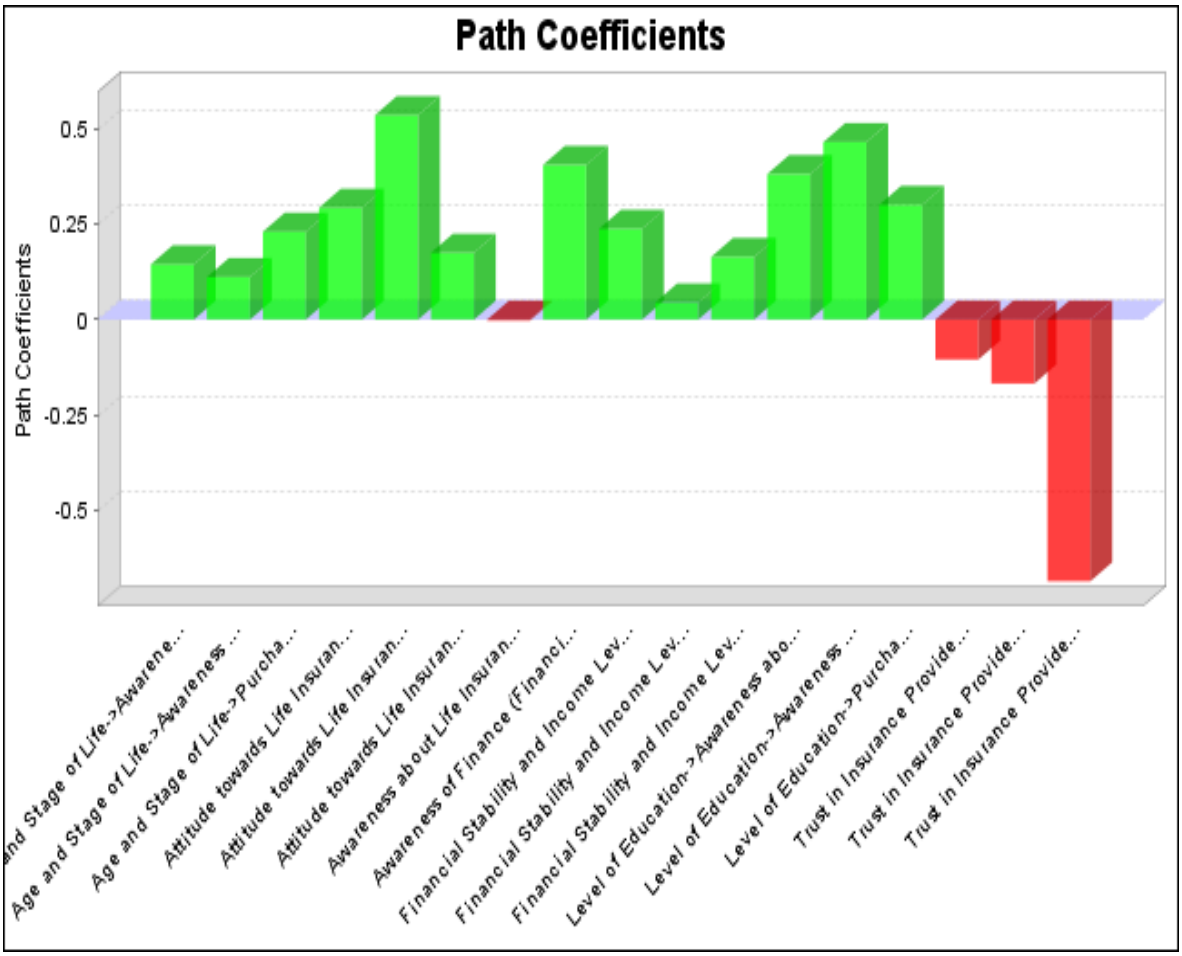
	Age and Stage of Life	Attitude towards Life Insurance	Awareness about Life Insurance Benefits	Awareness of Finance (Financial Literacy)	Financial Stability and Income Level	Level of Education	Purchase Intention of Life Insurance	Trust in Insurance Providers
ASL2	0.943							
ASL3	0.924							
ATT_LI1		0.879						
ATT_LI2		0.914						
ATT_LI3		0.844						
ATT_LI4		0.919						
ATT_LI5		0.890						
AW_FL2				0.846				
AW_FL3				0.855				
AW_FL4				0.936				
AW_LIB1			0.929					
AW_LIB2			0.892					
AW_LIB3			0.809					
FINS_IL2					0.892			
FINS_IL4					0.944			
LoED2						0.767		
LoED3						0.956		
LoED4						0.897		
LoED5						0.927		
PRI_LI1							0.851	
PRI_LI2							0.899	
PRI_LI3							0.908	
PRI_LI4							0.915	
PRI_LI5							0.881	
TR_IP1								0.894
TR_IP2								0.799
TR_IP3								0.918
TR_IP4								0.946
TR_IP6								0.895
TR_IP7								0.896

Appendix 3: Outer Loadings

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
ASL2 <- Age and Stage of Life	0.571	0.575	0.022	26.119	0.000
ASL3 <- Age and Stage of Life	0.499	0.497	0.012	41.197	0.000
ATT_LI1 <- Attitude towards Life Insurance	0.240	0.241	0.008	31.056	0.000
ATT_LI2 <- Attitude towards Life Insurance	0.236	0.237	0.007	33.415	0.000
ATT_LI3 <- Attitude towards Life Insurance	0.203	0.203	0.007	27.795	0.000
ATT_LI4 <- Attitude towards Life Insurance	0.215	0.215	0.005	39.987	0.000
ATT_LI5 <- Attitude towards Life Insurance	0.230	0.230	0.008	27.842	0.000
AW_FL2 <- Awareness of Finance	0.378	0.377	0.010	38.546	0.000
AW_FL3 <- Awareness of Finance	0.339	0.340	0.011	30.755	0.000
AW_FL4 <- Awareness of Finance	0.416	0.418	0.014	29.679	0.000
AW_LIB1 <- Awareness about Life Insurance Benefits	0.354	0.356	0.011	31.882	0.000
AW_LIB2 <- Awareness about Life Insurance Benefits	0.475	0.474	0.018	25.968	0.000
AW_LIB3 <- Awareness about Life Insurance Benefits	0.306	0.305	0.016	19.003	0.000
FINS_IL2 <- Financial Stability and Income Level	0.457	0.456	0.018	25.020	0.000
FINS_IL4 <- Financial Stability and Income Level	0.627	0.628	0.022	28.958	0.000
LoED2 <- Level of Education	0.218	0.217	0.012	18.516	0.000
LoED3 <- Level of Education	0.326	0.327	0.013	24.466	0.000
LoED4 <- Level of Education	0.299	0.300	0.011	27.294	0.000
LoED5 <- Level of Education	0.272	0.272	0.007	39.764	0.000
PRI_LI1 <- Purchase Intention of Life Insurance	0.255	0.253	0.008	30.839	0.000
PRI_LI2 <- Purchase Intention of Life Insurance	0.208	0.209	0.005	40.251	0.000
PRI_LI3 <- Purchase Intention of Life Insurance	0.206	0.207	0.005	38.906	0.000
PRI_LI4 <- Purchase Intention of Life Insurance	0.200	0.201	0.005	43.522	0.000
PRI_LI5 <- Purchase Intention of Life Insurance	0.257	0.256	0.008	33.651	0.000
TR_IP1 <- Trust in Insurance Providers	0.197	0.196	0.007	30.151	0.000
TR_IP2 <- Trust in Insurance Providers	0.150	0.151	0.009	16.377	0.000
TR_IP3 <- Trust in Insurance Providers	0.204	0.205	0.010	20.317	0.000
TR_IP4 <- Trust in Insurance Providers	0.222	0.222	0.009	23.753	0.000
TR_IP6 <- Trust in Insurance Providers	0.172	0.171	0.006	26.875	0.000
TR_IP7 <- Trust in Insurance Providers	0.170	0.170	0.008	21.000	0.000

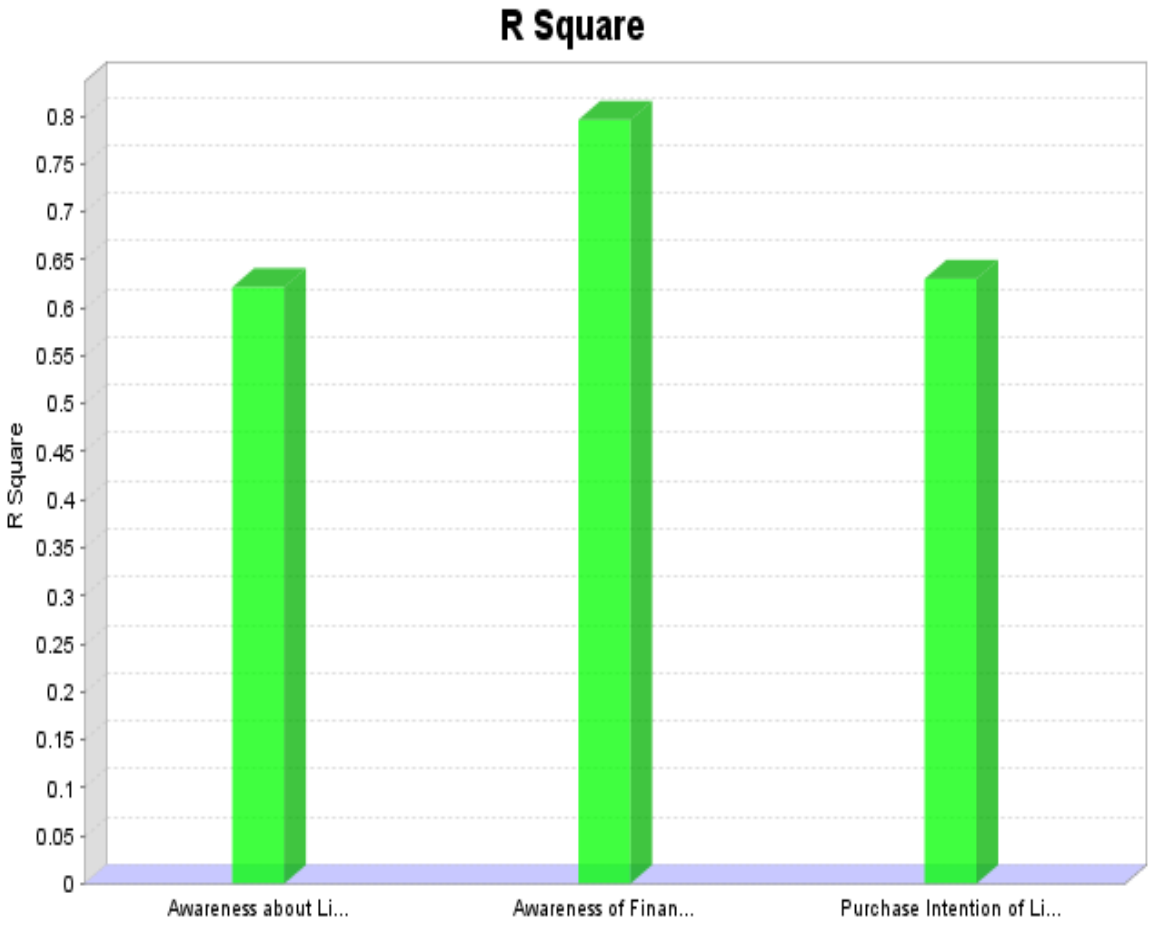
Appendix 4: SmartPLS Report Graphs

Figure 7: Path Coefficients Graph



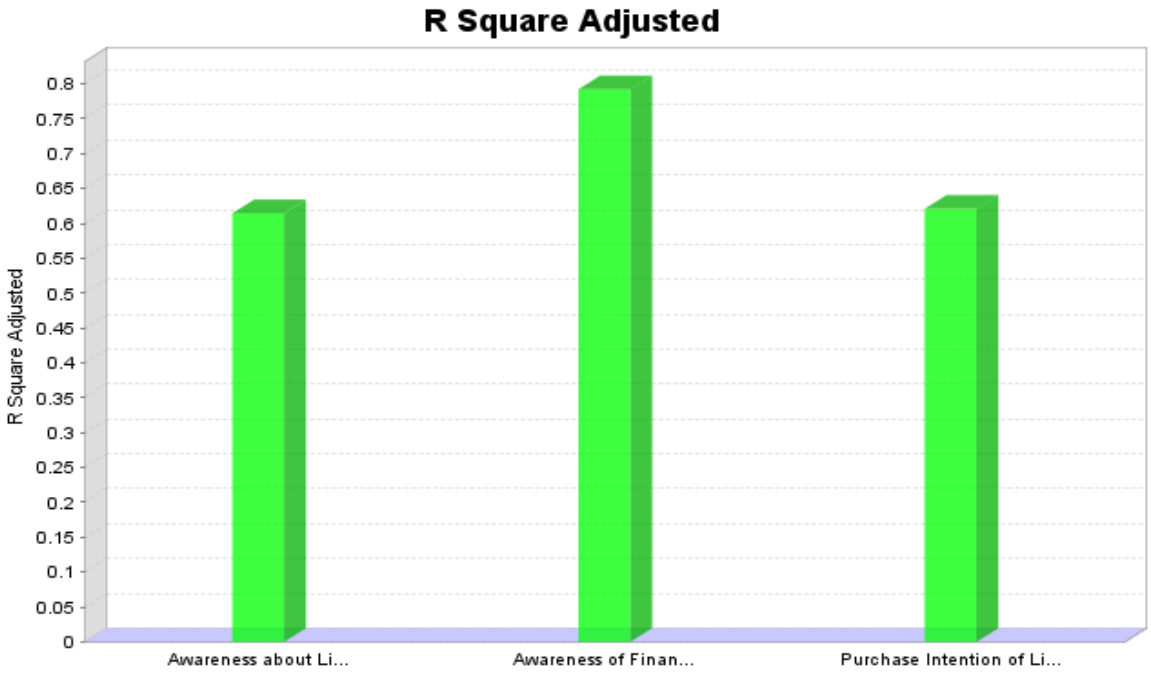
Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Figure 8: R-Square Graph



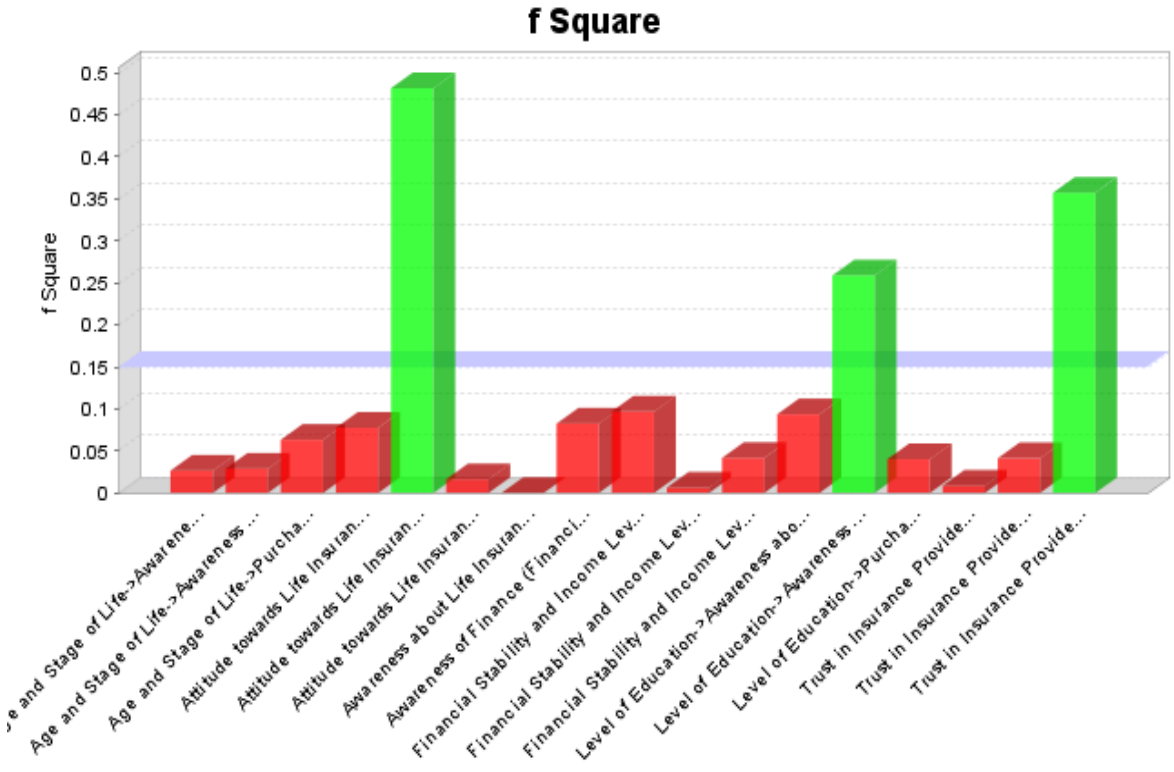
Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Figure 9: R-Square Adjusted Graph



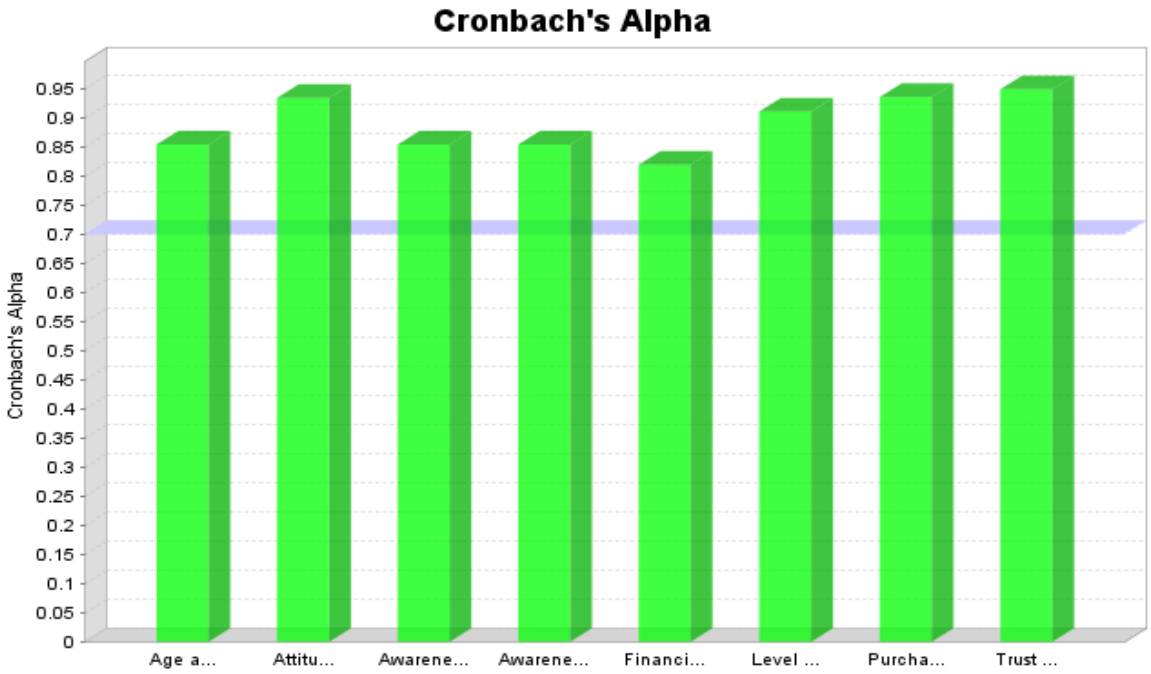
Source: Researcher's Analysis from the Smart-PLS Package Output (2024

Figure 10: f-Square Graph



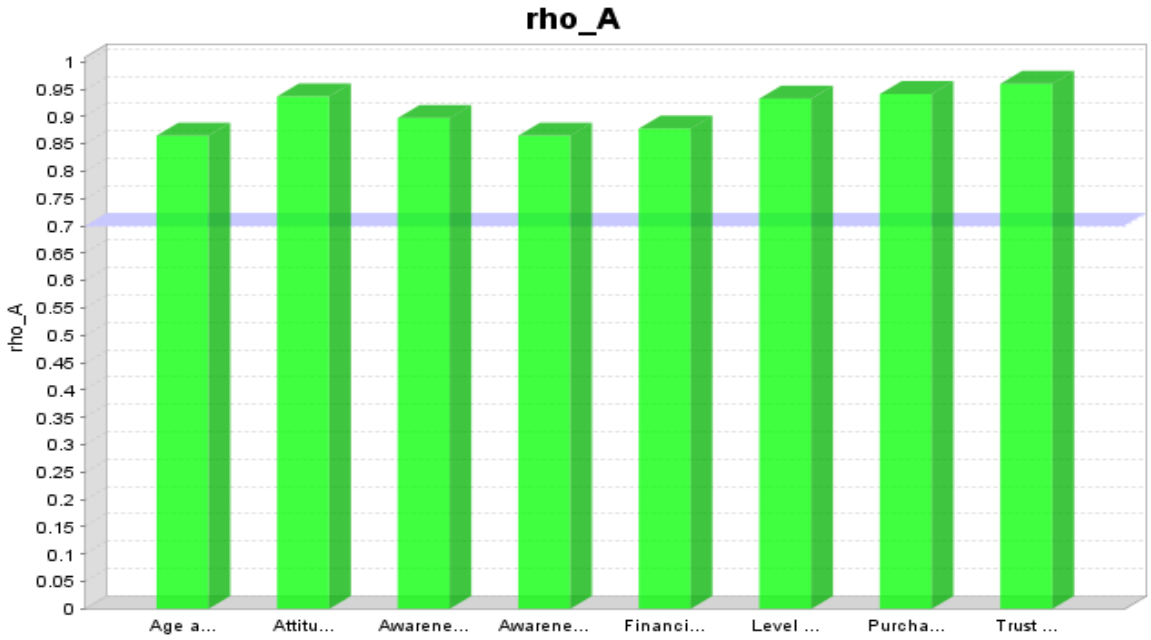
Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Figure 11: Cronbach's Alpha Graph



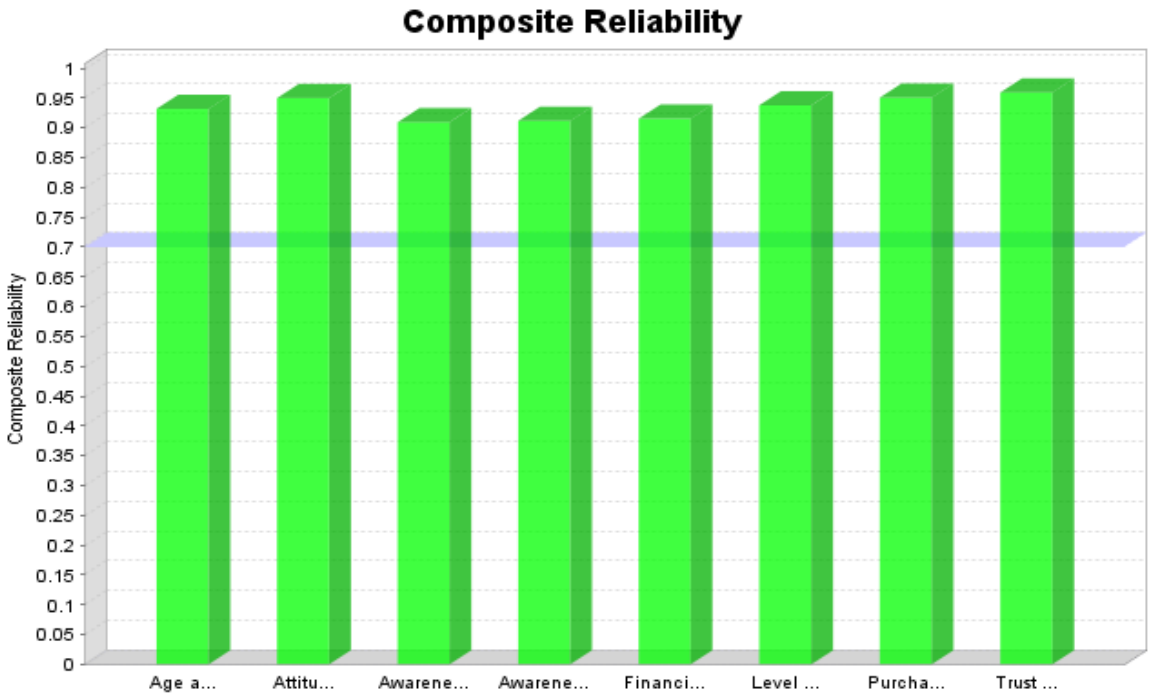
Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Figure 12: Rho_A Graph



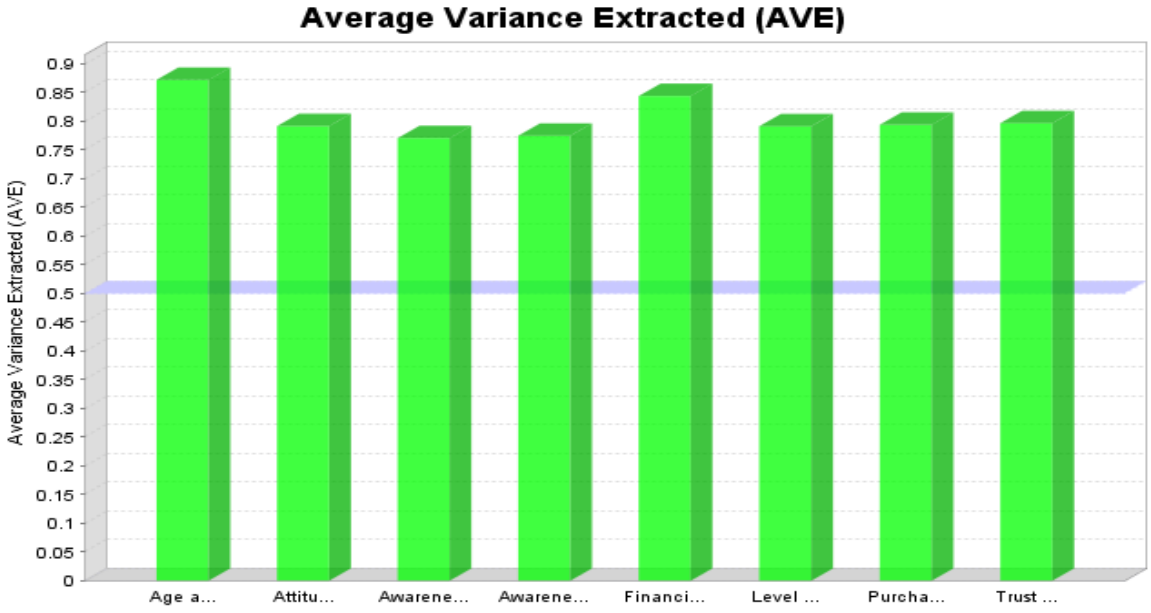
Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Figure 13: Composite Reliability Graph



Source: Researcher's Analysis from the Smart-PLS Package Output (2024)

Figure 14: Average Variance Extracted (AVE) Graph



Source: Researcher's Analysis from the Smart-PLS Package Output (2024)