

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE DEPARTMENT OF ACOUNTING AND FINANCE

Determinant for Low Uptake of Life Insurance in Ethiopia

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February 2026

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A thesis submitted to the Addis Ababa University School of Commerce in partial fulfillment of the requirements for the degree of Master of Science in Corporate Finance with a specialty in Investment Management

DECLARATION

I, Tesfa Bizuayehu, do hereby declare that this thesis work entitled "Determinant Factors for the Low Uptake of Life Insurance in Ethiopia" is all my own work and that all sources of information and materials used in preparing this thesis work have been duly acknowledged and referenced appropriately, as permissible under internationally accepted standards of academic research and integrity. I do hereby understand and acknowledge that any form of academic dishonesty such as plagiarism, misrepresentation, and/or falsification, amongst others, is a serious offense that may attract a wide array of both university regulations and penalties and also impose a causal link for a range of legal consequences by original sources of information and materials that have not been duly acknowledged and referenced appropriately.

Researcher's Name: TESFA BIZUAYHEU Signature _____ Date _____

APPROVAL

As thesis research Advisor, I hereby certify that I have read and evaluated this thesis entitled Determinants factors for low uptake of life insurance in Ethiopia, compiled by Tesfa Bizuayehu**.** I recommend that it can be submitted as fulfilling the thesis requirement for the Degree of Master of Science in Corporate Finance, specialty in Investment Management

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Abstract

Life insurance is a significant financial tool that can be used to reduce risks associated with income loss, as well as save and develop the economy. However, the penetration rate of life insurance in Ethiopia is remarkably low compared to other African nations. The objective of this research was to investigate the determinants of low life insurance penetration in Ethiopia by considering both demand and supply sides. A mixed-methods research design was used, which combined quantitative survey results from 370 respondents selected from government employees, private sector employees, and self-employed and small and medium enterprise owners in Addis Ababa City, with qualitative findings from 20 key informant interviews and one focus group discussion with insurers, agents, brokers, regulators, and experts. Analysis of the findings indicates that the ownership of life insurance is still low.

Despite the existence of relatively favorable socio-economic factors among the respondents; awareness and understanding of life insurance products stood out as the most significant and important predictors of ownership ($p < 0.05$), followed by affordability, trust in life insurers, product design, and effectiveness of the regulatory framework. The findings from the qualitative study also suggest that cultural and religious factors affect the adoption of life insurance indirectly through the reinforcement of trust in informal risk-sharing mechanisms such as Edirs. The study suggests that improving public awareness, trust, product design, and the regulatory framework are essential for increasing the adoption of life insurance and improving financial inclusion in Ethiopia.

Keywords: Life insurance uptake; financial inclusion; Public awareness; Regulatory framework; Ethiopia

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ACRONYMS AND ABBREVIATIONS

AIO	African Insurance Organization
CSA	Central Statistical Agency
EIC	Ethiopian Insurance Corporation
ETB	Ethiopian Birr
GDP	Gross Domestic Product
GPW	Gross Premium Written
NBE	National Bank of Ethiopia
ULIP	Unit Linked Insurance Product
UNDP	United Nations Development program
SPSS	Statistical Package for the Social Sciences
FGD	Focus Group Discussion

CHAPTER ONE

Introduction

Life insurance provides financial protection to individuals and families by lessen the financial burden in consequences of death or permanent disability because of unforeseen incident. It also provides financial protection at the time of retirement and old age, especially if families are dependent upon the breadwinner of the family (Outreville, 2013). Life Insurance provides monetary compensation to policyholders or their beneficiaries, and ensures financial stability at the time of unforeseen events (Outreville, 2013). In addition, life insurance plays a crucial role in the financial services sector by mobilizing savings and supporting the growth of economy of the given country (Impavido and Musalem, 2000). In both developed and developing economies, life insurance promotes household welfare, reduces poverty, and fosters sustainable economic growth by promoting financial inclusion and providing financial protection to individuals resulted from unforeseen shocks (Ward and Zurbruegg, 2002).

Globally, the practice of life insurance dates back to ancient times. For instance, one of the earliest forms of life insurance can be seen in the burial society of ancient Rome, which were started to help members cover funeral expenses (Zelizer, 1983). Nevertheless, the evolution of life insurance into its modern form began in Europe. Life insurance policies were first started in Britain during the late 16th and early 17th centuries, with the Amicable Society for a Perpetual Assurance Office, founded in 1706, commonly taken as the world's first life Insurance Company (Clark, 1999). Over the centuries, the life insurance industry began, expanding to North America, Asia, and other parts of the world, becoming a foundation of the modern financial system.

The Life insurance growth in Africa is very sluggish as compared to other developed nations. When it was first introduced, it mostly served the interests of colonial powers, helping expatriates and colonial elites while offering little to the local population (Osei-Akoto, 2015). After independence, African countries started establishing their own insurance industries, but progress has varied a lot from one country to another. In most countries, life insurance is still not well developed. This is mostly because many people in Africa have low disposable incomes, have little or no literacy about insurance, or don't have access to financial services (African

Insurance Organization, 2021). However, South Africa stands out as the top life insurance market in the continent. It has the most developed insurance market in Africa and makes up more than 70% of the continent's total life insurance premiums (Swiss Re Institute, 2022).

Evidence from Ethiopia reveals that despite the presence of a long history of insurance services and regulatory reforms, the life insurance market is still underdeveloped. Although there are a number of insurers operating in the market, the share of life insurance in the total insurance business is less than 7%, which is significantly lower than the African and global averages (National Bank of Ethiopia, 2023; Swiss Re Institute, 2022). It is revealed that low income, lack of awareness, and lack of trust in insurance institutions are the key factors that contribute to the low demand for life insurance (Desta, 2015). In addition, the cultural reliance on traditional social security arrangements such as Edir and Equb, and religious beliefs, further reduce the need for life insurance in Ethiopia (Mulugeta, 2017).

1.1. Statement of the Problem

Life insurance is a major instrument in protecting households against financial risks that may result from unforeseen circumstances, including the death of a breadwinner. In addition to risk protection, life insurance also supports long-term savings and the mobilization of funds for productive investment, hence contributing to economic stability. Despite the importance of life insurance and the large population of over 128 million people, the development of life insurance in Ethiopia is remarkably low. As per the 2023 report of the National Bank of Ethiopia, the contribution of life insurance premiums to the Gross Domestic Product (GDP) of the country was only 0.03%. Likewise, in 2024, the contribution of life insurance premiums to the total premium income was only 6.2%, numerically; the amount of life insurance premiums was only 1.6 billion ETB out of the total premium of 26 billion ETB (NBE, 2024).

This is remarkably low compared to other African countries. For example, South Africa has a life insurance penetration of 11.3%, while Kenya has a penetration of 2.14%. Even countries such as Nigeria and Uganda have higher life insurance penetration in terms of total premium shares, estimated at about 34% and 25%, respectively (Swiss Re Institute, 2023; World Bank, 2023). These inequalities indicate the extent to which the life insurance market is underdeveloped in Ethiopia, despite its great demographic and economic potential

Although the determinants of life insurance demand in Ethiopia have been investigated by previous studies, the existing literature is still fragmented. While Seifu (2020) identified the cultural and religious constraints that restrict the demand for life insurance, Nguyen and Nguyen (2022) identified government and supply-side constraints in the insurance industry. On the other hand, income, financial literacy, and trust were identified as significant constraints to the demand for life insurance (Gebresilassie & Abate, 2021). In addition, supply-side constraints such as the time taken to settle claims, customer service, fraud, and the lack of strict regulatory control have been identified as factors that influence the confidence of the public in the insurance system (Nguyen & Nguyen, 2022). However, it seems that the aforementioned studies examine either the demand side or the supply side independently, use single-method research designs, or examine other studies that are less relevant to the Ethiopian situation.

Consequently, to the best of the researcher's knowledge, there is no study in Ethiopia that has investigated the demand-side factors, supply-side factors, and the informal risk-sharing arrangements simultaneously. This includes the traditional risk-sharing mechanisms such as Edir, which is often used as substitutes for life insurance and thereby decrease demand for conventional life insurance. This study therefore aims to fill the research gap by using a mixed-methods research design to investigate the factors that influence the demand for life insurance from the demand side and the supply side perspectives. .

1.2. **Research Questions**

The questions have been informed by other similar studies that have been conducted on life insurance uptake in general, with specific reference to developing countries. A number of studies have been conducted with particular reference to socio-economic, cultural, and institutional factors as determinants of life insurance uptake. This includes;

1. What socio-economic factors influence the demand for life insurance in Ethiopia?
2. How does the level of awareness and understanding of the public influence the decision of demanding life insurance in Ethiopia?
3. How do socio-cultural factors, including cultural norms and religious beliefs, influence attitudes toward life insurance uptake in Ethiopia?

4. How the designs of products, cost factors, and access to products impact the demand for life assurance products by various consumer segments?
5. How do perceptions of the regulatory framework, including trust in the National Bank of Ethiopia and awareness of consumer protection mechanisms, influence decisions to purchase life insurance in Ethiopia?

1.3. Objectives of the Study

1.3.1 General Objective

The general objective of this study is to evaluate the determinant factors of the low uptake of life insurance in Ethiopia.

1.3.2 Specific Objectives

Specific objectives of this study include:

1. To identify the socio-economic factors that differentiate life insurance policyholders from non-policyholders in Ethiopia.

2. To assess the relative influence of public awareness, affordability, and trust on the likelihood of life insurance uptake.

3. To assess the influence of socio-cultural factors, including cultural norms and religious beliefs, on attitudes toward life insurance uptake in Ethiopia

4. The contribution of product design, affordability, and accessibility on life insurance demand.

5. To assess the extent to which the regulatory and institutional framework, including regulatory oversight and consumer protection, influences life insurance penetration in Ethiopia

1.4 Significance of the Study

Life insurance is one of the fields that has a very significant role to play in minimizing financial risks. It aids economic stability to families at the death of the breadwinner (Impavido & Musalem, 2000). Nevertheless, in many developing countries such as Ethiopia, life insurance is not developed and utilized by consumers. In fact, it is still at its developing stage with very low demand for life insurance.

This research is necessary because it will help us understand why life insurance is not growing significantly in Ethiopia and what can be done to improve it. Therefore, it will offer us useful ideas that can aid us in boosting the growth of life insurance in different aspects. Thus, these actions can help individuals to acquire better awareness about life insurance usage. This is an important aspect for a country's economic growth. For insurance companies, these research findings will aid them to get new ideas about what makes people purchase few insurance services. This helps them create insurance services that people can easily understand and that fit the needs of different types of clients.

This research further benefits the public by creating awareness of life insurance and encouraging them to have financial planning for their uncertain future. Researchers and academics will gain new insights to add to the limited existing research in this area. Finally, regulators and the policy makers can use the findings to issue policies that close the existing gaps, rebuild public confidence, and work together with the market players to create a stronger and more inclusive insurance market in Ethiopia.

1.5 Scope of the Study

This study identifies factors why life insurance is not demanded enough in Ethiopia by considering both the demand side (people who may buy insurance) and the supply side (those who provide insurance services). It focuses on urban areas, mainly Addis Ababa, where access to insurance is better. On the demand side, it includes employees from public and private sectors, as well as self-employed persons in small and medium enterprises. On the supply side, it gathers input from insurance companies, agents, brokers, regulators, and consumer protection experts. The study focuses only on life insurance and examines key factors such as income level, cultural

and religious beliefs, awareness and understanding of life insurance, product design and accessibility, service delivery, and regulatory environment.

1.6 Limitations of the Study

There are various limitations associated with this study, which need to be taken into consideration while interpreting the research findings. First and foremost, the research has been conducted mainly on the population of urban dwellers, especially those living in Addis Ababa. The study has not taken into consideration the population of the rural sector of the country. Hence, the research findings may not be fully applicable to the population of the rural sector, where the income levels, availability of insurance services, financial knowledge, and socio-cultural factors may vary considerably.

Secondly, the research has been conducted based on the information provided by the respondents through the questionnaire method and interviews. There may be a possibility of people in the sample population of the research study being reluctant to reveal their personal financial details and the reasons for not taking up life insurance services. Hence, the research may be influenced by response bias.

Third, time constraints necessitated a greater reliance on quantitative survey data for analyzing demand-side factors, while limiting the use of in-depth interviews and focus group discussions for the supply-side analysis. As a result, the extent to which insurance providers, regulators, and other key stakeholders could offer detailed insights may have been constrained, potentially restricting the depth of analysis of institutional and operational issues within the life insurance sector.

Despite these limitations, the study provides valuable insights into the factors influencing the purchase of life insurance, and it adds to the literature and provides opportunities for further research on the subject, particularly with the inclusion of the rural sector, the utilization of longitudinal research, and the inclusion of other stakeholders.

1.7 Organization of the Study

This study is organized into five chapters. Chapter one is about the background, statement of the problem, research questions and objectives, scope, significance, and limitations of the study. Chapter Two reviews the literature part, covering both the theoretical and empirical studies related to the life insurance development. Chapter Three describes the methodology, including the selection and description of the study area, types and sources of data, sampling design, data collection methods, as well as variable descriptions and model specifications. Chapter Four reviews the analysis and interpretation of the research findings, by integrating both quantitative and qualitative results. Finally, Chapter Five summarizes the study, draws conclusions, and puts recommendations based on the findings.

CHAPTER TWO

Literature Review

2.1 Theoretical Literature Review

2.1.1 Definition and Concept of Life Insurance

Life insurance is a contract between an insurer and an individual or a corporate body whereby the life insurer promises to pay a beneficiary an agreed sum of money in the form of compensation upon the death of the insured person due to the insurable risk. This form of insurance provides protection to dependents of the life assured as a financial compensation for managing the risks associated with the loss of income due to death of the breadwinner of the family. By mitigating financial uncertainty, life insurance ensures that individuals' families can maintain at least their financial compensation, though not be able get the relieve of psychological trauma of the loss of their beloved ones resulted from unforeseen shocks

According to Outreville (2013), life insurance plays a pivotal role in managing risks of losing income of the life insured by offering protection against economic hardship, and also helping to make savings and investment. It allows individuals to invest in their future by putting funds that can accumulate over time, with the additional benefit of providing financial protection upon materialization of the insurable risk. In other words, some form of life insurance policies often includes a savings or investment component, which can yield financial benefits on top of the basic death benefit (Gautier & Rachdi, 2016).

In a more general sense related to economy, life insurances are not only a service used as a means of personal financial security; they have also significant importance in maintaining the stability of a particular economy. This is because they are used as a means of long-term savings that promotes capital accumulation in different industries within an economy (Beck & Webb, 2003). In addition, life insurances have the most crucial role to play in the development of any economy through risk diversification and portfolio management services (Schmeiser et al., 2017).

Additionally, the role of Life insurance is very critical in enhancing financial inclusion. This is more so in countries that are still developing their financial systems. Life insurance helps families create safety nets for dealing with unforeseen situations. In this way, families or individuals can cope with financial shocks or unforeseen situations. Improving the development of Life insurance is also likely to bring a big change in reaching more people who have been omitted or excluded from accessing financial sector services. This is according to Brown & Ormiston (2015).

2.1.2 The Role and Importance of Life Insurance

Life insurance provides the people with a stable financial position both at a personal level and across the economy. It helps the families through the management of their financial problems arising from the loss of a breadwinner to the family because of untimely death, disability, or other unforeseen events that result in the loss of his income. This kind of support will ease the burden on families to make their livelihood without interruptions at least sometimes in the future. In places where there is little or no social support from the government, life insurance may act as a safety net by providing money when it is most needed.

It also allows an individual to plan for his/her future needs by saving for his/her own requirements. In this regard, policies such as whole life or endowment plans have helped people save as well as increase their money, which is then secure against his/her future, especially in places where one might not find other ways of saving or investing as easy or as accessible (Doherty & Schlesinger, 1990). For instance, there are plans that have helped the individual save money, which can be used at a future time for his/her requirements, with some even offering tax benefits in certain countries, as noted by Chen & Lee (2012).

Besides, life insurance would contribute to the growth of the economy by means of capital formation. Whenever people buy life insurance, the companies will receive the money and invest it until the time the money is paid out in the form of claims. This money is then invested in various fields like building roads or investing in government bonds, which will benefit the future generation and create job opportunities for people (Skipper, 2000). In addition, the money

received by insurance companies will finance businesses, which will keep the market financially stable (Bikker & van der Wijst, 2004)

Life insurance helps people to invest on top of getting protection. It also minimizes the possible occurrence of financial risks by spreading over large number of people and industries, which helps make the overall economy more stable and less vulnerable to sudden unforeseen shocks (Klapper & Van Oudheusden, 2012). It provides them to build savings over time, which can protect them from rising living costs or unexpected medical bills.

Furthermore, life insurance helps expand the financial sector by increasing the need for other financial tools, like investment plans, pensions, and different ways to save. This helps to have more financial products that can in return help the insurance companies improving their services, while teaching people the value of planning for the future and managing risks (Levine, 2005)

2.1.3 The Role of Life Insurance Companies in Capital Market Development

Life insurance companies, being licensed to operate, are strong investors and can play an important role in supporting and stabilizing capital markets. This is mainly true, because they have long-term responsibilities to policyholders, and then they collect large amounts of money through premiums. This money is then invested in a variety of financial assets, such as company shares, government and corporate bonds, and infrastructure projects. These long-term investments help support economic growth by directing money into productive areas of the economy (Cummins & Rubio-Misas, 2006; Grace & Timme, 1992).

Life insurance companies invest for the long term, especially products with saving part like endowment and whole life which help the Company to accumulate more funds. This excess fund helps in return the capital markets to be more stable and efficient as the excess fund will be used by the capital market. They add liquidity to the market, and lower transaction costs. Because they invest large amounts in companies, they also have more influence to encourage good corporate governance, transparency, and accountability.

For example, when there is a period of financial uncertainty, they usually keep investing while paying no attention to fluctuations in the market. This prevents fluctuations in the market,

keeping the market steady. They also sometimes invest in government projects, which is helpful in carrying out national development.

In the case of Ethiopia, the development of the capital market has not yet begun, and similarly, the development of the life insurance market is still at its emerging stage. However, there is a high possibility of growth because, with the change in regulations and the development of the financial sector, its strength would be of utmost importance to enhance the development of the life insurance sector, which would help attract investment and would contribute to the development of the economy as a whole (National Bank of Ethiopia, 2020).

2.1.4 Types of Life Insurance Products

Life insurance products can be divided into many types, each gives different needs and preferences to life insurance consumers. Each types of product differs in terms of coverage, duration, and additional benefits. The following are the main types of life insurance policies available in many of the life insurance markets:

- **Term Life Insurance**

Term life insurance is the simplest and cheapest forms of insurance policy. It covers the policyholder for a fixed period, usually for a period of 1 to 25 years and only provides financial compensation to the beneficiary of the life assured if he/she dies during the insurance period. If the policy expires while the policyholder is still alive, no benefit is paid. It's popular among young families due to its low cost, (Rothwell, 1994).

- **Whole Life Insurance**

Whole life insurance is a type of policy that provides coverage for the entire lifetime of the policyholder, as long as premiums are paid. Unlike term life insurance, it does not expire after a set period. The policy pays a death benefit to the beneficiaries whenever the policyholder passes away. In addition, whole life policies often have a savings component, known as "cash value," which grows over time and can sometimes be borrowed against. It is usually more expensive

than term life insurance but offers lifelong protection and a way to build savings (Rothwell, 1994).

Endowment Policy

Endowment insurance provides both a death benefit and a maturity claim payment at the end of the policy term if the policyholder survives beyond the expiry of the fixed period of the insurance contract. It's ideal for long-term savings goals like retirement and future financing objectives. The main difference from whole life insurance is that the policyholder receives the full maturity benefit if they are alive when the policy period ends. In whole life insurance, benefits are usually paid only after death (Bauer, 2010).

Universal Life Insurance

Universal life insurance provides lifetime coverage and allows the policyholder to change how much they pay and in return get raised the death benefit based on their needs. It includes a cash value that earns interest and can be withdrawn by the policyholder at any time during the currency of the policy period provided the final compensation is the remaining balance after considering the withdrawn amount. It's suited for those needing flexibility as their financial needs change (Feldblum, 2010).

Variable Life Insurance

This type of life policy combines life coverage with investment options. The premium paid is tied to the stocks, bonds, or mutual funds that is assumed to be invested It offers potential for high returns but also involves higher risk (Blanchard & Lien, 2007).

Takaful (Islamic Insurance)

Takaful is a Sharia-compliant insurance coverage based on mutual assistance. Participants contribute to the Takaful fund which is administered by the standalone Takaful Company or conventional one through a window system dedicated to serve those in need, avoiding interest and uncertainty. This types of insurance meet the choice of Muslims seeking financial products aligned with their faith (Sherif & Shaairi, 2013).

- **Group Life Insurance**

Group life insurance provides cover for employees as a group, which is acquired by the employer to his employees under a single policy. Employers typically pay the premiums on behalf of the employees for a stated sum of money as financial compensation at the time of materialization of the insurable risks. The level of premium payment is usually cost-effective due to shared risk and is often part of employee benefits (Singh & Srivastava, 2007).

- **Funeral Expense Insurance**

This type of product is designed to cover funeral and burial costs. In terms of benefits, it offers a smaller death benefit. It's typically chosen by seniors who have financial hardship or people without other life insurance coverage (Murphy, 2008).

- **Unit-Linked Life Insurance (ULIP)**

This type of life insurance product provides both insurance protection and an investment opportunity to the policyholder. Part of the premium paid by the insured is used to cover life protection, the remaining amount is invested in financial instruments such as marketable securities and other investment vehicles . The returns depend on how the market performs, so they may generate profit or loss. Policyholders may also switch between different investment funds based on their preference. This product is best suited for long-term investors who are comfortable with market risk (Das & Das, 2012).

In Ethiopia, the types of life insurance available in the market include, term life, whole life, and endowment policies**,** which are commonly provided and transacted. These are more of traditional forms of life insurance, and while they provide basic financial protection, they may not fully meet the diverse and changing needs of the current day consumers. The limited variety of products could be one reason for the low demand, as potential customers may find existing options too rigid, or limited in coverage to meet their insurance needs

2.2 Theoretical Perspectives on Life Insurance Uptake

In this part, some of the major theories on life insurance demand will be presented, and a critical analysis of their applicability to the Ethiopian context will be provided. Rather than accepting these theories as universally applicable, their pros and cons, as well as their applicability to a developing country with low financial literacy, strong informal institutions, and low institutional trust, will be presented.

2.2.1 Expected Utility Theory (EUT)

Expected Utility Theory is one of the most popular theories on insurance economics. It is based on the assumption that individuals are rational decision-takers who seek to maximize their satisfaction by making decisions based on expected utilities rather than expected values, as individuals are assumed to maximize their satisfaction rather than expected value in making decisions (von Neumann & Morgenstern, 1944; Arrow, 1963). In this case, purchasing life insurance is considered a rational way to minimize financial risk in case of uncertain events, such as premature death.

While this theory provides a strong analytical base, its core assumptions are difficult to sustain in the Ethiopian context. Expected Utility Theory presumes that individuals possess adequate information, understand probabilities, and are able to objectively evaluate future risks. In reality, many Ethiopians, both in rural and urban areas, have limited financial literacy and restricted access to insurance-related information. Decision-making is often influenced by social norms, religious beliefs, and past experiences rather than formal cost–benefit calculations. As noted by Demissie (2020), risk-related decisions in Ethiopia are frequently shaped by collective reasoning and informal support mechanisms rather than individual utility maximization.

Consequently, while Expected Utility Theory helps explain why life insurance should be attractive in theory, it has limitation in explaining actual behavior in contexts where rational evaluation is challenged by information asymmetry and low institutional trust.

2.2.2 Prospect Theory

Prospect Theory, introduced by Kahneman and Tversky (1979), deals with the behavioral alternative to Expected Utility Theory by recognizing that people often do not make rational

decisions in case of uncertainty. Rather, people tend to judge outcomes relative to a reference point, which is their current state. Also, they are loss-averse, which implies that they are more sensitive to loss than to gain.

This theory is relevant in understanding why people in Ethiopia do not purchase life insurance. The argument is that people consider life insurance premiums as a sure loss, whereas the benefits of life insurance are uncertain, far-off, and dependent on death. Thus, people are more averse to paying insurance premiums, as they are psychologically uncomfortable with paying premiums, as opposed to enjoying the benefits. Furthermore, people are apprehensive about insurance companies' reliability, as they are afraid of delayed or denied claims.

In the Ethiopian scenario, these perceptions are influenced by the community's narrative and previous negative experiences, as opposed to direct interactions with insurance companies (Woldemichael, 2021). Thus, it can be noted that Prospect Theory offers a more realistic approach in comparison to Expected Utility Theory, as it takes into consideration the emotional, distrustful, and fearful nature of individuals with regard to insurance, especially in environments where consumer protection is low.

Prospect Theory, however, does not entirely justify the purchase of life insurance by certain individuals, thus indicating the necessity of exploring other factors as well.

2.2.3 Life Cycle Hypothesis

The Life Cycle Hypothesis, proposed by Modigliani and Brumberg (1954), indicates that people plan their consumption and savings strategies to ensure that their standard of living remains stable over their life cycle. In this context, the role of life insurance is very important to protect the family from loss of income during the economically productive life of the individual.

Although the Life Cycle Hypothesis is an important theoretical construct to explain the role of life insurance, its practical applicability to the Ethiopian context is limited. The Life Cycle Hypothesis is based on the assumption that people enjoy a stable income pattern, the availability of financial saving instruments, and long-term financial planning. These conditions are not present in the Ethiopian context. For most people, the income pattern is unstable, and the priority is to fulfill consumption needs rather than seeking financial advisory services. Even for people

with formal employment, the priority is to fulfill short-term financial needs rather than engaging in long-term financial planning.

Abebe and Abera (2019) identified that low awareness, poor savings habits, and inadequate financial products are major impediments to life cycle-based financial planning in Ethiopia. Therefore, while the life cycle hypothesis can be used as a model of life insurance demand in developed countries, its explanatory power is rather low in countries where living and survival concerns dominate financial planning decisions.

2.2.4 Institutional Theory

Institutional Theory explains that people's decisions are shaped not only by their personal choices but also by the rules, regulations, and systems around them. In the context of life insurance, the level of trust that people have in the institution of life insurance is important.

This theory is very relevant to the context of Ethiopia. The fact that the regulations are not being fully enforced has led to a loss of trust between the people and the insurance providers (Tesfaye, 2021). Even though reforms are being made to the regulations, people are still of the view that the insurance providers are inefficient and are not transparent in their activities. This has led to people being reluctant to take part in the life insurance market (Woldemichael, 2021). The informal sector also plays an important role. Community groups such as Edir often cover funeral expenses; so many people feel they do not need life insurance.

In this way, Institutional Theory helps explain life insurance uptake in Ethiopia because it considers both weak regulations and the role of informal institutions. However, it does not fully explain personal attitudes and behaviors, so using more than one theory gives a better understanding.

2.3 Empirical Literature Review

This section undertakes an empirical literature review on life insurance uptake, and it is thematic in nature. It draws on literature from the global, African, and Ethiopian context, and it highlights the convergences and divergences in the literature, as well as the gaps that exist in the literature, which form the rationale for this study.

2.3.1 Global Empirical Evidence on Life Insurance Uptake

Income and Socio-economic Factors

Income is perhaps the most discussed factor in the global literature on life insurance demand, and it has been established in the early empirical literature that there exists a strong positive correlation between income and life insurance uptake, as noted in the studies by Beck and Webb (2003) and Outreville (1990). The authors posit that the demand for life insurance arises after the consumption needs of the family are met, and this phenomenon is more pronounced in high-income countries, where life insurance is used as an important planning and wealth accumulation/construction tool.

However, studies carried out in developing countries indicate that income is not a sufficient factor in explaining low life insurance penetration. Although Vargas and Paredes (2012) found that low income is indeed a binding constraint in low-income economies, Lloyd's (2014) found that even if a person earns enough income, he or she may still choose not to buy life insurance due to other factors, such as a lack of trust, poor institutional environment, and low awareness. This implies that income is a necessary but not sufficient factor in life insurance, especially in less developed countries.

Financial Literacy and Awareness

It is widely accepted that financial literacy is a major factor in life insurance demand in developed countries. Research done by LIMRA Research (2014) revealed that individuals with higher financial literacy tend to be aware of long-term benefits of life insurance and therefore choose to buy life insurance. Beck and Webb (2003) also found that awareness enables individuals to better evaluate insurance products and increases their confidence in insurance companies.

On the other hand, findings from developing countries indicate that the level of financial knowledge is still low. Sherif and Shaairi (2013) and Lloyd's (2014) found that the lack of knowledge about insurance products discourages people, even those who are relatively well-educated, from using insurance products. This is a contrast to the findings in the current study, which may imply that financial knowledge alone may not be enough to create demand without

the support of institutions and products. The current study seeks to establish whether financial knowledge in urban Ethiopia is enough to create demand or if it interacts with other factors.

Trust, Institutions, and Regulation

Trust in insurance organizations and other regulatory bodies is also an important factor that affects life insurance demand. Lloyd's (2014) highlights that the fear of claim rejection, low standard of customer service, and the perception of unfair practice are key factors that deter people from buying life insurance in developing countries. In contrast, countries like the UK and Japan report high life insurance density due to the high standard of regulatory practice and the level of trust that people have in insurance organizations.

The above studies highlight the role of institutional factors as mediators of the relationships between income, awareness, and demand. In the absence of effective regulations and the limited understanding of consumer protection mechanisms, people are likely to abstain from life insurance even if they are able to afford it. The present study is an extension of the above line of research with reference to the Ethiopian context.

Cultural and Religious Influences

In this regard, cultural values and religion are also important factors that influence life insurance. In Africa and Asian cultures, for example, a strong sense of community provides a supportive network, making insurance less relevant as a risk management tool (Chatterjee, 2017). According to Sherif and Shaairi (2013), in Muslim-dominated countries, life insurance is considered to be against religion, and therefore, people prefer to buy Takaful insurance.

However, some studies show that cultural resistance to life insurance can be overcome. Beck and Webb (2003) assert that if insurance products are tailored to meet cultural values and beliefs, cultural resistance to life insurance can be overcome.

2.3.2 Empirical Evidence on Life Insurance Uptake in Africa

Life insurance markets are still at a nascent stage in Africa, even though there has been significant growth in some of the economies on the continent. Income constraints are a major factor for life insurance, as has been established in various studies. According to Ariyo (2017),

for many people on the continent, meeting basic needs has been a challenge, and therefore, they are not able to save for life insurance. Muriuki and Lunyolo (2018) also established that despite the growth of the middle class in some of the economies on the continent, they are still not able to purchase life insurance because of premium costs.

However, there are some economies on the continent that are able to achieve a high penetration of life insurance, such as South Africa, despite the low income levels. According to Beck and Webb (2003), this is because of well-developed regulatory bodies, a variety of products, and a high degree of consumer awareness.

Trust and awareness are also identified as key challenges in the African markets. Muriuki and Lunyolo (2018) point out the low trust in insurance firms due to poor handling of claims and customer relationships. In the rural markets, risk pooling has been identified as a substitute for insurance, which again affects the demand for insurance. The above facts suggest that in order to improve the demand for insurance, it is as important to improve the accessibility as it is to improve the income of households.

2.3.3 Empirical Evidence on Life Insurance Uptake in Ethiopia

Insurance services were first introduced in Ethiopia as far back as 1905, with the initial providers being foreigners (Hailu, 2007). Despite the various reforms and liberalization measures that the insurance sector has undergone, the life insurance market is still at an early stage of development. Currently, the country has 18 insurance companies with only 11 of these providing life insurance services being a composite insurer. The life insurance market contributes less than 7% to the overall insurance business (National Bank of Ethiopia, 2024).

Empirical evidence on the life insurance market has revealed several factors that inhibit the uptake of life insurance services. In terms of the demand side, the low level of income is a major constraint to the uptake of life insurance services, especially among households that rely on subsistence farming (Desta, 2015). As noted in Outreville (1990), these households are more interested in consuming the current produce rather than saving for the future.

There are also low levels of awareness and financial literacy. According to Tefera (2016), there are low levels of understanding of life insurance concepts, especially in the rural areas where

access to insurance services is low. This has led to low levels of trust, hence the low demand for life insurance.

Cultural and religious factors are also crucial in determining the demand for life insurance. The traditional risk management mechanisms, Edir and Equb, provide cover in times of loss; thus, the demand for life insurance is low (Mulugeta, 2017). In addition, the religious aspect, especially among the Muslim population, influences the demand for life insurance (Tefera, 2016).

With regard to the supply of life insurance, various authors have identified the challenges facing the industry. According to Tadesse and Brans (2012), and Habte (2021), the low levels of consumer protection, claims settlement, and technology levels are some of the challenges facing the industry. Recent reports by the Index Insurance Forum (2023), and the United Nations Development Programme (2023), indicate the low levels of product development and the level of data as some of the challenges facing the industry.

Yet, some studies have suggested that there is a huge growth potential for the life insurance market in Ethiopia. For instance, Desta argues that if there is improvement in terms of awareness, product suitability, and price, it could have a huge impact on the demand for life insurance. However, most of the existing studies have only analyzed factors related to either demand or supply, but not both

2.4 Research Gap and Summary

In conclusion, the body of literature shows that life insurance adoption is influenced by a combination of factors, including income, awareness, trust, culture, and institutional quality. Although there are some studies on life insurance in Africa and across the globe, there is limited and methodologically inadequate literature on life insurance in Ethiopia. So far, no study has examined all the demand, supply, and informal dimensions of life insurance simultaneously. The current study fills this knowledge gap by employing a mixed-methods approach to gain a holistic understanding of life insurance in Ethiopia.

2.5 Conceptual Framework

The conceptual framework of this research study describes the key factors that may influence individuals' decisions to purchase life insurance in Ethiopia. It is developed based on theoretical insights and considering the findings from the previous similar empirical studies.

Dependent Variable

Life Insurance Uptake

This refers to how much individuals and households are engaged with life insurance products, including their awareness, interest to purchase in the future on suitability of certain determinant factors to life insurance demand, and actual purchase. In this study, low uptake indicates limited use of life insurance despite the potential need or benefits.

Independent Variables

1. **Socio-Economic Factors**

   Under this independent variable, the following factors are included: Income level, education, employment status, and place of residence whether it is in cities or rural, which can affect both the ability to access insurance services and the understanding of its value.

2. **Public Awareness and Understanding:** Lack of knowledge about life insurance products, how they work, and their benefits can discourage people from demanding life insurance cover. Whereas having adequate knowledge of financial products and the market may positively affect the purchase of life insurance.
3. **Cultural and Religious Beliefs:** In some communities, cultural beliefs or religious views about death and financial planning may affect to consider life insurance.
4. **Product Innovation and Customization:** If life insurance products remain rigid or not tailored to diverse customer needs, it may be seen as irrelevant or unattractive by different groups of the populations.

5. **Regulatory Framework and Government Role:** In the insurance system, trust depends greatly on strong regulation and supportive government policies that build confidence among life insurance users. When oversight is weak or promotion is limited, public trust declines, which in turn reduces the use of life insuranc
6. Distribution Channels and Digital Access: Low numbers of sales persons like agents or brokers, or the absence of platforms that enable transactions to take place over the internet, makes it hard for people to access life insurance services.
7. Affordability: High cost of premiums and the unavailability of a flexible payment system are key challenges, especially for those who are low income or work in the informal sector.
8. Suitability for Different Consumer Segments: Thee life insurance plan should be simple and suitable, catering to different segments such as women, youth, salaried employees, or self-employed persons.

These factors listed above can affect life insurance uptake either positively or negatively. Addressing the challenges linked to them could significantly increase participation in life insurance uptake. The diagram below presents these eight factors, each connected by arrows pointing toward the central outcome, life insurance uptake, to show their assumed impact

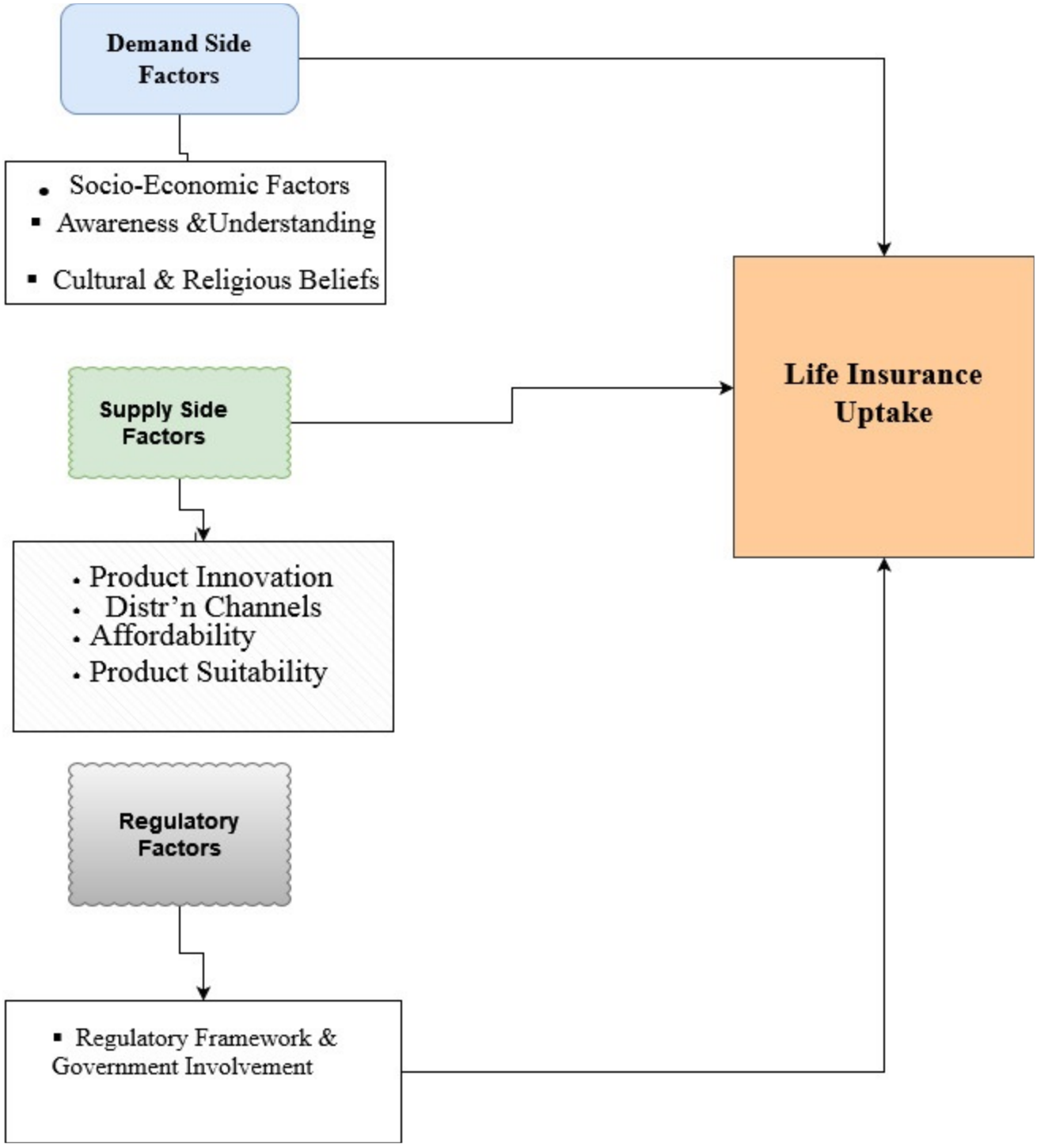


Figure 2.1: Conceptual Framework for Determinants of Life Insurance Uptake in Ethiopia

Source: Author's own construct (2025)

CHAPTER THREE

Research Methodology

This chapter discussed the design and methodology of the current study that seeks to explore the factors associated with the low uptake of life insurance products in Ethiopia. This will include the overall approach to the research, such as data collection methods and analysis, to ensure an all-encompassing approach to the study

3.1 Research Design

The study employed a mixed research design, which includes the use of descriptive, exploratory, and explanatory approaches to investigate the factors that influence the low level of life insurance policies in Ethiopia.

The study employed the descriptive design to provide a systematic description of the current status of life insurance policies. The descriptive design was employed to provide an overview of the socio-economic characteristics, level of awareness, attitude, and perceptions of the respondents towards life insurance policies. The study also employed the descriptive design to investigate the following issues: the level of trust that the respondents had in the insurance companies, the cost of the insurance premiums, and the perceptions of the respondents towards life insurance policies.

The exploratory research design was applied to gain deeper insights into factors that have received limited attention in prior studies. This approach enabled the study to explore underlying and context-specific issues affecting life insurance adoption through data collected from insurance professionals, regulators, and consumer protection officials. Particular emphasis was placed on exploring financial knowledge, institutional trust, cultural influences, and service availability within the Ethiopian context.

In addition, the study employed an explanatory research design to examine the causal relationship between selected explanatory variables and life insurance uptake. Since the dependent variable, ownership or non-ownership of life insurance, is binary in nature, logistic

regression analysis was used as the primary inferential statistical technique. Moreover, the results of the logistic regression analysis assisted in estimating the probability of life insurance adoption as a function of independent variables such as income levels, financial literacy, awareness, trust of individuals towards insurance institutions, affordability of life insurance, and accessibility of insurance services. It also assisted in measuring the extent to which each independent variable contributes to the dependent variable, keeping other independent variables constant.

The descriptive, exploratory, and explanatory research approaches, collectively used to inform this research, along with the application of the findings of the logistic regression analysis, have helped to create a rigorous framework to understand the utilization of life insurance in Ethiopia. The reliability of the findings has increased manifold, which is likely to influence recommendations to solve the issue of utilization of life insurance in the country.

3.2. Research Approach

This study incorporated both quantitative and qualitative research design in its investigation since the study aims to have an entire understanding of the factors underlying the low participation rate of life insurance in Ethiopia, where the study is based and which mainly consists of survey research and seeks to quantify awareness, affordability, trust, and accessibility, among others.

Meanwhile, the qualitative approach was utilized to obtain deeper insights that would provide context to the study. The combination of the two approaches helped to balance the inherent strengths of the two approaches to obtain a deeper understanding of the subject under investigation (Creswell, 2009).

Quantitative data is collected using structured questionnaires administered to a larger sample size of respondents, who include employees of financial institutions as well as other formal sectors, and the self-employed in small and medium-sized enterprises and community-based groups such as Edir. The questions pertained to the measurement of elements such as financial literacy, affordability, the level of trust and ease of access to life insurance services.

Qualitative data were collected from key informants from the supply side through the use of interview schedules and focus group discussions. Key informants from the supply side included those from the life insurance companies, agents, brokers, and the regulator. This assisted in the exploration of the challenges the providers were facing, which included the design of the product, the marketing strategy, as well as the financial education.

A clear and realistic picture of what factors contribute to the underutilization of life insurance services and how to remedy that could be developed by integrating both methods, and that's precisely what this piece of research aspired to accomplish

3.3 Research Population and Sample Selection

3.3.1 Target Population

This study sought to investigate two major groups:

1. Demand Side: The target groups on the demand side are those who are employed in the formal sector, such as finance and business. The individual may also be a person who owns a small and medium-sized enterprise or a self-employed individual. Finally, the individual may also be a member of community-based groups or Edirs. All these groups were chosen in such a way that they reflect diverse experiences and perspectives about life insurance. The study was meant to find out how income level, awareness, and trust influence life insurance.

2. Supply Side: On the supply side, it involved key professionals in the insurance industry, e.g., managers, staff, agents, brokers, and those involved in the supervision and regulation of insurance service delivery. This group also offered valuable information towards the operations, delivery, and regulation of their services, which can influence the sale of life insurance.

3.3.2 Sampling Technique

In the study to determine why life insurance is not utilized extensively in Ethiopia, both the people who would buy the policy (the demand side) and the people who are selling the policy (the supply side) were targeted.

Demand Side:

The stratified random sampling had been applied to select people at different levels, i.e., people who are employed in different jobs, people who have their own businesses, and people who access different associations in their communities, such as Edirs. Therefore, people were categorized at different levels based on their characteristics, gender, income level, and kinds of jobs they do, and random samples were selected from these people. This ensures that different kinds of people were represented at different levels, and the results were very comprehensive.

Supply Side:

A purposive sampling method was employed for selecting participants from insurance companies and regulation institutions. Participants included managers, employees, agents, and brokers who have direct experience in matters like insurance sales, product creation, and regulation, among others. The key informant's selection was based on the expectation that they have valuable and detailed information about insurance issues and various challenges facing the life insurance industry

3.3.3 Sample Size

Demand Side:

To calculate the required sample size, the probability sampling formula is applied:

Where: $n = \frac{Z^2 p \cdot (1-p)}{(e)^2}$

where:

- Z=1.96 (for 95% confidence level)
- p=0.5 (maximum variability)
- e = margin of error (0.05 for a 5% margin)

Substituting the values, into the formula, the result is 385

This results in an approximate sample size of 385 respondents. To add 10% to the total sample size in the event of non-response or incomplete information, this figure is increased to about 425, which is rounded off to 400.

Therefore, the study aimed to cover a total of 400 participants from different professions or sectors of work, which included individuals from the workforce, the business industry, as well as those from various groups within the community.

Supply Side:

20 key informants have been selected purposively from insurance companies and regulatory bodies. They consist of managers, agents, sales and marketing professionals, underwriters, regulators, etc., who have good knowledge of life insurance products as well as challenges in the market. For data on the supply side, structured questionnaires were used, in particular, on product, marketing, financial literacy, and various challenges.

Focus Group Discussions (FGDs): Furthermore, 1 FGD with 6 participants has already been conducted to explore additional qualitative insights from experienced professionals.

3.4 Data Collection Methods

3.4.1 Quantitative Data Collection

Survey

Structured questionnaires have been designed and implemented on a wide and heterogeneous sample consisting of employees from different industries, self-employed, and members from community-based organizations. The questions were a mix of close-ended questions such as Likert scales and yes/no questions, and demographic questions designed to collect information on variables such as income, education level, and attitudes toward life insurance, among others. The questions were geared toward collecting vital factors that affect demand for life insurance, which included awareness, financial literacy, perceived risks, trust, and affordability of life insurance (Doherty & Schlesinger, 1990).

3.4.2 Qualitative Data Collection

Supply-Side Inquiry

In the case of the supply-side inquiry, the study employed qualitative methods of data collection rather than the use of questionnaires with predetermined questions and responses. The study employed in-depth interviews and focus group discussions with representatives from the insurance companies, including managers, agents, brokers, and staff from the insurance regulatory authority.

The use of the qualitative method helped the study to address important issues related to the service delivery and acceptance of life insurance, such as product design, pricing practices, distribution channels, regulatory issues, and operational issues (Outreville, 2013). These issues are important and complex and require an in-depth and flexible form of communication rather than the use of closed-ended questions and responses.

For the qualitative study, the basis of the sampling size was the data saturation principle; that is, the study was conducted to the point where no new themes or ideas would be generated by the interview process. A target of 20 key informant interviews was used, and the study was conducted to the point where data saturation is reached. In addition, one focus group discussion consisting of six people was conducted to allow the participants to interact and validate the themes that would be generated by the individual interview process.

In-depth interviews and a focus group discussion were used to ensure a rich and credible understanding of the supply-side factors that influence the provision of life insurance in Ethiopia.

3.5 Description and Measurement of variables

The aim of this research was to identify the critical factors that affect life insurance adoption in Ethiopia. The choice of variables was informed by both theories and findings of previous empirical research works.

For this research, life insurance uptake was used as the dependent variable. It was described as whether an individual has the willingness to buy a life insurance policy. For analysis purposes,

life insurance adoption was used as a binary variable. The respondents were categorized as having life insurance or having no life insurance policy.

The independent variables were derived from previous studies and their applicability to the research. The variables used included socio-economic factors, awareness of the general public, cultural and religious factors, innovation of products, government regulations, delivery mechanisms, cost factors, and how well life insurance products match consumer groups. The variables have been discussed by previous studies, such as Beck & Webb (2003), Akotey et al. (2011), Li et al. (2007), Njoroge (2013), Tadesse & Brans (2012), Abate (2012), and Habte (2021), which focused on life insurance demand determinants in developing countries and in Ethiopia.

3.5.1 Construction of Composite Variables

In order to analyze the data for logistic regression, various independent variables were measured by employing different items on the questionnaire. The independent variables measured included awareness, trust, cultural perception, product suitability, accessibility, and affordability. In order to obtain a single figure for each variable, composite variables were developed.

In order to assess the reliability of each construct, Cronbach's alpha test was employed. The cons tructs that yielded a satisfactory level of reliability (Cronbach's alpha ≥ 0.70) were considered to be reliable and were used for further analysis. In the case of these constructs, a new variable was created for each of the constructs by taking the mean for each of the individuals with respect to the construct.

The table below presents each factor, how it is defined, how it will be measured, and the corresponding hypothesis to be tested in this study.

Summary of Variables, Measurement Methods, and Hypotheses

Variable	Definition	Measurement Method	Hypothesis
Dependent Variable	Life Insurance Uptake	Binary (Yes/No) and Likert-scale items	—

Life Insurance Uptake			assessing interest and perceived importance.	
	Independent Variable	Income, education, and employment status influencing insurance decisions.	Income range, education level (categorical), and employment type/status.	**H_{01}:** Socio-economic factors do not significantly influence life insurance uptake in Ethiopia.
1.	Socio-Economic Factors			
2.	Public Awareness & Understanding	Knowledge of life insurance products, providers, and benefits.	Likert-scale items assessing awareness, understanding, and familiarity.	**H_{02}:** Public awareness and understanding have no significant effect on life insurance uptake in Ethiopia.
3.	Cultural & Religious Beliefs	Cultural norms and religious beliefs influencing attitudes toward insurance.	Likert-scale items measuring agreement with culturally/religiously driven perceptions.	**H_{03}:** Cultural and religious beliefs do not significantly affect life insurance uptake in Ethiopia.
4.	Product Innovation & Customization	Flexibility and relevance of insurance products for different consumer needs.	Likert-scale items assessing product relevance, variety, affordability, and flexibility.	**H_{04}:** Product innovation and customization have no significant effect on life insurance uptake in Ethiopia.
5.	Regulatory Framework & Government Involvement	Government support, consumer protection, and trust in regulation.	Likert-scale items on trust in regulation, government promotion, and legal	**H_{05}:** Regulatory frameworks and government involvement have no significant effect

			protections.	on life insurance uptake in Ethiopia.
6.	Distribution Channels & Digitalization	Access to insurance through agents, banks, mobile, and digital platforms.	Binary and Likert-scale items on access and usage of distribution channels.	**H_{06}:** Distribution channels and digitalization have no significant impact on life insurance uptake in Ethiopia.
7.	Affordability of Life Insurance Products	Perceived cost of premiums and willingness to pay.	Likert-scale items on perceived affordability and value-for-money.	**H_{07}:** Affordability of life insurance products does not significantly influence their uptake in Ethiopia.
8.	Suitability for Different Consumer Segments	Alignment of products with consumer demographics (e.g., gender, income, rural, youth).	Likert-scale items on perceived product relevance to demographic characteristics.	**H_{08}:** Suitability of life insurance products for different consumer segments has no significant effect on life insurance uptake in Ethiopia.

3.6. Data Analysis

3.6.1 Quantitative Data Analysis

The data collected through the surveys and which is quantitative in nature was analyzed through descriptive statistics to establish an overview of the trends of life insurance usage in the country as well as the demographic characteristics.

Inferential statistics were used to evaluate the association that exists between independent variables such as income, education level, product suitability, affordability, financial literacy, cultural beliefs, and distribution channels, and the dependent variable, which stood for the uptake of life insurance.

Since the dependent variable is dichotomous, e.g., whether the person has life insurance and intends to purchase more or not, logistic regression analysis was applied to identify the major factors that affect the choice in terms of life insurance uptake. In this way, the chances to purchase life insurance can be estimated considering all the predictor variables through logistic regression analysis, as seen in Beck & Webb (2003).

3.6.2 Qualitative Data Analysis

The qualitative data collected through conducting key informant interviews and focus group discussions has been analyzed using manual thematic analysis, in which data has been detailed and categorized under major areas and interpreted, providing an in-depth idea about what factors influence people in adopting life insurance. This has helped the research collect in-depth information without applying any coding techniques (Creswell, 2014).

3.7. Model Specification

In this study, a logistic regression method was used in exploring life insurance uptake determinants. In such a method, life insurance uptake exhibited binomial characteristics as a dependent variable.

The independent variables was a composite score derived from the results obtained in the sociological surveys conducted in the eight key areas: socio-economic, awareness, cultural andreligious beliefs, innovation, regulation, access, affordability, and suitability.

The logistic regression model can be written as:

$$\log\frac{(1-P)}{P} = \beta 0 + \beta 1 SocioEcon + \beta 2 Awareness + \beta 3 Culture + \beta 4 Innovation + \beta 5 Regulation + \beta 6 Accessibility + \beta 7 Affordability + \beta 8 Suitability + \epsilon:$$

Where P is the probability and β0 is the intercept, while β1, β2, β3 up to β8 are coefficients for each independent variable's effect. This approach also facilitates the examination of the effect of all these factors on the probability of life insurance adoption. Such an analysis has been conducted using SPSS, which offers an interface to run logistic regression, interpret its coefficients, and test for the significance of different variables .This model helped in creating a thorough analysis of all factors affecting life insurance, as previously mentioned. Logistic regression is widely applied when analyzing outcomes that are binary in nature and are subject to several influencing factors, as in social sciences and insurance research (Field, 2013).

3.8. Ethical Considerations

Ethical standards for this study have been upheld, including the following: Informed Consent: Participants were fully informed of the purpose of this study, of their voluntary participation, and of their right to withdraw from this study at any time without penalty. Informed consent of the respondents was acquired prior to the collection of data (Creswell, 2014).

Confidentiality and Anonymity: Personal data was anonymized, and the responses kept confidential to protect participant privacy.

Data Security: All data have been stored with security using encrypted files that can only be accessed by the researcher. Physical data have also been securely locked.

Right to Withdraw: The subjects have been provided with an opportunity to withdraw from the study at any step. Their data is also removed from analysis upon request.

3.9 Limitations of the Study

This paper gives useful insights into the low use of life insurance in Addis Ababa but has a few limitations:

Urban Focus and Sample: The sample comprised people employed in finance, others employees, self-employed by small businesses, and members of community groups such as Edir from Addis Ababa. Thus, the finding did not reflect people residing in rural areas as well as

those employed in informal employment are likely to hold different perceptions on life insurance (Ward & Zurbruegg, 2000).

Limited Generalizability: Because the study focused on Addis Ababa, it cannot fully be applied to rural or less developed areas of Ethiopia.

Future research should focus more on rural communities so the uptake of life insurance can be well comprehended across the country.

CHAPTER FOUR

Data Analysis, Presentation, and Discussion

4.1. Introduction

This chapter was set to summarize the findings from the study concerning the determinants of the low rate of uptake of life insurance in Ethiopia. As discussed in chapter three, the study design emphasized an explanation for the study findings through the use of a mixed method approach based on the knowledge of both the socio-demographic specifics of the subjects and the general variables such as the awareness level about life insurance, the affordability level of life insurance, the trust level towards life insurance companies, the level of access to insurance service providers, and the level of product suitability.

Out of the 400 questionnaires that were sent to the respondents for formal employment, small and medium enterprises, and associations such as Edirs, 370 were found to have been returned, which gives a response rate of 92.5%. This response rate, therefore, can be said to be significantly higher since, according to Baruch & Holtom (2008), any response rate above 70% can be considered high, while according to Saunders et al. (2019), response rates above 60% can be considered acceptable for business and insurance research

To analyze the factors that influence life insurance uptake, binary logistic regression analysis was conducted as the response variable has to be measured as ‘yes’ or ‘no.’ The factors taken into account included socio-economic factors, awareness, cultural and religious factors, product innovation, support of government through regulations, distribution support, affordability, and suitability of the product.

The findings from the qualitative study were derived from in-depth interviews conducted with 20 employees of insurance companies. In addition, a focus group discussion was held with six professionals from insurance companies, brokerage houses, and the regulatory body. The findings from this study helped to clarify the supply-side issues that emerged from the quantitative study. By triangulating the findings from both sources, the study was able to gain a richer understanding of the issues.

Overall, this chapter draws on descriptive statistics, logistic regression analysis, and qualitative considerations in order to explain the determinants of life insurance practice in Ethiopia and inform the conclusions and recommendations presented later

4.2. Reliability Analysis

Variable	Cronbach's Alpha	No of Items
Socioeconomic Factors	0.754	4
Public Awareness and Understanding	0.807	5
Cultural and Religious Beliefs	0.78	4
Product Innovation and Customization	0.695	4
Regulatory Framework and Government Involvement	0.758	6
Distribution Channels and Digitalization	0.296	4
Affordability of Life Insurance Products	0.065	3
Suitability for Different Consumer Segments	NA	1

Source: Own survey data, SPSS output (2025)

Reliability check: Cronbach's alpha was used to measure the internal consistency of the scales developed in the study. Constructs such as public awareness and socio-economic factors recorded an alpha value of 0.70 and higher, which shows acceptable reliability and consistency (Hair et al., 2022; Taber, 2018).

Less Cronbach's alpha values were obtained for distribution channels and digitalization (α = 0.296) and affordability of life insurance products (α = 0.065). This is because these kinds of constructs were taken from a smaller number of scales. In the above research, it was noted that Cronbach's alpha is sensitive to the scale length. When a construct is being measured from a

small number of scales, the reliability value may be low (Tavakol & Dennick, 2011; Nunnally & Bernstein, 1994).

Although the factors have lower values of Cronbach's alpha, they were retained because they are often recognized in the literature as important factors in life insurance adoption and were strongly supported by the study using the qualitative data gathered**.**

Participants from the supply side repeatedly spoke out about challenges related to distribution channel, accessibility, digital outreach, and insurance product affordability. Therefore, the low alpha values reflect measurement limitations rather than a lack of importance, validating the value of combining quantitative and qualitative evidence in this study.

4.3. Descriptive Statistics of Study Variables

4.3.1. Socio-Demographic Characteristics of Respondents

This section presents the socio-demographic profile of the respondents in order to assess whether demographic and economic characteristics explain the low uptake of life insurance.

Socio-Demographic Characteristics of Respondents

Variables	Category	Frequency	Percentage
Age	Below 18	68	18.3
	18–25	107	28.8
	26-35	133	35.8
	36-45	51	13.7
	45-55	11	3.0
	Missing	1	0.3
	Total	371	100

Gender	Male	209	56.3
	Female	161	43.4
	Missing	1	0.3
	Total	371	100.0
Education Level	Secondary education	58	15.6
	Tertiary education	159	42.9
	Postgraduate	146	39.4
	Missing	8	2.2
	Total	371	100.0
Employment Status	Employed (full-time)	264	71.2
	Self-employed	86	23.2
	Unemployed	18	4.9
	Retired	2	0.5
	Missing	1	0.3
	Total	371	100.0
Income level (per month)	Below 2,000 ETB	9	2.4
	2,000–5,000 ETB	17	4.6
	5,001–10,000 ETB	13	3.5
	10,001–20,000 ETB	60	16.2
	Above 20,000 ETB	262	70.6

	Missing	10	2.7
	Total	371	100.0

Source: Own survey data, SPSS output (2025)

Considering the discussion on the age distribution among the respondents in the given population, most of them fall within an economically productive group. This group includes people between the ages of 26-35 years, making up 35.8% of the population, and people between 18-25 years, making up 28.8% of this population. These are usually the periods when people grow economically, have families, and higher economic obligations, most of which are usually related to life insurance purchases. However, despite the laid-out age distribution across the population, it is notable that only 22.7% of the population had life insurance ownership, thus other factors other than the ones considered are responsible for this ownership; otherwise, the said factor would have also contributed to life insurance ownership.

Based on the data collected, in terms of gender, 56.3% of the population sampled were male, while 43.4% were female. Considering that these percentages are relatively equally balanced, it's evident that the ownership levels of life insurance were equally low for the male population, thus making it a systemic issue affecting the entire population.

A very high proportion, i.e., more than 82% of respondents, have obtained higher level qualifications of either the tertiary or postgraduate kind. However, the level of ownership of life insurance plans among people is still low. This finding tallies with preceding studies which once revealed that formal education offered to individuals does not always result in insurance literacy or the understanding of insurance-based products. (Outreville, 2013)

Employment status is characterized by 71.2% being employed full-time and 23.2% self-employed, reflecting a stable source of income for most respondents. Thus, this presupposes that lack of employment cannot be used as a reason for low insurance uptake. Besides, 70.6% have a purchasing power greater than 20,000 ETB per month since they earn more than this amount. However, low life insurance penetration might suggest concerns about affordability, perceived affordability, trust, or value for money, but not actual income constraints.

Overall, these socio-demographic results suggest that the low level of life insurance adoption is a phenomenon even among the educated and employed and financially better-off segment of the adult population. This also confirms what some researchers in the literature argued that demographics and economic factors may not be the only determinants of life insurance adoption (Beck & Webb, 2003; Outreville, 2013).

4.3.2. Life Insurance Uptake

This section examines the extent of life insurance penetration and respondents' behavioral intentions toward life insurance.

Life Insurance Uptake

Variables	Category	Frequency	Percentage
Do you currently have life insurance coverage?	No	286	77.3
	Yes	84	22.7
	Total	370	100.0
If you do not have life insurance, have you ever considered purchasing it?	No	226	61. 1
	Yes	60	16.2
	Missing	84	22.7
	Total	370	100.0
Would you be willing to purchase life insurance in the future?	No	70	18.9
	Yes	232	62.7
	Missing	68	18.4
	Total	370	100.0
I think having life insurance is	Strongly Disagree	17	4.6

important for securing my family's financial future.	Disagree	14	3.8
	Neutral	47	12.7
	Agree	172	46.4
	Strongly Agree	118	31.8
	Missing	3	0.8
	Total	370	100.0

Source: Own survey data, SPSS output (2025)

Based on the findings of the study, it has been revealed that the level of using life insurance policies by the respondents is very low, i.e., out of the total respondents, only 22.7% are using life insurance policies, while as many as 77.3% are not using life insurance policies. This, in a way, proves that even the respondents who possess relatively favorable socio-economic conditions are not using life insurance policies. In addition to this, out of the total respondents who are not using life insurance policies, as many as 61.1% have never thought about using life insurance policies.

Even though the percentage was small, the attitude towards life insurance as a whole remains a positive one. This is because, out of the total number, only 62.7% of the participants claimed that they were willing to buy life insurance in the future, which represents a latent demand for life insurance but no actual purchase of life insurance products. Interestingly, 78.2% claimed that life insurance was important for protecting the future financial security of their families

This disparity, therefore, gives an indication that cost, lack of awareness, insurance difficulties, and trusts issues are probably some of the factors preventing many individuals from buying insurance policies. Previous research has also identified these aspects as being the main barriers in buying life insurance policies. These were noted by Outreville 2013 and Beck & Webb, 2003. This can be addressed adequately in the following sections of this study.

4.3.2.1 Reasons for Low Uptake of Life Insurance

This section identifies key challenges that prevent respondents from purchasing life insurance.

Multiple Response Analysis: Reasons for Not Purchasing Life Insurance

Reason	Responses (N)	Percent of Responses (%)	Percent of Cases (%)
I do not understand how it works	112	22.6	45.0
It is too expensive	127	25.6	51.0
I am not aware of available insurance products	113	22.8	45.4
I do not believe it is necessary	69	13.9	27.7
I do not trust insurance companies	74	14.9	29.7
Total	**495**	**100.0**	—

Source: Own survey data, SPSS output (2025)

Number of cases = 249

From the multiple response analysis, it is possible to deduce that the major reasons for not purchasing life insurance include financial capacity and information barriers. The cost factor dominated the barriers to purchasing life insurance policies, cited by 51.0% of the total number of respondents, followed by a lack of awareness of available products (45.4%) and a lack of understanding of the concept of life insurance ((45.0%). This is in line with earlier studies that found cost to be a major factor inhibiting the purchasing of life insurance policies (Beck & Webb, 2003; Outreville, 2013).

Even though fewer respondents have mentioned issues related to trust (29.7%) and insurance being an unwanted item (27.7%), we can conclude that trust remains a key concern from a qualitative perspective, as most respondents have shown concerns about the settlement of claims, which might affect the indirect role of trust. The actual number of respondents concerned about trust might be smaller due to dramatization caused by negative experiences, as suggested by Mayer et al. (1995) and Outreville (2013).

Since there were multiple responses, one could get more than one reason for not purchasing the insurance. Therefore, the final results are the percentage of total responses, rather than the percentage of the respondents, which helped capture the complexities involved in the purchase process for a consumer.

This generally leads to the emergence of more effective pricing, improving the awareness of consumers, and more robust claims management techniques. In short, overcoming direct barriers like price and awareness, along with deep-seated trust issues, is going to be critical to stimulating purchases of life insurance policies.

4.4. Descriptive Analysis of Key Constructs

The description of the descriptive statistics results for the main study constructs using the Likert scale will be presented in the subsection below. Descriptive with a mean lower than 3.0 are associated with low agreement, 3.0 is associated with moderate agreement, and values higher than 3.5 are associated with high agreement, according to the rating scale associated with the Likert scale rated during the research study.

4.4.1 Socio-Economic Factors

Items	N	Mean	Std. Deviation
I can afford life insurance based on my income.	370	3.3723	1.10732
My income influences my decision to purchase life	370	3.7486	0.95370

insurance.			
Education level plays a significant role in understanding the benefits of life insurance.	370	3.8568	0.91570
Employment status affects my ability to afford life insurance.	370	3.4081	1.14690
Grand mean		3.5964	

Source: Own survey data, SPSS output (2025)

The socio-economic construct yielded a high value of 3.60 as a grand mean. This shows that the level of agreement is high. However, it is important to note that the question, "My income influences my decision to purchase life insurance," yielded a 3.75 on a scale with a standard deviation of 0.95. This, in a way, demonstrates the importance of having financial abilities. However, there were observed differences, like the one that pertains to employment status, which yielded a standard deviation of 1.15.

The above results are in line with the existing literature, which identifies income and education as potential determinants of insurance uptake, although they alone are not a guarantee of policy uptake (Beck & Webb, 2003)

4.4.2 Public Awareness and Understanding

Items	N	Mean	Std. Deviation
I am familiar with the concept of life insurance.	370	3.8730	1.01082
I know the different types of life insurance available in Ethiopia.	370	3.3270	1.24006
I understand the benefits and terms of life insurance products.	370	3.7170	1.07033

I encounter advertisements or information about life insurance frequently.	370	2.9674	0.94769
Having more information about life insurance would make me more likely to purchase it.	370	3.6405	1.07344

Source: Own survey data, SPSS output (2025)

The construct scored a grand mean of 3.51, suggesting moderate familiarity. Exposure to advertisements as well as information scored the lowest (M = 2.97, SD = 0.95), implying poor communication as well as insurance education. The knowledge of insurance types was found to be fairly varied (SD = 1.24).

Lack of information exposure may result in a poor level of understanding and may create a barrier in the purchase of insurance. This is in line with Eling & Schmeiser (2010) on the importance of consumer awareness in insurance adoption. Particularly, Kaberere & Kimani (2023) also pointed out the importance of improving insurance awareness in enhancing insurance uptake in society, especially in urban areas.

4.4.3 Cultural and Religious Beliefs

Items	N	Mean	Std. Deviation
Cultural beliefs discourage the purchase of life insurance in Ethiopia.	370	3.4486	0.90695
. Religious beliefs in Ethiopia discourage purchasing life insurance.	370	3.4703	0.96014
. I have encountered negative opinions from my family or community regarding life insurance.	370	2.8405	0.97056
Life insurance contradicts with my cultural or religious	370	2.3297	0.89226

values.	
Grand Mean	3.0223

Source: Own survey data, SPSS output (2025)

The construct that measured the cultural and religious beliefs showed a grand mean of 3.02, implying that these factors have a moderate influence on the uptake of life insurance. Although the majority do not perceive life insurance as being in conflict with their values (mean = 2.33), social and community influences, including family/community negativity (mean = 2.84) and general beliefs that are negative toward life insurance (means range from 3.45), have an indirect negative influence on the uptake.

The above findings point to the fact that indirect social pressures greatly influence attitudes towards life insurance. For instance, very strong public levels of risk-sharing societies, like that found in Edir, act as the preferred social safety net, thereby decreasing the requirement for life insurance products. This, of course, is consistent with the existing body of literature indicating the influence of cultural links on choices of insurance in Ethiopia (Tadesse & Brans, 2012; Abate, 2012).

4.4.4 Product Innovation and Customization

Items	N	Mean	Std. Deviation
Life insurance products in Ethiopia are designed to meet my specific needs.	370	2.8514	0.82446
I would consider purchasing life insurance if the products were more affordable and tailored to low-income individuals.	370	3.8486	0.96205
There should be more variety in life insurance products to	370	4.0946	0.84854

cater to different income groups and age categories.			
I would be interested in flexible life insurance policies that can be adjusted according to changing needs (e.g., income, family size).	370	4.1054	0.85364
Grand Mean		3.7250	

Product innovations and customizations have relatively higher grand mean of 3.73, thus showing that the respondents were in agreement that product-related factors influence the uptake of life insurance to a larger extent.

The findings show that the level of agreement for currently available life insurance in Ethiopia is relatively lower, as M = 2.85.

However, on the other hand, the respondents strongly agreed that more affordable, flexible, and customized life insurance products would encourage a purchasing decision. This is because high mean value ratings were given to product variety (M = 4.09) and policy flexibility (M = 4.11). Such differences in life insurance product availability and consumer wants give an insight into the low purchasing rate, yet the consumer sees the importance of the product.

This study confirms earlier findings that cheaper and flexible life insurance products actually increase demand in the developing market (Kaberere & Kimani, 2023). This implies that life insurance services in Ethiopia should be made to suit the financial ability and demands of various insurance services consumer groups

.4.4.5 Regulatory Framework and Government Involvement

Items	N	Mean	Std. Deviation
I trust that the government regulates life insurance companies in Ethiopia.	370	3.8135	0.72158

The government should promote life insurance through awareness campaigns.	370	4.1568	0.73050
I am aware of the government initiatives aimed at increasing life insurance uptake in Ethiopia.	370	2.9919	0.88495
I would trust life insurance providers more if the government provided more oversight and consumer protection.	370	4.0405	0.75150
The current regulatory policies in Ethiopia encourage people to purchase life insurance.	370	2.8405	0.63244
The National Bank of Ethiopia effectively enforces regulations that protect life insurance consumers.	364	2.9643	0.82076
Grand mean		3.4679	

Source: Own survey data, SPSS output (2025)

The results revealed that there is a moderate level of agreement by the respondents concerning the role of government regulation in the uptake of life insurance, based on an overall mean of 3.47. It is interesting to note that the majority of the respondents have a relatively high level of trust in government regulation of life insurance companies, where the mean is 3.81, and that government involvement in the oversight of these companies would boost their confidence, where the mean is 4.04. In addition, there is a high level of agreement by the majority of the respondents that the government should promote life insurance through public awareness, where the mean is 4.16.

However, awareness of existing government initiatives was found to be low (M = 2.99). Moreover, it was identified that existing government initiatives were considered not sufficiently encouraging for life insurance uptake (M = 2.84). Besides, even the level of enforcement of existing regulations by the National Bank of Ethiopia was only moderate (M = 2.96).

Overall, the above findings indicate that even though regulations exist, the effectiveness of the regulations is reduced due to lack of transparency, poor enforcement, and lack of communication

to the relevant public. This is supported by earlier findings that have already suggested that efficacious regulation, as well as effective consumer protection, and even efforts by the government to create consumer awareness, significantly influence the demand for insurance in developing countries (Habte, 2021).

4.4.6 Distribution Channels and Digitalization

Items	N	Mean	Std. Deviation
I have easy access to life insurance products through mobile platforms or online services.	370	2.3486	0.81321
Digitalization (e.g., mobile apps, online platforms) would make it easier for me to purchase life insurance.	370	3.5757	0.85916
I prefer using digital platforms to purchase life insurance over visiting physical branches.	370	3.7811	0.87925
I have access to life insurance products via agents, brokers or mobile phones	370	2.7081	0.92902
Grand mean		3.1034	

Source: Own survey data, SPSS output (2025)

The distribution channels and digitalization construct had a grand mean of 3.10. This signifies that the respondents had a moderate level of agreement on the influence of the distribution channels and digitalization on life insurance services. The respondents had very low access to life insurance products through digital channels like mobile applications and internet services (M = 2.35).

Conversely, respondents registered moderate to high levels of agreement with the suggestion that digitalization would ease the purchase of life insurance (M = 3.58) and a medium level of agreement with the proposition that respondents would rather use digital platforms than visit

physical branches (M = 3.78). In addition, the traditional intermediary approach through agents and brokers was rated quite low (M = 2.71).

This discrepancy between the consumer's choice of digital channels and the lack of availability presents a problem in distribution efficiency, which limits access to life insurance products, especially among younger people within the nation. The findings of this problem align with other empirical findings that effective distribution channels and making use of digital media greatly enhance the accessibility and usage of insurance in the developing economies of the world (Lee & Lin, 2020; Kaberere & Kimani, 2023). The increased usage of digital media and alternative channels of distribution could play a crucial role in increasing the usage of life insurance in the nation.

.4.4.7 Affordability of Life Insurance Products

Items	N	Mean	Std. Deviation
Life insurance premiums are too expensive for people like me to afford.	370	3.4946	0.83047
I would be more likely to purchase life insurance if the premiums were lower	364	3.7115	0.86038
Life insurance is an affordable option for low-income individuals like myself	370	2.8216	1.00706
Grand Mean		3.3426	

Source: Own survey data, SPSS output (2025)

The affordability construct had a grand mean of 3.34, which meant the construct reflected a moderate level of agreement towards the aspect that the cost of life insurance premiums is high. Subjects agreed that premium costs limit their ability to buy life insurance (M = 3.49) and were more likely to buy life insurance if premiums were reduced (M = 3.71) as opposed to not agreeing that life insurance is affordable to low-income persons (M = 2.82).

This is in line with the findings and confirms the relevance and importance of affordability as a major constraint in life insurance participation. Some respondents may consider their levels of income as stable, yet the high premium costs for life insurance seem to be a factor in discouraging involvement in life insurance for the respondents in the study area because of issues of value for money. This also confirms empirical evidence stating that premium cost is one of the vital factors affecting life insurance demand, mostly prevalent in developing economies where levels of income may be unstable and fluctuating (Akotey et al., 2011; Habte, 2021).

.4.4.8 Suitability for Different Consumer Segments

Item	N	Mean	Std. Deviation
Life insurance products in Ethiopia are suitable for people like me (in terms of income level, age, and family status).	370	2.80	0.85

Source: Own survey data, SPSS output (2025)

Suitability for different consumer segments was assessed through a general Likert-type question whose results, in turn, revealed a mean of 2.80 and a standard deviation of 0.85 for the respondents, reflecting a low to moderate level of agreement among the respondents about the suitability of life insurance packages in regards to their own characteristics, such as their level of income, age, and family size.

The results were also in agreement with other findings on product mismatch. The results support the claim that product mismatch observed in the life insurance industry in Ethiopia can be attributed to the fact that life insurance products are not adequate to satisfy various consumer

categories. In agreement with findings of previous studies, this study has revealed product mismatch as a significant factor responsible for the low level of life insurance uptake in developing countries. Studies have asserted that standardized life insurance products do not take into account differences between various categories of consumers, such as variations in income level, ages, and family size, which makes life insurance products irrelevant, leading to a low uptake (Akotey et al., 2011; Abate, 2012). Therefore, the findings on low to moderate agreement are congruent with previous findings and their claim that product mismatch contributes to the low uptake of life insurance in Ethiopia

4.5. Inferential Analysis

This section presents the inferential analysis done in assessing the relationship links of life insurance uptake with the explanatory variables. The chapter adopted an inferential analysis in order to extend the descriptive analysis through testing the hypotheses by applying an inferential statistical analysis. The analysis work commences with a correlation analysis, which tested the proportion and direction of the relationship between variables, and is used to identify problems of multicollinearity. The analysis moves further to logistic regression analysis, where the interrelated effects of demand- and supply-side variables on life insurance adoption are measured, holding constant all other variables.

.4.5.1 Correlation Analysis

Correlation analysis was carried out to determine the relationship between life insurance uptake and the independent variables, as well as between independent variables and life insurance upatke, and between independent variables themselves. This study employed Pearson's correlation coefficients to determine existence, relationship, and direction, which were consistent with this study's hypotheses.

Pearson's correlation coefficient results were generated, and the findings are presented in the table below.

Correlation Analysis

	LI	PAU	CRB	SEF	PIC	RFGI	DCD	ALP	SDCS
LI	1								
PAU	.528	1							
CRB	-.158**	-.119*	1						
SEF	.424**	.598**	-.163**	1					
PIC	.276**	.580**	-0.023	.553**	1				
RFGI	.159**	.534**	-0.067	.483**	.502**	1			
DCD	.257**	.297**	0.098	.352**	.248**	.269**	1		
ALP	.160**	.181**	0.03	.200**	.246**	.267**	.176**	1	
SDCS	0.033	.170**	-0.056	.107*	0.031	.210**	.152**	-.167**	1
*. Correlation is significant at the 0.05 level (2-tailed).									
**. Correlation is significant at the 0.01 level (2-tailed).									

Source: Own survey data, SPSS output (2025)

Note*: LI= PAU =Public awareness and understanding, EEF= Socioeconomic factors, CRB= Cultural and religious beliefs, PIC= Production Innovation and customization, RFGI= Regulatory framework and government involvement, DCD= Distribution channels and digitalization, ALP = Affordability of Life Insurance Products, SDCS= Suitability for Different Consumer Segments*

According to the above table, the analysis results prove that life insurance adoption (LI) has a moderate positive association with public awareness and understanding (PAU) ($r = 0.528$, $p < 0.01$), suggesting the more awareness and understanding, the more life insurance adoption will occur. Likewise, positive socio-economic factors (SEF) are found to have a positive association with life insurance adoption (LI) ($r = 0.424$, $p < 0.01$), suggesting that the more positive the socio-economic factors, the higher the life insurance adoption will be.

Positive and statistically significant correlations were found between LI and product innovation and customization (PIC) ($r = 0.276$, $p < 0.01$), regulatory framework and government involvement (RFGI) ($r = 0.159$, $p < 0.01$), distribution channels and digitalization (DCD) ($r = 0.257$, $p < 0.01$), and affordability of life insurance products (ALP) ($r = 0.160$, $p < 0.01$).

Although these were relatively weak to moderate relationships, they point out that improvements in product design, support from regulatory bodies, effectiveness in distribution, digitalization, and affordability result in relatively high uptake of life insurance.

In contrast, CRB is negatively related to LI at a statistical significance of $p < 0.01$, with a correlation coefficient of $r = -0.158$; hence, some cultural or religious perceptions could dampen the diffusion of life insurance. This negative variance corroborates earlier studies that found cultural and religious norms to be a potential adverse determinant of insurance diffusion. These studies illustrate how religious practice, cultural attitude toward risk, and reliance on informal or faith-based mechanisms of risk sharing negatively affect insurance adoption, especially within developing and emerging economies (Nguyen et al., 2021; Alhassan et al., 2022; Hussain & Tiwari, 2023).

Furthermore, it does not correlate significantly with LI, $r = 0.033$, $p > 0.05$, which translates to the view that perceived aspects may not necessarily affect adoption in the absence of other facilitatory elements like awareness creation, affordability, and distribution.

The level of inter-correlation between these independent variables tends to be moderate and less than critical levels that may result in multicollinearity issues, i.e., less than $r = 0.70$, thus indicating independently varying factors that are adequately varied for subsequent multi-variable analysis to be made. From an overview of the entire analysis conducted in this correlation study, some antecedents of significant relationships between life insurance uptake and some of the major insurance-related factors are established, as detailed in regression analysis to be conducted subsequently in this chapter.

4.5.2. Logistic Regression Analysis

Rationale for Using Logistic Regression

The analysis of determinants of life insurance uptake was done using logistic regression analysis, which estimated the chances of an individual obtaining life insurance. The approach that can be used for the analysis is appropriate because the variable being used in the analysis can either be equal to one or zero, i.e., it is binary. Similarly, the variable can be checked using logistic regression because it can be evaluated whether the variable being used in the analysis affects it or not.

Model Specification

The logistic regression model defines the demand for life insurance as a function of public awareness and understanding, socio-economic factors, cultural and religion-based factors, innovation and customization in life insurance products, the frame-work of regulations and government, distribution and digitalization, the cost of life insurance products, and the suitability of life insurance products for different segments of consumers. The logistic regression model uses the logit function that links the probability of life insurance demand with a linear combination of the independent variables correctly.

4.5.3. Assumption Test

Prior to the estimation of the logistic regression equation, the important assumptions were tested to confirm the validity and reliability of the findings. These include testing for the presence of multicolinearity between the independent variables, detection of influential outliers, and testing for the explanatory capability of the logistic regression equation.

4.5.3.1 Multicollinearity Test

The presence of multicolinearity was also checked using Tolerance values and Variance Inflation Factor (VIF). All values of Tolerance were above 0.10, which is the minimum required, while VIF values varied between 1.159 and 3.208, which are far below 5, which is the diagnostic point for multicolinearity. Thus, it can be ensured that all variables were independent and was included in the model for a regression analysis..

	Collinearity Statistics

Variables	Tolerance	VIF
	0.403	2.478
Public awareness and understanding	0.836	1.197
Cultural and religious beliefs	0.404	2.478
Production Innovation and customization	0.312	3.208
Regulatory framework and government involvement	0.511	1.956
Distribution channels and digitalization	0.681	1.468
Affordability of Life Insurance Products	0.681	1.468
Suitability for Different Consumer Segments	0.863	1.159

Source: Own survey data, SPSS output (2025)

4.5.3.2 Outlier and Influential Case Diagnostics

Multi-influential observations were investigated with Cook's distance and leverage statistics. The largest Cook's Distance of 1.149 and leverage value of 0.0875 suggests that there may not be extremely influential cases whose presence can lead to biased regression estimates, which support the sufficiency of the dataset to model.

Statistics			
		Analog of Cook's influence statistics	Leverage value
N	Valid	370	370
	Missing	0	0
Minimum		0.00000	0.00009

Maximum	1.14914	0.08754

Source: Own survey data, SPSS output (2025)

4.5.3.3 Model Summary and Explanatory Power

The fit of the model was also confirmed through various indicators; these include the -2 Log Likelihood value of the model (238.923) and the Pseudo R^2 values of Cox and Snell (0.347), Nagelkerke (0.527). The values confirm that the model is able to explain a good proportion of the variance in life insurance uptake, thus implying good explanatory power in accordance with social science standards.

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	238.923[a]	.347	.527
a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.			

Source: Own survey data, SPSS output (2025)

4.5.4 Model Fitness and Adequacy

The overall significance and goodness-of-fit of the proposed logistic regression model were, in turn, assessed by utilizing the Omnibus test on the model's predictor coefficients and the Hosmer-Lemeshow test. The results from the Omnibus test revealed that the model was statistically significant, verifying that the included predictor variables do indeed enhance model prediction beyond a null model. Though the Hosmer-Lemeshow test proved to be significant, this could essentially be attributed to the rather larger sample size; nonetheless, other model fit measures, i.e., classification accuracy, have been satisfied.

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	154.092	8	.000

Source: Own survey data, SPSS output (2025)

The Nagelkerke R^2 value of 0.527 implies that the model efficiently explains around 52.7% of the variation in the uptake of life insurance as seen in the dependent variable. This can be termed a very good performance for a model as it reflects a good standard of adequacy in a model for a social science research paradigm, as suggested by Smith and Lee (2022). The accuracy of this classification also suggests a very good performance on the predictive capacity of this model as it is way beyond a mere chance level of accuracy. The diagnostic tests of this model for the presence of multicollinearity also proved the reliability of this model as all of the Variance Inflation Factor values were below a compound value of 5, as suggested by Patel and Johnson (2023).

Having established the fitness and adequacy of the model, the next section reveals the logistic regression coefficients, where the coefficients highlight the direction of the relationships between the explanatory variables and the uptake of life insurance

4.5.5 Logistic Regression Coefficients (Model Results)

The logistic regression coefficients, odds ratios, and significance levels are presented to identify the key determinants of life insurance uptake. The results reveal which factors significantly increase or decrease the likelihood of purchasing life insurance, providing empirical evidence to support or refute the study's hypotheses. Detailed interpretation of these findings follows in the next section.

Variables	**B**	**S.E.**	**Sig.**	**Exp(B)**
Socioeconomic factors	1.060	0.342	0.002	2.888**
Public awareness and understanding	2.684	0.411	0.000	14.643**

Cultural and religious beliefs	-0.372	0.245	0.129	0.690
Production Innovation and customization	-0.039	0.502	0.939	0.962
Regulatory framework and government involvement	1.476	0.437	0.001	4.38**
Distribution channels and digitalization	0.470	0.372	0.206	1.600
Affordability of Life Insurance Products	0.799	0.387	0.039	2.224**
Suitability for Different Consumer Segments	0.172	0.190	0.366	1.188
Constant	-13.777	2.579	0.000	0.000
a. Variable(s) entered on step 1: SEF, PAU, CRB, PIC, RFGI, DCD, ALP, SDCS.				

Note: Exp(B) = Odds ratio Source: Own survey data, SPSS output (2025)

** *Shows Significant Variables*

4.5.6 Interpretation of Logistic Regression Coefficients

The results obtained from the logistic regression analysis indicate that some factors have a statistically significant influence on life insurance adoption, while others do not have a significant influence. The interpretation provided in this section differentiates between the quantitative results obtained and the results obtained from the qualitative analysis.

In the case where the factors have a statistically significant influence on life insurance adoption, the results indicate that there is a direct and measurable influence on the uptake of life insurance, and this can be measured and controlled for other factors. The results are interpreted on the basis of the coefficients and odds ratios obtained in the logistic regression analysis.

Where the factors do not have a statistically significant influence on life insurance uptake, the results indicate that there is a lack of a direct and measurable influence on life insurance adoption, and this can be measured and controlled for other factors. For instance, the results indicate that Product Innovation and Customization did not have a statistically significant influence on life insurance adoption ($p = 0.939$). This indicates that the variation in this variable does not significantly explain the differences in the actual purchase behavior.

However, the absence of statistical significance does not necessarily reflect the irrelevance of the particular variable from a broader view. Instead, it indicates that the effect is not immediately observable in the current purchasing decisions. The results obtained from the qualitative study provide an explanation and context regarding the observed effect. The results obtained from the interviews and focus group discussions indicated that the consumers expressed their willingness towards the availability of more innovative and customized life insurance products. Nevertheless, the results also indicated that the consumers had inadequate awareness regarding the availability of the products, and the product developers faced limitations in the development process, such as the lack of actuaries and inflexible regulatory requirements for product approval.

This method ensures that the results obtained from the quantitative study remain the primary basis for statistical inference, and the results obtained from the qualitative study provide an explanation and context regarding the results obtained from the quantitative study, avoiding overestimation of the influence of the non-significant predictors

4.5.6.1 Significant Predictors

4.5.6.1.1. Public Awareness and Understanding (PAU)

In the result, it was found that public awareness significantly and positively influences life insurance uptake, with a B value of 2.684 and a p-value of less than 0.001. The Exp(B), standing at about 14.643, essentially means that persons with higher awareness and understanding of the life insurance policy were about 14.6 times more likely to take on the life insurance policy than persons with a lower level of awareness and understanding, assuming that all other variables remain constant. This, therefore, makes awareness the most influential determinant in the model, following the opinions of Hosmer et al. (2013) and Alhassan et al. (2022).

. 4.5.6.1.2. Socioeconomic Factors (SEF)

Socioeconomic factors have a positive correlation with the life insurance services for which the results are significant at 0.002, showing a regression coefficient of 1.060. Thus, the odds ratio for 2.888 implies that the users of life insurance services are nearly three times more likely to have

favorable socioeconomic conditions, thereby justifying the role played by income and social status in the decision-making process (Smith & Lee, 2022).

4.5.6.1.3. Affordability of Life Insurance Products (ALP)

Similarly, affordability also has a statistically significant effect on the purchase of insurance, with the odds ratio being 2.224 (B = 0.799, p = 0.039). Hence, life insurance products being affordable are found to have more than twice the chances of being purchased by the uninsured (Alhassan et al., 2022; Patel & Johnson, 2023).

4.5.6.1.4. Regulatory Framework and Government Involvement (RFGI)

The regulatory framework and government participation had a considerable impact on life insurance uptake (B = 1.476, p = 0.001). This indicates that the presence of a conducive legal environment, participation, and support from governments instill confidence among consumers and hence motivate them to take up insurance policies (Patel & Johnson, 2023; Hosmer et al., 2013).

4.5.6.2. Non-Significant Predictors

4.5.6.2.1. Cultural and Religious Beliefs (CRB)

Although the coefficient for culture and religion is negative (i.e., B = -0.372), it is, however, not significant (p = 0.129). This implies that, after controlling for socioeconomic issues, affordability, awareness, and regulations, culture and religion are not significant independent factors influencing life insurance adoption. Past empirical studies have revealed that culture impacts insurance demand, but this does not happen directly, and hence, it does not have any particular role to play, which is why culture remains an insignificant variable while studying its effects on life insurance adoption (Beck & Webb, 2003; Alhassan et al., 2022).

4.5.6.2.2. Product Innovation and Customization (PIC)

Product innovation and customization do not display a statistically significant direct effect on life insurance uptake; p = 0.939. The finding shows that the product type and features alone may not be enough to initiate life insurance demand by the consumers when they have limited awareness or financial capacity. The methodological and empirical literature thus presents evidence that, unless coupled with appropriate communication, affordability, and trust-building mechanisms, supply-side innovations may not easily lead to observable demand effects (Outreville, 2015; Cole et al., 2013).

4.5.6.2.3. Distribution Channels and Digitalization (DCD)

Distribution channels and digitalization share a positive yet statistically insignificant relationship with the adoption of life insurance (p = 0.206). This suggests that even though these aspects play critical roles in the development of the market, they may play an indirect role in that they facilitate ease of access and positive awareness, yet the effect is not felt in the immediate purchasing decisions of the insured. Similarly, as noted, other emerging markets have witnessed the same, with digitalization facing obstacles due to poor infrastructure in the lives segment (Giné et al., 2020; OECD, 2021)

4.5.6.2.4. Suitability for Different Consumer Segments (SDCS)

The suitability coefficient across consumer segments is positive but not significant at p = 0.366, implying that perceived product suitability, in and of itself, does not lead to increased life insurance take-up. As documented by prior research, consumers usually lack the necessary information or experience to correctly assess the product–consumer fit, especially in low-penetration insurance markets, hence weakening the empirically observable impact of this factor in demand-side models.

Constant Term

The constant term, which represents the propensity to purchase life insurance when all other predictor variables are equal to zero, is negative and statistically significant (B = -13.777, p <

0.001), albeit very low. This outcome follows the theory of logistic regression, whereby even in the absence of all predictor variables, the propensity to purchase life insurances is normally very low. The intercept effect in the model being significant and negative is normally expected in behavioral and insurance demand estimation, emphasizing the importance of the controlled predictor variables in such insured behavior (Hosmer et al., 2020; Menard, 2021).

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4.6 Integration of Quantitative and Qualitative Findings

Also, through the quantitative logistic regression analysis, the various predictors of life insurance purchase were identified to be statistically significant, and these are: public awareness and understanding, socioeconomic factors, the affordability of life insurance products, and the regulatory framework and government involvement. In contrast, the lack of statistical significance was evidenced in the case of the variables of product innovation and customization, distribution and digitalization, cultural and religious beliefs, and suitability to different consumer segments.

In order to fully understand this phenomenon, additional qualitative research insights from in-depth interviews with insurance company officials and FGDs among regulators, insurance brokers, and insurance agents were also included. These results show significant findings on the issue involving insurance agents, which provided vital information on the challenges faced, as highlighted specifically below.

4.6.1.1. Product Innovation and Customization

Though product innovation and customization were not major determinants in the results obtained for the quantitative model, qualitative interviews suggested that all these are subject to various limitations on the supply side. The interviewees pointed out, for example, the low availability of local actuarial skills, which made the professionals depend on foreign experts to conduct the surveys, hence delaying product development while the products are not necessarily income-aligned locally:

“We often depend on foreign actuaries because of the lack of local expertise, and this hinders product innovation and, in some cases, creates a product that does not meet local income levels.” (Interviewee LI-3)

This observation highlights a key supply-side constraint affecting the development of life insurance products in Ethiopia. The limited availability of local actuarial expertise forces insurers to rely on foreign professionals, which may increase product development costs and reduce the flexibility needed to design products tailored to the Ethiopian market. As a result, insurers may introduce standardized products that do not fully reflect local income structures, risk preferences, and consumer needs. This situation can limit consumer exposure to innovative and affordable life insurance products, thereby weakening demand. Such constraints may partly explain why product innovation did not show a statistically significant impact in the quantitative model

4.6.1.2. Distribution Channels and Digitalization

Although distribution channel and digitalization did not reveal significant influence quantitatively, from the qualitative analysis, it showed that consumers face underinvestment in digital infrastructure, overdependence on traditional agents, and low levels of digital skills among staff, obstructing access to life insurance for consumers despite obvious demand for it:

“Our digital platforms are underdeveloped, and agents lack the required training to use digital tools effectively, therefore missing out on customer reach.” FGD participant AG-4

4.6.1.3. Cultural and Religious Beliefs

Cultural and religious beliefs had a negative impact though insignificant at a statistical level. Qualitative findings show misconceptions emanating from a lack of culturally sensitive marketing and interaction at the community and religious leader levels, which have a negative effect on life insurance adoption:

“Without proactive outreach tailored to cultural contexts, many customers remain skeptical or unaware of life insurance benefits.” FGD, REG-3

4.6.1.4. Suitability for Different Consumer Segments

Also, suitability for consumer segments was not significant. The qualitative data underpin supply-side impediments in designing and marketing products that correspond to heterogeneous income levels and preferences, which limit the extent to which consumers recognize product fit.

4.6.2 Additional Supply-Side and Macroeconomic Factors Affecting Uptake

Besides the aspects discussed quantitatively, evidence of other important systemic factors indicates additional challenges in amalgamating life insurance:

- One is Delays in Claim Settlement: This is more common in non-life insurance. Delays in claim settlement create a general lack of trust among consumers towards any insurance services, even life insurance.

"People are unwilling to invest in life insurance because of delays in the claim payments, whereas actually the problem lies in the non-life claims." FGD Participant REG-2

- Macroeconomic Challenges: Current inflation rates and the continuous devaluation of the Ethiopian Birr reduce disposable income in the hands of consumers and, therefore, their paying ability for life insurance.
- In regard to the limited availability of local actuarial capacity, organizations encountered some difficulties in sourcing foreign actuarial expertise to propel the growth and development of life insurance products at a considerably faster pace
- Composite Business Model Focus: About 94% of the insurance premiums are from the non-life segment, which is focusing the attention of the companies towards this segment of insurance, as the returns are quicker. The life insurance segment is not prioritized.

According to one interviewee, "life insurance is always put at a lower priority because non-life is dominant in our portfolio and its cash flow is better". Interviewee Li-5

4.6.3 Summary and Implications

The continuity of quantitative and qualitative study findings demonstrates that while demand factors such as awareness, socioeconomic status, affordability, and legal environment are significant predictors of life insurance demand, several factors on the supply side inhibit the actual demand for life insurance, as can be determined based on macroeconomic issues.

Variables such as these, if found to be insignificant in the regression model, actually point to underlying issues faced in the supply side, as well as consumer exposure, as opposed to the idea that the variable was not impactful enough. In short, for life insurance uptake, there are several steps to be taken, including consumer education, product innovation, distribution infrastructure, culturally relevant marketing strategies, efficiency in regulations, and strategic focus for life insurance on the company side

CHAPTER FIVE

Summary, Conclusion, and Recommendations

5.1 Summary of Findings and Conclusion

The primary aim of this research was to identify factors that influence the low uptake of life insurance in Ethiopia. The findings of this research revealed that low uptake of life insurance are not attributed to a single factor. Rather, it is attributed to a number of factors that influence demand and supply.

The quantitative findings revealed that awareness and understanding of life insurance are the strongest factors that influence life insurance adoption. The findings revealed that individuals who are not knowledgeable about life insurance products are unable to understand the benefits of life insurance. The affordability of life insurance is also an important factor that influences life insurance adoption. Many individuals, especially those who work in the informal economy, feel that life insurance is too expensive. The findings revealed that a lack of trust in the regulatory environment is also an important factor that influences life insurance adoption.

The aforementioned direct barriers are further complicated by structural and behavioral factors. As highlighted by the findings of the qualitative study, the low demand for life insurance is influenced by supply-side factors, which include the low level of product innovation, poor distribution networks, and low market awareness of life insurance products. In this regard, the study participants cited the lack of flexible and affordable products that cater to different income

groups, as well as the lack of digital and alternative distribution networks. In addition, the lack of actuarial and technical expertise among the locals limits the ability of insurance firms to develop relevant and context-specific products.

As far as the macro environment is concerned, the effects of inflation and the reduction of the purchasing power of the average household also reduce the ability of the individual to commit to long-term insurance contracts. In a sense, it can be said that these factors add to the low level of demand for life insurance, which includes the awareness of the potential benefits of the product.

5.2 Recommendations

This section provides recommendations based directly on the major findings of the study. The recommendations are based on major stakeholders in the life insurance industry.

5.2.1 Recommendations for Insurance Companies

Finding: The study used quantitative methods, which indicated that affordability and income volatility were major barriers to the purchase of life insurance. The study also used qualitative methods, which indicated that life insurance products currently in the market were inflexible and did not take into account the income volatility of households.

Recommendation: Life insurance products should be developed to ensure that they are affordable for the low income earner and for those working in the informal sector. Life insurance products should also be developed to ensure that they can accommodate the income volatility of households.

Finding: The study revealed that the lack of knowledge of policy terms and perceived lack of transparency have negative impacts on trust in life insurance products.

Recommendation: The insurance companies should ensure that they simplify their insurance policies terms and conditions and related information through the use of simple, non-technical words. The information relating to benefits, exclusions, premium obligations, and the claim payment procedure should also be clearly communicated to the clients.

Finding: The study indicated that public awareness and knowledge of insurance are among the strongest determinants of life insurance adoption. Nevertheless, evidence from both the quantitative and qualitative analyses shows that exposure to insurance education, as well as the reach and intensity of promotional activities, remains notably limited.

Recommendation: The insurance companies should increase their investment in insurance education. The insurance companies should also promote life insurance concepts through the use of wider outreach mass media by focusing the benefits of life insurance.

Finding: The qualitative findings established that delays, communication, and lack of transparency in claims settlement, especially in non-life insurance, have had a negative impact on trust in insurance in general, with spillovers effect to demand for life insurance.

Recommendation: Insurance Companies should enhance their claims management processes through the development of internal timelines, communication with clients, as well as the implementation of transparent tracking processes. The timely and transparent settlement of claims should thus form part of the strategies to enhance trust in insurance, with implications for demand for life insurance

5.2.2 Recommendations for Regulators

Finding: The study identified low levels of consumer confidence in insurers, partly because of poor observance of claims settlement standards and low regulatory visibility in the protection of policyholders' interests.

Recommendation: The National Bank of Ethiopia could improve regulatory supervision by enforcing claims settlement standards for all classes of insurance products. This would include the publication of claims settlement performance indicators.

Finding: The results, both quantitative and qualitative, revealed that lack of adequate information disclosure to policyholders has been a major source of misunderstanding and lack of trust among potential policyholders.

Recommendation: The regulators could also introduce and enforce standardized information disclosure requirements for life insurance products such as benefits, exclusions, and costs.

Finding: The study also observed the lack of coordination between the regulators and the insurers in the compliance of public awareness and financial literacy.

Recommendation: The regulatory authorities could collaborate with insurance companies to coordinate nationwide insurance literacy campaigns.

5.2.3 Recommendations for Government and Policymakers

Finding: The study established that low financial literacy and the lack of understanding of insurance as a formal system of risk management were the main demand-side factors that affect the demand and purchase of life insurance.

Recommendation: The government should consider including insurance education in the broader financial literacy and financial inclusion strategies.

Finding: The study identified that the lack of innovation and incentives in the insurance sector, which affects the supply side, is a critical factor.

Recommendation: The government should consider promoting innovation in the insurance sector through the introduction of incentives such as tax relief on life insurance premiums.

Finding: Although the study did not explicitly note the role of informal risk-sharing institutions, the results established the role of trust and the community in financial decision-making.

Recommendation: The government should consider promoting the partnership between insurance companies and trusted institutions such as Edir and traditional social networks in the promotion and delivery of life insurance products.

In conclusion, it is shown that the low uptake of life insurance is a multifaceted challenge that involves a number of interrelated factors. It is important to note that it is only by addressing this challenge that the adoption of life insurance products would be improved. It is worth noting that

it is only by addressing this challenge that the adoption of life insurance products would be improve

5.3 Contributions, Limitations, and Future Research

This paper contributes to the insurance literature by providing an integrated demand-supply perspective on life insurance uptake in the developing country context, highlighting the usefulness of combining logistic regression with qualitative inquiry.

These include a cross-sectional design, focused on urban areas, which limits the chances of capturing the rural dynamics or temporal changes in insurance behavior. Therefore, future research should consider expanding to rural populations and using longitudinal methods in order to understand low insurance uptake in Ethiopia, along with policy impacts over time.

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Appendix A. Questionnaire

Participant Information and Consent Statement

Dear Participant,

My name is Tesfa Bizuayehu, a Master's Degree candidate in Corporate Finance at Addis Ababa University, School of Commerce. Currently, I am working on research entitled: "Determinant Factors for Low Uptake of Life Insurance in Ethiopia." This research is intended to investigate determinant factors that contribute to the low uptake of insurance products in Ethiopia and ways in which insurance products could be made more accessible to people of different backgrounds.

Please be assured that your participation in the survey is totally voluntary, and you may withdraw at any time without any repercussions. It is expected to take approximately 10-15 minutes to complete this survey.

Please be certain that all your responses shall remain confidential, kept aside only for the purpose of academic intent. Your anonymity shall be maintained fully, and access shall be limited to the researcher.

By continuing to complete this questionnaire, you hereby state that you have been fully informed of the purpose of this research and you consent to voluntarily participate in this study.

Thank you very much for taking the time and providing valuable feedback.

Sincerely,

Tesfa Bizuayehu

Master's Candidate in Corporate Finance

Addis Ababa University, School of Commerce

Section A: Socio-Demographic

1. Age

☐ Below 18 ☐ 18-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ 56 and above

2. Gender

☐ Male ☐ Female

3. Educational Level:

☐No formal education ☐ Elementary School ☐ High School

☐ Undergraduate ☐ Postgraduate

4. Employment Status

☐ Employed – full time ☐ Employed – part time ☐ Self-employed

☐ Unemployed ☐ Retiree

5. Level of Income (per month):

☐ Below 2,000 ETB ☐ 2,000 – 5,000 ETB ☐ 5,001 – 10,000 ETB ☐ 10,001 – 20,000 ETB ☐ Above 20,000 ETB

Section B: Life Insurance Uptake

6. Do you currently have Life Insurance Coverage?

☐Yes ☐No

7. If you don't have life insurance, was it ever contemplated?

☐ Yes ☐ No

8. Do you plan on buying life insurance in the future?

☐ Yes ☐ No

9. What are the major reasons you have not purchased a life insurance policy to date? (Check all that apply)

☐ I do not understand how it works ☐ It is too expensive ☐ I do not believe it is necessary ☐ I do not trust insurance companies ☐ I am not aware of available insurance products ☐ Other (Please specify): _____

10. I believe having life insurance is an important investment to secure my family's future.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section C: Socio-Economic Factors

11. I can afford life insurance based on my income.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

12. My income plays a role in my decision to buy life insurance.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

18. I encounter advertisements or information about life insurance.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

19. Knowing more about life insurance would increase my tendency to buy it.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section E: Cultural and Religious Beliefs

20. Cultural beliefs discourage buying life insurance in Ethiopia.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

21. Religious beliefs forbid the people of Ethiopia from buying life insurance.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

22.I have encountered some negative opinions from family or community about life insurance purchase.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

23. Having life insurance goes against my cultural or religious beliefs.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section F: Innovation and Customization

24. The life insurance products available in Ethiopia are for my specific needs.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

25. I would buy life insurance if the products were more affordable and relevant to the needs of low-income households.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

26. Life Insurance Companies have developed different life insurance products targeting different income and age groups.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

27. I would prefere in flexible life insurance policies that can be customized in line with various needs such as income and family size.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section G: Regulatory framework and government involvement

28. I believe the government regulates life insurance companies in Ethiopia.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

29. The state should increase publicity for life insurance.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

30. I am aware of the government initiatives aimed at increasing life insurance uptake in Ethiopia.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

31. I would have greater faith in the purveyors of life insurance were the government to exercise more control with consumer protection.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

32. The current regulatory policies in Ethiopia are encouraging people to buy life insurance.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

33. The National Bank of Ethiopia effectively enforces regulations that protect life insurance consumers.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section H: Distribution Channels and Digitalization

34. I have easy access to life insurance products by using mobile and online serv ices.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

35. Insurance products Digitization (e.g., using mobile apps, online platforms) would help me to more easily purchase life insurance.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

36. I would rather buy life insurance online than visit physical branches to buy it.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

37. I have access to life insurance products through agents/brokers or mobile phones.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section I: Affordability of Life Insurance Products

38. Life insurance premiums are very expensive for me to afford them.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

39. I would be more likely to buy life insurance if it was cheaper.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

40. Life insurance is an affordable option for individuals of low income, like myself.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section J: Suitability for Different Consumer Segments

41. Life insurance products are designed to meet the needs of people in my age group.

☐ Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree

Section K: Open-Ended Questions Section

1. What do you personally think are the biggest reasons people in Ethiopia do not purchase life insurance?

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_____

2. What changes or improvements would make you more likely to consider purchasing life insurance?

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3. In your opinion, how can life insurance companies better serve people in your community?

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4. Do you have any suggestions for the government or regulators to make life insurance more accessible or trustworthy?

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5. Please share any personal experiences or stories (positive or negative) you have had with life insurance or insurance companies.

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6. Are there any cultural, religious, or personal beliefs that influence your view of life insurance? If yes, please explain.

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7. What type of life insurance product would best meet your current needs, and why?

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