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FACTOR AFFECTING INSURANCE PURCHASING HABIT OF CUSTOMER IN ETHIOPIA (CASE STUDY OF WKU LECTURERS)

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A research paper submitted to Department of Accounting and Finance for the partial fulfillment of the requirement of Bachelor of Art Degree in Accounting and Finance

BY Edris Abdella

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Jun, 2019

Wolkite, Ethiopia

DECLARATION

I, Edris Abdella, have carried out independently a research work on "The factor affecting insurance purchasing habit of customer in wolkite''in partial fulfillment of the requirement of the BA degree program in Accounting and Finance with the guidance and support of the research advisor. I wish to state that this work has never been presented in any University or Institution of learning apart from references made to the works of other people for which I have dully acknowledged. Therefore it is an original work done by me under a close supervision of my advisor.

_____ _____

Name Signature Signature

Wolkite University Jun, 2019

Approval sheet

WOLKITE University

This is to certify that the thesis prepared by Edris Abdella, entitled: The factor affecting insurance purchasing habit of customer in wolkite and submitted in partial fulfillment of the requirements for the BA degree in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved by:

Examiner: Dr. _____ Signature _____ Date _____

Advisor: Tewodros (msc). Signature_____ Date _____

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List of Acronyms

Wku	wolkite university
FAIPH	factor affecting insurance purchasing habit of customer
AWR	awareness
INC	income
RLG	religion
PRD	product variety
PRM	premium

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ABSTRACT

Insurance is an important aspect of the social-economic development of the country. Despite its importance the consumption of insurance in Ethiopia is very low compared to other countries. The main purpose of the study is to identify and investigate factors affecting household's consumption of insurance in Ethiopian (case of wolkite). Based on the reviewed literature "awareness", "income", "religion", "product variety" and "premium" were identified. The study employed descriptive and explanatory research design. The population of the study was wku lecturers. Out of eighty eight questionnaires administered, seventy usable questionnaires were obtained constituting 79.8% for analysis. Primary data were collected. The study employed structured questionnaires as the main research instrument. Descriptive statistics was used to summarize the respondents' demographic characteristics. Multiple regression analysis was used to explain the nature of the relationship between household's consumption of insurance and factors that influence it. Results of the study showed that all the factors except religion and premium had significant relationship with insurance consumption. Variables awareness and income had positive relation with but product variety had inverse relation with insurance. The regression results also showed that 53.3% of the variation in household's consumption of insurance can be explained by the changes in these identified factors. With these findings, this study provides many implications and if these are taken in to consideration by insurance company, households' consumption of insurance can be greater than before identifying improvement technique.

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CHAPTER ONE

Introduction

This chapter presents about background of the study, statement of the problem, research objectives, questions, hypotheses and delimitations. Finally the organization of this thesis also presented

1.1 Background of the study

Insurance defined as economic device where by the individual substitutes a small certain cost (the premium) for large uncertain financial loss (the contingency insured against that would exist, if it were not for the insurance.

Insurance from the social points view is an economic device for reducing and eliminating risk through the process combining a sufficient number of homogenous exposures in the group to make the eases predictable for the group as whole. (Tekllegiorgis, 2004, p. 62).

Insurance is a device by means of with the risk of two or more persons or firms are combined through actual or promised contributions to fund out of which eliminations are paid. From the view point of the insured, insurance is orientation and combination device, insurance does not prevent eases, or does it reduce the cost of eases to the economy as a whole. The existence insurance encourages same looses for the purpose of defending the insurance, and addition people are loss careful and may exert less effort to prevent losses than they might if the insurance did not exist.

Insurance is the protection against financial less practiced by an insurance, the primary function of insurance is the creation of counter part of risk which is security (Teklegiorgis, 2004, p.62).

Insurance does not decrease the uncertainty for the individual as whether the event will not occur, nor does reduce it or after the probability of financial loss connected with the event. From individual point of view, the purchase of an adequate amount of insurance eliminates the uncertainty regarding a financial loss in the event that house should burn down. Some people seem to believe that they have somehow wasted there to money.

In purchasing insurance if a loss does not occur and indemnity is not received. Some event feels that if they have not had a loss during the policy term their premium should be retard (Teklegiorgis, 2004, p. 63).One of the most important decisions the individuals or families make is whether to buy insurance policy or not. Their decision to purchase insurance may be influenced by the socio-economic factor like their income levels; demographic factor like level of awareness about insurance or level of education, and cultural factor (the societies culture or habit in purchasing insurance policy). And religious factor (the people consider their God/Allah as everlasting guarantee rather than insurance policy). It is true that individual buyer's attitude theoretically is affected by the buyer's demographic characteristic such as age, gender, monthly income, level of education, employment status, marital status and religion etc.

1.2 Statement of the problem

Our country Ethiopia is among the developing countries so; it cannot afford the risk management techniques which are modern and new fashioned to handle risk. People do not have positive attitudes towards insurance due to various obstacles like, socio-economic factors, demographic factors, and religious influence (Trischman, 2004). ZekariasMekonnen (2011) study focused on consumers' attitude towards purchasing of insurance. The study concentrates on the relationship between demographic variables and buyers habit towards the purchase of insurance in EIC. Dawit Mohammed (2010) study focused on the Life Assurance and its Economic and social benefit. HailuZeleke (2007) looks at the problem of insurance industry as a whole. Asmiya Gebregiorgis (2014) targeted on the low development rate of insurance from organizational side factor due to this, the business owners in the country have not always been used to effective risk handling mechanisms that enable them to protect, their business from risk. This indicates that the business owners have a great lack of awareness of modern technologies with respect to the risk handling techniques and importance (Mark, Dorfman 20015).

Generally, although the importance of insurance in the Ethiopian economy is widely recognized, little attention has been given to explain, systematically its determinants. Therefore, such an aggravating problems needs a complete attention from concerned bodies, such as business owners, government bodies and higher educational institutions via research. The studies that have been done generally address the status of the industry and the low development insurance in general. They do not address specifically the low development of households/individuals habit of

insurance purchase. This is the gap that the current study sought to fill. The present study therefore sought to provide answers to the question: factors affecting household's consumption of insurance?

Therefore, this study analyzes empirically the effect of income, religion, awareness, premium and product variety on consumption of life insurance. There are studies that show the relationship among the stated factors on the purchase of insurance; however most of the studies were conducted outside Ethiopia Therefore, this study tries to determine the relationship between those dependant and independent variable in Ethiopia.

1.3 Objective of the study

1.3.1General objectives

The general objective of the study is investigating the factors affecting habit of customers to purchase insurance policy.

1.3.2 Specific objectives

In line with to the general objective, the researcher set the following specific objective.

1) To examine the effects of awareness on habit of purchasing insurance policies.
2) To examine the effects of income on habit of purchasing insurance policy.
3) To examine the effects of religion on habit of purchasing insurance policy.
4) To examine the effects of product variety on habit of purchasing insurance policy.
5) To examine the effects of premium on habit of purchasing insurance policy.
6) To analyze how well the identified variables able to predict household's insurance consumption

1.4 Research hypothesis

Based on previous literatures the following hypothesis were developed and tested.

H1: Income has significant relation with the consumption of insurance.

H2: Religion has significant relation with the consumption of insurance.

H3: Awareness has significant relation with the consumption of insurance.

H4: Product variety has significant relation with the consumption of insurances.

H5: Premium/price of the product has significant relation with the consumption of insurances.

1.5 Significance of the study

The study plays a significance element in a given lesson about risk management techniques to those people whom the research focus on and it would also serve as a spring board for different concerned bodies in charge to risk to develop some new or modified techniques of landing accidents likewise, it may be uses as a frame of reference for other researchers who are interested in under taking studies related to some issues. The researcher's recommendation to the company successful accommodation and management of change for the future the researcher will be used as a major reference for the next generation.

1.6 Scope of the study

Since it will difficult to study the whole area, coverage of this research was mainly bounded on office of Wolkite University. Again primary data was be collected from lecturers in wolkite university for this study analysis. The study was also be employed on only household/individual consumers and still non-customers. Government organizations, NGO, Plc's and other organization are not included in the study with the assumption that these organization buy insurance policy as a benefit package to attract employees which doesn't ultimately affect an individual's income, awareness, religion, product option and premium. Hence the finding my change when the study applies on it

1.7 Limitation of the study

No study is without limitation (Berg, 2001). Accordingly, this study is subject to the following limitations that future studies should address to shed more light on the subject of factors affecting consumption of insurance.

Time was a limiting factor because the researcher is a student thus having limited time to commit to the study. All the finding will be based on data gathered by the respondent. Thus it may subject to the potential bias and prejudice of the people involve. Due to time constraints, factors that have been taken for this report were only awareness, income, religion, product variety and premium. And the results of this study regression model R^2 = 53.3% tells there are 46.7% of other variables that could affect households consumptions of insurance.The research instrument was collected from only

lecturers of wku. The study didn't include organizations and traders.One of the major finding of this study is about the variable "religion" do not have significant relationship to household's consumption of insurance. However among the respondents the large portion was occupied by Orthodox Christian. Other the major finding of this study is about the variable "premium" do not have significant relationship to household's consumption of insurance. However among the respondents there is no many difference of disposal income so they focus only variety of insurance product.

1.8 organization of the proposal

The study was present in five separate chapters. The first chapter is an introduction part which includes back ground of the study, statement of the problem, objective of the study, significance of the study, scope of the study, limitation of the study and organization of the study, chapter two present important related literature review, chapter three present research methodology, Chapter Four reports the results of the empirical analysis in relation to testing the hypothesis and chapter five presents conclusion, limitation and recommendation.

CHAPTER TWO

LITERATURE REVIEWS

Introduction

This second chapter deals about the review of related theoretical and empirical literature regarding the definition, types, benefits, and factors of purchasing habit of insurance policy. Finally, it presents conclusions and knowledge gap.

2.1 Definition of Insurance

Insurance defined as economic device for reducing and eliminating risk eliminating risk through the process of combing a sufficient number of homogenous exposures in to a group to make the losses predictable for the group as whole. In the life time individuals, group and societies have always find ways to meet the challenge and solve already existing problems, that they faced mankind is not only limited to solve already existing problems, also he tries to deal with the uncertain of life challenges to which he has no idea of when and how these phenomena affect him. Human kinds has struggled through the ages to cope with and address risk and uncertainties, as well as the consequence of risk and uncertainties and his achieved a modest level of success in doings so, risk management is practiced by or organizations in the public private and nonprofit sectors and insurance is one of the risk management tools available for those organization, people purchase contracts of insurance called polices, form variety insurance organizations, insurance is a legal contracts between two parties, insured and the insurer that protects people from the financial costs resulting from loss of life, loss of health, lows unit or property damage, insurance is the protection against financial loss provided by an answer. The primary function of insurance is the creation of counter part of risk, which is security (Teklegiorgis, 2004, p.62). Insurance is a device by means of which the risk of two or more persons or firms are combined through actual or promised contributions to a fund out of which claimants are paid from the view points of the insured, insurance is a transfer device from the view point of the insurer, insurance is combination device. The destructive features of insurance as transfer device are that involves same polling of risk. i.e. the insurer combines the risk of many insured's. Through this combination the insurance improves its ability to predict its

expected losses. Insurance does not prevent losses nor does it reduce the costs oflosses to the economy as a whole. The existence of insurance encourages same losses for the purpose of defrauding the insurance and in additions people are loss careful and may exert loss effort to prevent losses than they might if the insurance did not exist. Also, the economy incurs certain additional costs in the operations of the insurance mechanism (Teklegiorgis, 2004, p.63).

2.1.1 Development of insurance in Ethiopia

According to various sources, the emergence of modern insurance in Ethiopia is traced to the bank of Abyssinia which was established in 1905 as the first Ethiopian bank. The bank had been acting as agent for a foreign insurance company to under write fire and marine policies (Hailuzeleke, 2007). Between 1920 and 1960's, foreign insurance companies operating through agents dominated the insurance business in Ethiopia (Hailuzeleke, 2007).

The first domestic insurance company was the imperial insurance company of Ethiopia and it was established in 1951< and emperor haileselassie was ashare holder in it. Thus, initially and prior to 1960, one domestic insured (The imperial insurance company of Ethiopia) and agents of 33 foreign companies (20 of which were from uk, 6 from Italy, etal.) were doing insurance business in Ethiopia. Most insurers operated through their branches in major cities like Addis Ababa, Asmara, Diredawa, Assab, Massawa and Desire (Hailuzeleke, 2007). Technically prior to the year 1960, the conduct of insurance business was not formally and comprehensively controlled or regulated. The relatively improved legal frame work facilitated and encouraged the growth of domestic insures. Prior to the enactment of the 1970 insurance proclamation, there were 15 domestic insurers established in Ethiopia and no restrictions or limits existed on the ownership percentage size of share holders who were foreigners. Marxist ideology reigned. This period was primarily blamed for the pervasive homogeneity of the thinking in insurance leadership and the absence of competition

2.2 Types of Insurance

2.2.1 Life insurance

Life insurance provides compensation to specified individual or group, such as to family member's charities. When the policy holder fields, some policies also provides funds for people to use during periods their life when they will no longer be able to earn income through work,

such as in the final stages of a terminal illness. Some life insurance policy, know as term life, cover policy holders for set period of time or terms other policies known as permanent life, cover policy holders for their entire (whole) lives.(Encyclopedia standard ,2004).

Life insurance is the business of affecting the counter acts of insurance up on human life including any contract where by payment of money is assured on death or the happing of any contingency dependent on human life (Assefa, 2004).

2.2.2 Property and causality insurance

Property causality insurance is roughly the rest of the industry, aside from life and health. It includes insurance for damage to personal property (house, autos), personnel liability because of injure to the person or property of someone else, and commercial counter pare including workers compensation, which reimburse an employer for job related health impartment's some insurance companies concentrate exclusively in the property causality sector insurance (Assefa,2004). property and causality insurance policies protects things property insurance protects people against loss of and damage to things they have acquired including houses valuable items such as appliances or jewelry, causality insurance protects people against having their property taken to compensate others in settlement of legal disputes, property and causality insurance commonly go together because many policies include provisions to cover both causality and property damage and loss causality insurance. In general liability refers to the legal and financial responsibility someone has to another person can be found to be liable for causing loss or harm to another person's or for having an un paid debit (Jean, 1977).

2.2.3 Automobile insurance

Personal auto insurance protects money losses which are associated with auto accidents. The major loss exposures raising out of automobile accident are; (1) legal liability for harm that you may cause on others as a result of your negligence, (2) bodily injury to you and members of your family, (3) property damage to and/or theft of theft of your vehicle (assefa, 2004).

2.2.4 Home owner insurance

Home owners insurance is the second largest line of personnel insurance for property liability insurer. Behind auto insurances insurers writing home owners policies are multiline insurers who also sell personal auto and life insurance (Assefa, 2004).

2.2.5 Fire Insurance

The standard insurance policy appears that no matter what measures are taken to prevent fires and other prices, a certain number of losses will occur while theoretically most fire losses are preventable, modern industrial society has no yet organized itself in such a way that no one suffers catastrophic loss from fire. (National fire association estimates reported in insurance factor, 1974).

2.2.6 Social Insurance

The existence and scope of social insurance programs are the results of several factors, probably the most significant of which is the need to solve major social problems that affects a large portion of societies. The in ability to predicate future un employment rates and the potential for catastrophic losses make the peril of un employment virtually un insurable in the private sector (Known W. Jean, 1977, p.174).

2.2.7 Liability Insurance

One of the serious risk that covered by insurance is that of loss through legal liability for harm causes, others. Losses from this source have been so frequent and serious in United States that special legislation. The policy of liability insurance almost states that the insurer is bound to pay only the sums which the insured is legally obligated to pay (Dejda, 1999, p.252).

2.2.8 Transportation Insurance

Insurance on the risk of transportation of goods is one of the oldest and most vital forms of insurance. All types of trade depend heavily on the availability of insurance for successful. If it was not possible to trade with others, it would not be feasible to manufacture goods on mass production basis; without mass production, life would be difficult and probability not as comfortable and easy (Kireby and Petter, 1998, p.219).

2.3 Benefits of the insurance

The existence of insurance results in great benefit to society. The major social and economic benefits of insurance include the following.

2.3.1 Indemnification for Loss

Indemnification permits individuals and families to be restored to their former financial position after a loss occurs. As a result, they maintain their financial security. Since they are less restored either in part or in whole after a loss occurs, they are less likely to seek financial assistance from relatives and friends. Indemnification to business firms also permits firms to remain in business and employees to keep their jobs. Suppliers continue to receive orders, and customers can still receive that goods and services they desire. The community also benefits because its tax base is not eroded. Business and families who suffer unexpected losses are restored or at least moved closer to their former economic position.

The advantage to these individuals is obvious society also gains because these persons are restored to production and tax reverse are increased. In short, the indemnification function contributes the greatly to family and business stability and therefore is one of the most important social and economic benefits of insurance (Teklegiorgis, 2004, p.71).

2.3.2 Less Worry and Fear

A second benefit of insurance is that worry and fear are reduced. This is true both before and after a loss. For example, if family heads have adequate amounts of life insurance, they are less likely to about the financial security of their dependents in the event of premature death, persons insured. For long term disability do not have to worry about the less of earnings if a serious illness or accidental occurred and property owners who are insured enjoy greater peace of mind since know they are covered if a loss occurs worry and fear are also reduced after a loss occurs. Since the insured's know that they are have insurance that will play for the loss (Teklegiorgis, 2004, p.71).

2.3.3 Source of Investment Funds

The insurance industry is an important source of funds for capital investment and accumulation. Premiums are collected in advance of the loss, and funds not need to pay immediately losses and expenses can be loaned to business firms. These funds typically are invested in factories housing

development, and new machinery and equipment. The investment increase society's stock of capital goods, and promote economic development growth insures also invest in social and economic development project. This insurance mechanism encourages new investment. For example, if an individual knows that his or her family will be protected by life insurance in the event of premature death, the insured may be more willing to invest savings in a long desired project (Teklg.2004, p.72).

2.3.4 Reduced cost of capital

Because the supply investable finds are greater than it would be without insurance, capital is available at a lower cost than would other be possible. Since the total supply of loan able funds is increased by the advance payment of insurance is loser than it would be in the absence of insurance. This result brings about a higher standard of living because increased investment is self will raise production and cause lower prices than would otherwise be the case (Teklegiorgis, 2004, p.72).

2.3.5 Loss Contract

Another social and economic value of insurance lies in its loss control or loss presentation activities. Although the main function of insurance is not to reduce loss but merely to spread losses among members of the insured group, insures are never the less vitally interested in keeping losses at a minimum. Insurance know that if no effort is made in this vigilance when it is known that the loss will be fully paid by the insurer, furthermore, in any given year a risk in loss payments reduces in the profit to the insurer and also loss prevention provides a direct a venue of increased profit (Teklegiorgis, 2004, p.72).

2.3.6 Aid to Small Business

Insurance enhances a person's credit. Insurance bakes a borrower a better credit risk because it guarantees the value of the borrower's collateral, or purchased the lending institution normally requires property insurance on the house before the mortgage loan is granted. The property insurance on the protects the lender's financial interest if the property is damaged or destroyed. Similarity, if a new automobile is purchased and financed by a bank or other lending institution, physical damage insurance on the automobile may be required before the loan is made thus, insurances can enhance a person's credit (Teklegiorgis, 2004, p.73).

Insurance encourages completion because without insurance industry small business would be a less effective competitor against big business. Big business may safely retain some of the risk that, if they resulted in loss, would destroy most small business without insurance involves more risks and would be a less attractive out let for funds and energies (Teklegiorgis, 2004, p.73).

2.4 Underwriting

Underwriting is the process of selecting insured from among the many applicants. One of the basic principles of insurance is that there should be equity a many different classes of policy owners. The member of each class should contribute accordingly to the risk taking in to the risk, which they transfer to the common fund. If the members of one class are allowed to pay less than their share an over charge will result against other insured. Therefore, a sound underwriting involves the proper selection of risk taking in to account the physical and moral aspects of interest to be insured (Teklegiorgis, 2004, p.156).

2.5 General principles of insurance

In connection with insurance, there are a number of general principles that apply to claims which are discussed as follow.

2.5.1 Insurable interests

Insurable interest refers to the existence of a financial relationship to the subject matter and insured it applies to both life and non-life insurance. The insured must have and insurable interest that is a legal right to insure. In other words, the insured must bear some legal relationship to the property, which is the subject matter of insurance, where by the stands to benefit be its satisfy or to be prejudged as a result of a loss or damage to such property.

Generally, the principle of insurable interest states that the relationship between the insured and the subject matter insured must be clear enough in that the insured must suffer financially (James ,Triesch Man P.188).

2.5.2 Utmost Good Faith

This principle states that insurance requires mutual trust from both the insured and the insurer. This means that both insured and the insurer must make disclosure of material facts that have a

bearing on the assessment of the risks. International concealment miss representation may leads to the avoidance of the insurance contract (Teklegiorgis, 2004, p.85).

2.5.3 Subrogation

Subrogation is corollary to the principal of indemnity; consequently it does not apply life and personal accidental insurance. The essence is that the insurer, after claim settlement obtains the legal right to take the place of the insured and for recovery of the loss wholly or input from the third party responsible for the loss. The objective behind such transfer of right from the issued to the insurer is to eliminate the profit motive i.e. to prohibit the insured from collecting double payments from the insurer and from the third property (Teklegiorgis, 2004,p.84).

2.5.4 Indemnity

The principal of indemnity applies to no life insurance only but applicable to life and personal accident insurance. It states that the insured, in the event of loss, receives financial, compensation equal to the amount of the loss or the face value of the policy. It also states that the purpose of insurance is to restore the subject matter insured to its former financial position and serve to control moral hazards but does not allow the insured to make profit out of it (Teklegiorgis, 2004, p.76).

2.5.5 Contribution

This also supports the principle if indemnity. It is applied in a situation where a person or firms for some reasons, purchase insurance from two or more insurers to cover the same subject matter against loss or damage under such circumstance, the insured cannot collect compensations from each insurer. So, the insured is paid only to the extent of the loss he has suffered. But each insurer will make contribution to settle the claim. The contribution may be a proportional amounts based on the sum insured under the respective insurance (James S. P. 136)

2.6 major factors that affect buyer's purchasing habit of insurance

The need for insurance and protection from risk arose from the need to provide for security needs both from natural and manmade disasters, trading uncertainty for some level of reasonable certainty has been a basic human drive. Many contemporary scholars seem interested in socio-economic and demographic variables in order to rule out the long established effects of socio-

economic and demographic on various measures of well-being and life style out comes (N wanko, 2011).

Demographic variables are the quantifiable statistic of a give population which includes biological data of people such as age, income, gender/sex, marital status, employment, religion among other. For instance popper, (2000) found occupation, sex, and family size to be robust predictors of health insurance consumption. For this study, socio,-economic characteristics will serve as the independent variables which is insurance patronage. These variables have been elaborated below.

2.6.1 Awareness

There are consistent findings and conclusions made in previous research regarding how awareness affects insurance purchase habit. These studies include Tom, Ibok, & Awoke (2012), Saaty and Ansari (2011), Badru, Yusuf and Isola, (2013)

Tom, Ibok, & Awoke (2012) examined factors within insurance institutional framework that affect insurance consumption in AkwaIbom State in Nigeria using primary data collection from 80 insurance consumers judgmentally drawn from 10 insurance companies. They find that low insurance penetration in the state is as a result of poor publicity and awareness campaign due to the very complex nature of the insurance products.

In 2011, Saaty and Ansari attempts to find out the factors important in developing a suitable marketing strategy for insurance companies in Saudi Arabia. They investigates the reasons for buying insurance by the current users of insurance, reasons for not buying insurance by non-users of insurance and the issues and problems faced by Saudi Insurance industry. The results of the study show that the public at large is unaware about the benefits of insurance, and various types of insurance products. People would hesitant in purchasing insurance because they consider insurance against Sharia', in that Islamic principles affect the demand focus insurance. They conclude insurance companies shall focus on promotional marketing strategies to increase the awareness level of the society.

2.6.2 Income

Income is commonly found to be positively related to the demand for insurance, holding other factors constant. The effect of income on insurance demand is examined in numerous studies

Nesterova (2008), ZekariasMekonnen (2010), Tajudin, Celik and Kayali (2009), Bech and Webb 2003.

Celik and Kayali (2009) investigate the determinants of demand for insurance in cross section of 31 European countries from the period of 2000-2006. As a result, they find that the impact of income on demand for life insurance is positive,

Another research conducted by Nesterova (2008) in MBA thesis who analyzed the Determinants of the demand for insurance : evidenced from selected CIS (Common wealth independent states and CEE(Central & Eastern Europe), in panel of 14 countries over the 11-year period from 1996 till 2006, Panel estimation shows that countries with higher income and countries-members of the European Union have higher levels of life insurance consumption, however relatively low per-capita income and insurance culture have lower consumption . The study concludes that insurance is still regarded to be a luxury good among potential consumers of the transition countries. In a related study, Tajudin, et. al, (2009) conducted survey using simple random sampling among 392 members of the Nigerian people insuring and non-insuring to gauge their awareness level and general attitudes towards insurance companies and their operations in relation to social cultural factors. They discovered household income of respondents have significant influence on Nigerians attitude to insurance. Low household incomes have lesser positive attitude to insurance than high household income groups. Middle household income is higher positive attitude than high household income even though the difference is not statistically significant as middle income groups are more vulnerable than wealthy household and, wealthy household relatively feel secured. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach.

2.6.3 Religion

Erik, Rdney& Roberto (2011) studied what drives the development of the insurance sector: an empirical analysis based on a panel of developed and developing countries and they found that the predominance of a Muslim population tends to hinder the development of the life sector; however income is an important driver of insurance,

In 2010, ZekariasMekonnen for his MBA thesis, using Exploratory research method investigate the relationship between demographic variables and buyers behavior towards the purchase of

insurance on EIC's individual and group customers. He found out that religion for most of buyers groups with the exception for buyers from Muslim religion has no statistical association with buyers' attitude to purchase of life insurance. Buyers from Muslim decision with regard to life insurance policy purchase are highly dependent with their religion which is unaccepted as it indicates for them a less trust on Allah for their life. Opposing to the above fact buyers from orthodox and protestant religion have explained that their religion has no impact on their life insurance purchase attitude. This study was also found that monthly income level has statistically significant relation with buyers' attitude to life insurance policy purchase. He conclude that religion for buyers from orthodox, protestant and others group has no significant statistical association with life insurance policy purchase attitude. However buyers from Muslim religion explicitly explained their purchase attitude to life insurance is highly dependent to their religion. Life insurance policy purchase attitude and income level moves in opposite direction after some specified point due to those people believe that they have enough wealth to protect themselves and families without life insurance.

In related study Bech and Webb (2003) indicated that among other variables income per capital and religion are the most robust predictors of the use of life insurance.

2.6.4 Premium/Price

Yadav and Tiwari (2012) conducted exploratory and descriptive based study with an objective to identify factors which influence customers policy buying decision and also the preferences of customers while life policy investment decision-making. They observed innovative tailor-made products with high risk cover, more return and low insurance premium to attract more number of customers. This will help in spreading insurance awareness and increasing uptake of insurance. The study of Asmiya G/Giorgis (2014), Hailu (2007), Odemba, J. (2013) had consistent results

2.6.5 Product variety

Odemba, J (2013) in MBA thesis, seek to establish the factors that affect the uptake of insurance in Kenya adopting a descriptive and cross-sectional survey research design by taking respondents from all registered insurance companies in Kenya. He found that that high cost of premiums is the major factor hindering the penetration of insurance in Kenya. Other major factors affecting penetration of life insurance include lack of insurance product variety and lack of disposable income for most Kenyans. In 2014, Agarwal and Shukla, study Awareness and Impact of

Globalization of Insurance in India. The research findings have brought out the fact that people are not able to clearly understand the extent of coverage being offered under particular insurance plans, resulting in low insurance penetration due to one-fourth of the households did not consider insurance as important; affordability, due to which 56.2 per cent of the uninsured households indicated that insurance is 'too expensive'; availability and range of insurance products, wherein 29.0 per cent of uninsured households felt there is a limited range of insurance products and services; and the major determining factor being lack of awareness of insurance across both rural and urban parts of the country.

2.7 Empirical review literature

Previous research suggests that buyer's attitudes towards marketing vary greatly due to demographic and psychographic factors and may be influenced by their ethical ideologies (Trieseetal., 1994). Browne, (1993) have shown that the demand for insurance is positively correlated with income. More over the correlation is that as in come increases, insurance becomes more affordable. Still other researchers in other countries have concluded that educational status of buyers has significantly influence on their attitude towards insurance. Educated people have more positive attitude to insurance than less education ones. (Tajudeenolalekanyusuf, 2009).

- Awareness

Awareness of the importance of life insurance is hypothesized to positively related to insurance consumption. Because obviously the higher level of awareness of a thing or a product, the more likely the individual will have knowledge and understand its value. One of the major obstacles to consume life insurance is lack of awareness. (Tom, et al., 2012), (ZekaryasMohmmed, 2011) and (Mathew, 1994) agreed there is appositive relationship between awareness and insurance consumption

- Income

Previous studies conclude that income is the most important factors affecting the purchase of life insurance (Sharon, el al., 2003) and (Tajudeen, el., 2009). Apparently an increased income makes life insurance policies/products more affordable. The researcher use monthly net income

as a proxy for disposable income. A strong positive relationship between income and life insurance demand is expected.

 Religion

The religious inclination of a population may also affect their attitude towards the purchase of life insurance. Peoples may relate of buying life insurance with lack of confidence in God's protection. Tajudeen, et al (2009) cited zelizer(1979) religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God‘s protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds and religious antagonism to life insurance still remains in several Islamic countries. The empirical study of Saaty& Ansari (2011) found low consumption of life insurance in Muslim countries. Thus, the researcher expects religion to be negatively related to life insurance consumption.

 Premium

Life insurance premium are made up of four components: Mortality (which concerned with risk of death), expenses, investments and contingencies for unexpected level of loss (Atkins and Bates, 2007). Insurance companies use human and statistical informational resources to effectively measure the pricing and reserving requirements for products and also to invest in financial market adequately. Therefore this supply side factor affects the cost of insurance which in return affect the consumption of life insurance. Odemba (2013) Observed that high cost of premium is the major factor hindering the consumption of life insurance. I expect high premium to be inversely related with life insurance consumption

 Product variety

This variable refers to all product assortments a particular insurer offer to the market. Insurance companies may not have a collection of life insurance policies which fulfils the need and wants of the consumers. Having various type of life insurance policies provide an opportunity for the consumer to choose in line with their desire. Lack of product variety is a major factor for the low penetration of life insurance (Odemba 2013). I expect product variety has a positive relationship with life insurance consumption.

2.8 Conclusion and knowledge gap

As it is described above most previous studies have focused on the purchasing of insurance company both in our country and abroad. For insurance,(Gaski&Etzel,2014) conducted a research factors affecting purchasing policy of insurance company's they studies buyer's attitude towards marketing activities are important from both theoretical and managerial stand points. Now the researchers support their idea and more develop the buyer's attitude to purchase insurance by creating awareness about the use of insurance.

The studies that have been done generally address the status of the industry and the low development insurance in general. They do not address specifically the low development of households/individuals habit of insurance purchase. This is the gap that the current study sought to fill. The present study therefore sought to provide answers to the question: factors affecting household's consumption of insurance?

Therefore, this study analyzes empirically the effect of income, religion, awareness, premium and product variety on consumption of life insurance by household. There are studies that show the relationship among the stated factors on the purchase of insurance; however most of the studies were conducted outside Ethiopia Therefore, this study tries to determine the relationship between those dependant and independent variable in Ethiopia.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodological concerns used in conducting this research. It involves the research design, sample & sampling technique, sources of data collection, procedure of data collection and method of data analysis.

3.2 Description of the study area

This study was purposefully select specific location and target population. it uses survey study as a strategy of inquiry to collect data from different customers and still non customer to any insurance company lecturer in wolkite university. I select those lecturers because they have good awareness about insurance. The choice of wolkite university due to its nature as well capital institute in Guraghe zone and it is nearest so I will do in this area to save our time and cost .

3.3 Research Design

A descriptive research is a study that seeks to "portray an accurate profile of persons, events or situations" (Mark, Philip, & Adrian, 2009). It involves formalizing the study with definite structures in order to better describe or present facts about a phenomenon as it is perceived or as it is in reality. An explanatory research tries to establish relationship that exists between variables. It aims at identifying how one variable affects the other; it seeks to provide an empirical explanation to the causes and effects relationship between one or more variables (Mark, Philip, & Adrian, 2009).

This study employs explanatory research design. The study is explanatory since it was seek to determine the impact of those identified variables on the consumption of insurance and establish the relationship between these variables with insurance consumption.

3.4 Research Approach

There are three approaches to conduct any research: Qualitative, Quantitative and Mixed approaches (Creswell 2009). Quantitative research is a means for testing objective theories by examining the relationship among variables. On the other hand, qualitative research approach is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem with intent of developing a theory or pattern inductively. Finally, mixed methods approach is an approach in which the researchers emphasize the research problem and use all approaches available to understand it.

In this study quantitative approach was employed to ensure effectiveness of the research process and meet the objective of the research. In terms of time horizon, this study is cross sectional in that data collected from the respondents once and not for different period of time. It uses survey study as a strategy of inquiry to collect data from different lecturers in wolkite university.

3.5 Target population

In research methods, population is the lecturer of wolkite university. from which samples can be drawn. The population of the present study consists of 702 lecturer in wolkite university.

3.7. Sample Size

In order to achieve the objective of the research, the researcher was having distributed the researcher's questionnaire to 88 respondents from the total population of the wolkite university lecturer to gather relevant data. This respondent group was collected as they come for service. The researcher believes that their views represented the views of those who have even declined to take insurance. The information from this respondent group is collect from their offices. We will use the formula to determine the sample size from the total population by using the following formula as shown below.

n =N/1+N (e) 2,

Where, n= is number of sample size selected

N= is total number of population

e= is margin of error then, (Yamane, 1967)

We determine the sample size as follows.

N=702=> it is obtain from human resource office

Margin of error=10% then 702/1+702(0.1)2

n= 88

Therefore, researcher will use 88 respondents from the total population to get relevant and enough sources of data which helps us to achieve the researchers study effectively. The lecturers that participate on the stud were the ones which may customer or not.

3.6 Sampling Technique

The method that is implemented for the study to collect the data from the respondents by applying probabilistic sampling technique, especially simple random sampling technique. This sampling technique is useful for us to collect data from respondents based on the researcher's simple random sampling. Because the researchers is simple random used for selecting items, which he/she considers as representative of the population. Simple random sampling is a chance sampling, where each and every item in the population has an equal chance of inclusion in the sample of each one of the possible samples; in case of finite universe has the same probability of being selected. Therefore, by applying simple random sampling; in lottery method under this method the various units of the universe are numbered on small and identical slips of paper which are folded and mixed together in a drum thoroughly. This technique is selected because it enables to get accurate and sufficient information. By using this technique, the data was collected from lecturers of the wolkite university who are believed to have sufficient knowledge about insurance.

3. 8 Source of data

The researchers have used primary source of data. The primary types of data were collected from the target respondent's by distributing questionnaires.

3.9 Data collection method

There are various methods of data collection which are useful to collect data while conducting research. For the purpose of this study structured questionnaires developed by the researcher are used to collect data from each individual of selected item and almost the same questions are set out to each selected individual to understand their reply towards insurance consumption. Self-administered questionnaires used in order to accurately gather the required data from selected respondents to meet the researcher's informational objectives. The questionnaires were self-administered by the respondents so that they can complete the questions in their own time without any distraction. the researcher's in order to get useful information for the study have used both close ended and open ended choice questionnaires, close ended questionnaires are questions which include yes or no or just like multiple choice question. And open ended choice questionnaires are questions which need respondents to answer the question asked by their own words and need subjective answers.

3.10 Methods of data analysis

The data collected from questionnaires will analyze using Statistical Package for Social Science (SPSS) version. The result is present using statistical tools such as frequencies and tables for demographic characteristics of the respondents via descriptive statistics and multiple regression model used to examine the causal relationship of the identified independent variables and the consumption of life insurance. The multiple regression model framework of the study is: $Fiph= \alpha + \beta 1Awr + \beta 2Inc + \beta 3Rlg + \beta 4Prd - \beta 5Prm + Ui$

Where;

Fiph= factor affecting insurance purchasing habit of customer

α = The constant, or Y intercept

βi= The coefficient of the independent variables

Awr = The level of awareness

I = Income

Rlg = Religion

Prd = Product availability

Prm=premium

Ui = the error term

.

CHAPTER FOUR

DATA ANALYSING AND PRESENTATION

Introduction

In the preceding chapters, the review of relevant literature helped this study to understand the problem and design an appropriate research approach to deal with. The previous chapter also discussed the research design employed to achieve the objectives of the study and to test the research hypotheses there on. In this chapter, the study analyses the data collected through the "Questionnaire" by using various statistical tools and presents the results and discussion accordingly. This chapter is organized in as follow sub section it presents the result which includes descriptive statistics, MLRM (Multiple linear regration model) Assumptions and Diagnostic tests, correlation analysis, the regression results.

4.1 Results

In order to achieve the study objective, the researcher adopted various statistical tools to analyze the collected data. Section 4.1.1 background Information of respondents and 4.1.2 presents the descriptive statistics which focuses on the distribution the data, mean, maximum and standard deviation. Section 4.1.3 presents tests for multiple regression model assumptions followed by the correlation analysis among the dependent and independent variables. In section 4.1.4. Outcomes of the regression result with discussion are presented in section 4.2 Analysis and discussion of research hypotheses.

4.1.1 Background Information of respondents

Questionnaire is very important to gather information and it is very useful when there are a large number of respondents. For this research which requires individual's response about the factor affect for usage of insurance, the researcher used this data source as a primary source and has got in-depth information by using this technique. From total 88 questionnaire distributed to lecturer of Wolkite University, 70 questionnaires are returned.

Table 1: Demographic profile of respondent

Variable	Category	No	%	Com.%
Gender	Male	57	81.4	81.1
	Female	13	18.6	100
Age	18-25	26	37.1	37.1
	25-33	27	38.6	75.7
	33-41	17	24.3	100
Education	BA degree	18	25.7	25.7
	Master	22	31.4	57.3
	PHD	30	42.9	100
Experience	Un used	42	60	60
	Below	14	20	80
	6-10	13	18.6	98.6
	11-15	1	1.4	100
Income	Below birr 3000	1	1.4	1.4
	Birr 3000-6000	22	31.4	32.8
	6000-9000	11	15.7	48.5
	9000-1200	15	21.4	70
	Above 12000	21	30	100
Occupations	Neutral	24	34.3	34.3
		27	38.6	72.9

	Self employed Employed	19	27.1	100
Type of insurance	Not used Life insurance Term insurance Motor insurance	42 15 7 6	60 21.4 10 8.6	60 81.4 91.4 100
Distribution channel	not buy insurance	38	54.3	54.3
	Advertisement Referred by friend Advice agent Non influence	9 8 11 4	12.9 11.4 15.7 5.7	67.2 78.6 94.3 100
Religion	Orthodox Islam Protestant Catholic	22 27 10 11	31.4 38.6 14.3 15.7	31.4 70 84.3 100

Source: Output of spss version 16.0

Table 4.1 shows the demographic characteristics of respondents. Genders of respondents 81.4% of them were male and 18.6% were female. It indicates more respondents are male. In terms of Age 37.1% of the respondents were between 18-25, 38.6% of them were between 25-33 years and 17 % were between 33-41 years of age. It shows that the number of respondents age high in18-33 so lecturers are more young. In terms of years stayed as a client the majority of the respondents 60% were unused,20%of them below six years, 18.6% of them were between 6 - 10 years, the remaining 1.4% of the respondents were stayed as a client in Insurance Company for 10 - 15 years. It signify that more of respondents are not consumer of insurance. In respect of

their income the majority of them 31.4% of net monthly income between birr 3000 to birr 6000, 30% of them greater than birr 12,000.00, 21.4% of them between birr 9000-12000,and 15.7%of them birr between 6000-9000,rest of the respondents of 1.4 % were below birr 3000. It implies that as the respondents income increase they incline to buy insurance. In terms of occupation 38.6% of them were self employed,34.3% of them neutral rather than lecture ring, and 27.1% were employed. It denotes that most of the respondents were self employed. In terms of the insurance policy purchased 60% of them not used at whole, 21.4% of them had whole life insurance policy, 10% of them had Term, and the remaining of 8.6%, had motor insurance policy. This indicated that most respondent were not bought insurance policies and few bought customers bought more life insurance policies with a few bought other types of insurance policies. Among the respondents most of them 54.3% not purchased insurance.15% of them purchased through sales agents, 11.4 through friends referral, 12.9% of them purchased through advertisement, and the remaining 5.7% purchased insurance by their own initiation. This indicates that most of respondent doesn't purchase insurance policies and few of purchased customer most of the purchased policies were distributed by agents. In terms of the respondents' religion, the majority of those 38.6% were Muslim, 31.4% were Orthodox Christian, And 14.3 of them was Protestant, and 15% of them were Catholic.

4.1.2 Descriptive statistics

This section essentially present descriptive statistics of dependent and explanatory

Variables included in this study. The dependent variable of this study is factor affecting insurance purchasing habit of customer and explanatory variable are awareness, income, religion, product variety and premium/price. The total observation for each dependent and independent variable was 70 (total number of respondents that returned questioner wisely fulfilled). The descriptive statistics include mean, median, maximum, minimum and standard deviation of all study variable (see table 4.2).

Table 2

; Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Hcns	70	1.00	4.00	2.6571	1.06166
Awr	70	9.00	22.00	14.0143	2.71065
Inc	70	3.00	12.00	6.2429	1.86062
Rlg	70	2.00	7.00	3.9571	1.39809
Prd	70	3.00	14.00	7.7714	2.58295
Prm	70	5.00	16.00	10.1429	2.76251
Valid N (listwise)	70				

Source: Output of spss version 16.0

As shown in table 4.2 above, the dependent variable of this study, factor affecting insurance purchasing habit of customer (Hcns), have a mean value of 2.6571and standard deviation of 1.06166 This implies that during the study period the sampled respondent have normal accrual, on average. On the other hand, the minimum and maximum value of 1 and 4 indicate that form the sampled lecturers a lecturers with 4 have maximum have the highly affected by factor affecting insurance purchasing habit of customer while a lecturers with 1have a minimum affected by factor affecting insurance purchasing habit of customer. The entire figure shows that the Wolkite university lecturers have averagely positive(normal) accrual, that implicate factor affecting insurance purchasing habit of customer.

The first explanatory variable of the study, awareness, as demonstrated in table 4.2 has a mean value of 14% with a minimum of 9% and a maximum of 22%. This indicates that, from the total factor affecting insurance purchasing habit of customer, an average of 14% was being affected. This indicates that there is a highly misunderstanding about insurance many individuals in the sampled respondent. The disparity between the minimum 9% and the maximum 22% of

awareness indicate the margin that awareness ratio of dependent variable ranged over the sample space. The standard deviation (2.71) of awareness shows the variation of awareness among factor affecting insurance purchasing habit of customer. Among the factor independent variables, from the total of 70 observations over the sample space, awareness, has high standard deviation next to premium. According to Brooks, (2008), a low standard deviation indicates that the data point tend to be very close to the mean, whereas high standard deviation indicates that the data point are spread out over a large range of values.

Among the factor independent variables, from the total of 70 observations over the sample space, religion has a mean value of 3.9571% with a minimum of 2% and a maximum of 7%. This indicates that, from the total factor affecting insurance purchasing habit of customer, an average of 3.9571% were being affected and this smallest mean show all respondents similarly affected by religion factor in slightly. Also it have standard deviation of 1.39809 which indicates the data point tend to be very close to the mean and existence of low variation among factor affecting insurance purchasing habit of customer.

On the other hand, among the explanatory variable employed in this study product variety had 7.7714% mean 14 % max 3% minimum value and a higher standard deviation which was 2.582957 This implies that product variety in wolkite during the study period remains somewhat unstable.

4.1.3 MRM Assumptions and Diagnostic tests

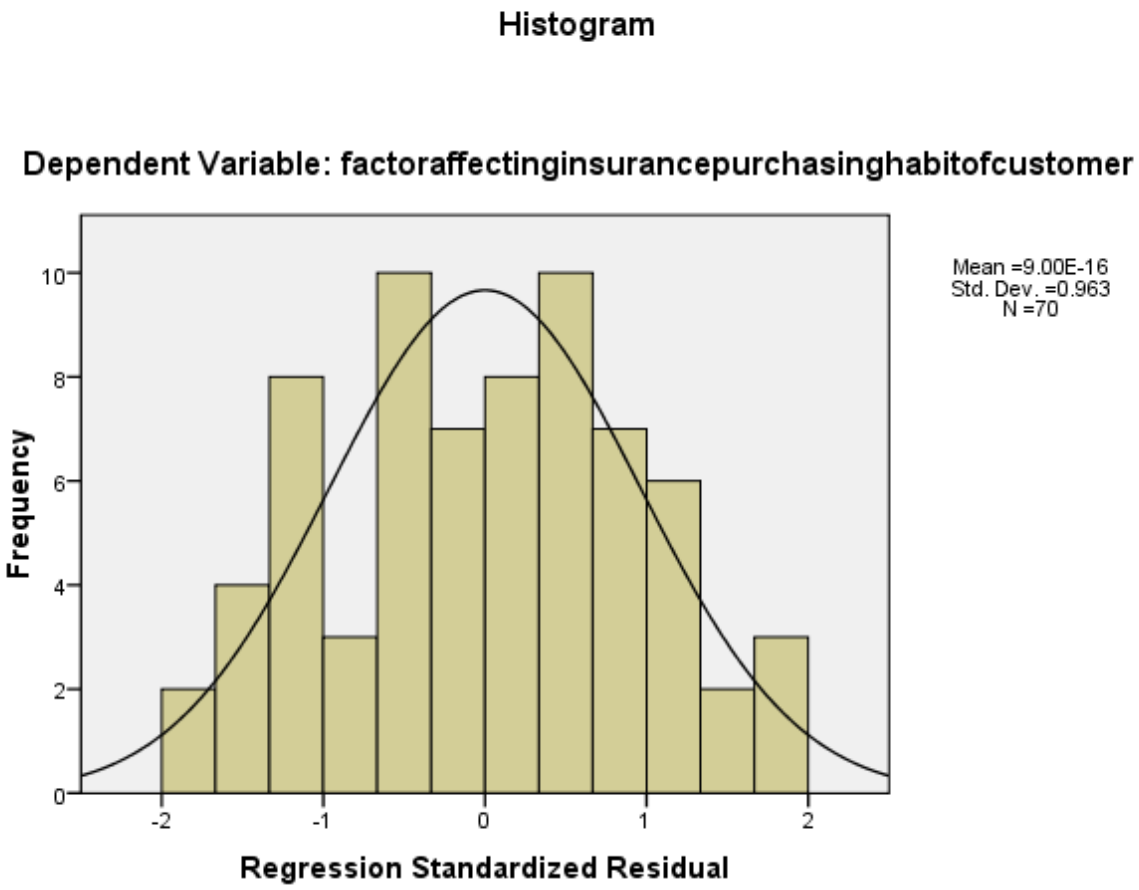
Diagnostic test is made to make sure that the multiple regression modelsAssumption is violated or not. In this study an attempt is made to test Normality of the distribution, Independent of Residuals, Outliers, Multicollinearity, Hemoscedacity and Autocorrelation.The result of which are presented and discussed as follows.

4.1.3.1 Normality test.

The other multiple linear regression model assumption is normally distribution of the residual. The multiple normal linear regression model assumes that each ui is distributed normally with mean and standard deviation values are near to 0 and 1 respectively Gujarati (2004). As noted by Brooks (2008) JB uses the property of a normally distributed random variable that the entire distribution is characterized by the first two If the residuals are normally distributed, the

histogram should be bellshaped.As clearly plotted in figure 4.3 the histogram is bell-shaped implying that the residuals of this study is normally distributed.

Figure 4.1 Normality Test: Residual



Source: Output of SPSS version 16.0

4.1.3.2 Independence of residuals (autocorrelation)

Multiple regressions assume that the residual are independent. Residuals are the prediction errors or differences between the actual score for a case and the score estimated by the regression equation. No serial correlation implies that the size of the residual for one case has no impact on the size of the residual for the next case. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The value Durbin Watson 2.343 which is within acceptable range and it is assumed residuals are not correlated. As a general rule, the

residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is from 1.50 - 2.50.

Table 3: *DW test result test of Independence of residuals*

Model	Duriba-Waston
1	2.343

4.1.3.3 Outliers

An outlying observation, or outlier, is an observation that is much different (either very small or very large) in relation to the observations in the sample. Palant (2005:143) define outliers as those with standardized residual values above 3.3 or less than –3.3). The table 10 below shows the residual statistic for standardized residual under study with in the normal range.

Table 4

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.7441	4.0737	2.6571	.51364	70
Residual	-1.68975	1.90599	.00000	.92914	70
Std. Predicted Value	-1.778	2.758	.000	1.000	70
Std. Residual	-1.751	1.976	.000	.963	70

a. Dependent Variable: factor affecting insurance purchasing habit of customer

4.1.3.4 Multicolleinearity

The other assumption that has to be checked is multicolleinearity. It occurs when the independent variables are more related with each other's than with dependent variables, when occurred it is assumed that they are basically measuring the same thing or convey the same information so that there will be problems with the predictive power of each independent variables. Correlation matrix demonstrates the correlation among the variables. Multicollinearity exists when the independent variables are highly correlated r=.9 and above (Pallant 2005: 142). The correlation value of all the independent variables under study are less 0.9 which shows multicollinearity is not a problem.

Table 4.6 Colinearity Diagnostics of Correlation Matrix

Table 5

CollinearityDiagnostics[a]

Model	Dimension	Variance Proportions					
		(Constant)	Awr	Inc	Rlg	Prd	Prm
1	1	.00	.00	.00	.00	.00	.00
	2	.00	.01	.02	.21	.11	.00
	3	.01	.00	.24	.03	.04	.59
	4	.04	.04	.62	.42	.00	.26
	5	.37	.03	.09	.33	.37	.13
	6	.58	.92	.04	.01	.47	.01

a. Dependent Variable: factor affecting insurance purchasing habit of customer

4.1.3.5 Heteroscedasticity test

It is a test made to check whether error terms variance is constant (homoscedasticity) or not (heteroscedasticity). To test for the presence of heteroscedasticity, the popular white test was employed (Brooks 2008). One of the important assumptions of the multiple regression reveals that the variance of the disturbance term is constant. This is called the assumption of homoscedasticity. If disturbance terms (errors) do not have constant variance, they are said to be heteroscedasticity (Gujarati, 2004).

In this case as presented in table 4.7, both the F-statistic and Chi-Square versions of the test statistic gave the same conclusion that there is no evidence for the presented of heteroscedasticity in this particular study, since the p-values are considerably in excess of 0.05. Therefore, the null hypothesis that the variance of the errors is constant (homoscedasticity) should not be rejected.

Table 6:Heteroskedasticity Test:

F-statistic	*1.253219*	*Prob. F(34,35)*	*0.2548*
*Obs*R-squared*	*38.43168*	*Prob. Chi-Square(34)*	*0.2756*
Scaled explained SS	*18.66744*	*Prob. Chi-Square(34)*	*0.9847*

Source: Output of Spss ver.16.

4.1.3.6 Correlation Analysis

The purpose of correlation matrix in this particular study was to show the linear association between the dependent and independent variables. As noted in Brooks (2008), correlation between two variables measures the degree of linear association between them. Values of the correlation coefficient are always range between positive one and negative one. A correlation coefficient of positive one indicates that a perfect positive association between the two variables; while a correlation coefficient of negative one indicates that a perfect negative association between the two variables. A correlation coefficient of zero, on the other hand, indicates that there is no linear relationship between the two variables.

Table 4.8 presents the correlation coefficients for the variables used in the factor affecting insurance purchasing habit of customer model. As exhibited in table 4.8, almost all the variables correlated with dependant variable. As the correlation matrix indicates, religion is the most dominant determinant of factor affecting insurance purchasing habit of customer, which are reflected in the table by the very strong positive correlation between RL and the dependent variable. This correlation clearly shows that, as the number of various type of insurance product in a given insurance company increases, habit of customer to purchase insurance also moves to the same direction. Besides, the variables IC and IA show a weak correlation with financial reporting quality.

Table 4.8 also reported PR and PP have a very weak correlation with the explanatory variables. The coefficient of correlation between firm size and leverage with the dependent variable

financial reporting quality was -0.145 and -0.032, respectively. This shows that weak and negative relationship.

Table 7: Correlation matrix of dependent and independent variables

	Hcns	Awr	Inc	Rlg	Prd	Prm
Hcns	1					
Awr	0.138	1				
Inc	0.182	0.152	1			
Rlg	0.293	-0.069	0.517	1		
Prd	-0.145	0.731	0.199	-0.175	1	
Prm	-0.032	0.135	0.227	0.291	0.096	1

Source: Output of Spssver 16.0

Since all the above assumptions were not violated, the researcher examined the data collected by the questionnaires using multiple regression models as follow.

4.1.4 RESULTs of regression model

The model for the study represented factors that affect household's purchasing habit of insurance policy:

$Hcns = \alpha + \beta 1Awr + \beta 2Inc + \beta 3Rlg + \beta 4Prd + \beta 5Prm + Ui$

Where; Hcns= Factor affecting insurance purchasing habit of customer

α = the constant, or Y intercept

βi= The coefficient of the independent variables

Awr = The level of awareness

I = Income

Rlg = Religion

Prd = Product variety

Prm = Premium

Ui = the error t

The outputs of the model:

Table 8

statistics of ANOVA[a] of overall model fitness

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.204	5	3.641	3.912	.004[a]
	Residual	59.567	64	.931		
	Total	77.771	69			

a. Predictors: (Constant), Prm, Prd, Inc, Rlg, Awr

b. Dependent Variable: factor affecting insurance purchasing habit of customer

It is needed to establish whether or not there is an overall relationship between the independent variables and the dependent variables to determine the overall fit of the regression model. This can be done by examining the ANOVA table. In this case, as table 4.9 shows the F statistic of p-value is significant which is 0.004 and less than the level of significance of alpha value 0.05. Thus, the overall model fitness is ascertained and the major independent variables taken together have statistically significant relationship with the dependent variable.

4.1.4.1 Results of Coefficient Determination

Table 9.; Statistics of Coefficient Determination

Model	Unstandardized Coefficients	
	B	Sig.
(constant)	0.881	0.258
Awareness	0.202	0.002
Income	0.069	0.009
Religion	0.168	0.118
Product variety	-0.202	0.005
Premium		

	-0.056	0.211

Source: Output of Spssver 16.0

All the independent variables except religion and premium in table 4.10 above have statistically significant relationship with the dependent variable since their p-value is less than the alpha level which is 0.05. The B coefficient of all the independent variables have (+) sign which means they have positive relationship with the consumption of insurance except the variable product variety and premium which have a negative relationship with insurance consumption. In view of the B coefficients value, the strongest predictor of the consumption of insurance is Awareness which has a value of 0.202.and also negatively strongest value is product variety which has -0.202. Followed by Religion, income and premium that have a beta value of 0.168,0.069 and -0.056 respectively.

Therefore, in accordance with the above illustrations and tables, the study derives the following linear model.

HCns= 0.881 + 0.202Awr +0.168Prd+0.069Rlg-0.056Inc – 0.202Prm

Table 10

:statistics of R square Regression SUMMARY[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.884[a]	.534	.474	.96475	2.343

a. Predictors: (Constant), Prm, Prd, Inc, Rlg, Awr

b. Dependent Variable: factor affecting insurance purchasing habit of customer

In the model summary table 4.11 the R square statistic or the Coefficient of Determination tells the proportion of variance in the dependent variable accounted for by the independent variables investigation.

- ✓ R= 0.884: - measure the degree of relationship between factor affecting insurance purchasing habit of customer and all independent variables.

R-square (adjusted) =0.534: - measures the variation of the dependent variable explained by the regression model. That is about 53.40% of the variation factor affecting insurance purchasing habit of customer is explained by the regression model

4.2 Analysis and discussion of research hypotheses

The study developed and tested the following hypothesis using the regression results. For all hypotheses the researcher tried to clearly demonstrate and reach conclusion by giving due consideration of setting alpha; α (p level; β),Stating hypotheses(Null and Alternative), indicating the test statistic (sample value) and the critical value of the statistic and finally decision and conclusion made in relation to the literature review. The study developed the following five hypotheses, and tested here after in connection with Table 4.12 result.

H1: Awareness has significant relation with the consumption of insurance

H2: Household income has significant relation with the consumption of insurance.

H3: Religion has significant relation with the consumption of insurance.

H4: Product variety has significant relation with the consumption of insurances.

H5: Premium/price of the product has significant relation with the consumption of insurances.

Table 11

Statistics of regression model out put

Model		Standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.881	.773		1.140	.258
	Awr	.202	.063	.515	3.183	.002
	Inc	.069	.078	.121	.885	.009
	Rlg	.168	.106	.222	1.586	.118
	Prd	-.202	.070	-.492	-2.900	.005
	Prm	-.056	.045	-.147	-1.262	.211

a. Dependent Variable: factor affecting insurance purchasing habit of customer

The researcher uses the commonly accepted alpha level which is 0.05. And P-value used for accepting or rejecting a null hypothesis. The null hypothesis is rejected if the p-value obtained is less than α and; the null hypothesis is accepted if it is greater than the significance.

Reject Ho: $P < \alpha$ or Accept Ho: $P > \alpha$ = applied for all hypothesis

4.2.1The First Hypothesis -Awareness

Ho: There is no relationship between awareness and consumption of life insurance

Ha:There is significant relation between Awareness and consumption of life insurance

As can be seen in Table 4.12 the Significant level for the variable “Awareness” is 0.002, which is less than the alpha level of 0.05. The null hypothesis is rejected and concludes that it is significantly related to the dependent variable. The B coefficient is positive, indicating that as

awareness increase, consumption of insurance also increases. The researcher would expect that for every one unit increase in awareness, there would be a 0.202 unit increase in consumption ofinsurance. This supports the research hypothesis and concludes that level of awareness is a significant predictor ofrespondents consumption of insurance.

It appeared that the low consumption of insurance is due to most people do not have awareness about insurance in general and Insurance products in particular. They do not know the benefit of insurance. This situation left the household's with poor information to decide whether buying insurance policy. This occurs as a result of weak awareness creation activities made by the organization. This result is consistent with the previous literature (Tom, et al., 2012), (ZekariasMohmmed, 2011), (Mathew, 1994), Saaty and Ansari (2011), Badru, et al., (2013).

4.2.2 The Second Hypothesis - Income

Ho: There is no relation between income and consumption of insurance

Ha: There is significant relation between income and consumption of insurance.

The level of significant for the variable “Income” is 0.009, which is less than the alpha level of 0.05. The null hypothesis (Ho) is rejected and concludes that it is significantly related to the dependent variable. Looking at the B coefficient, it is positive, indicating that as income increase, consumption of insurance also increases. The researcher would expect that for every one unit increase in income, there would be a 0.69 unit increase in consumption of insurance. This supports the research hypothesis and concludes that income is a significant predictor consumption of insurance. The unaffordability of insurance products and the existing products not considering the income of the society would still lower the consumption. This shows that income is a significant predictor of insurance consumption. This result is consistent with many past research (Sharon, el al., 2003) and (Tajudeen, el., 2009), (HailuZeleke, 2007), Nesterova (2008), ZekariasMekonnen (2010), &Bech and Webb (2003)

4.4.3 The Third Hypothesis - Religion

Ho: There is no relationship between religion and consumption of insurance

Ha: There is significant relation between religion consumption of insurance.

The Significant level for the variable “Religion” is 0.118, which is greater than this study alpha level of 0.05. The null hypothesis retained and concludes that there is no significant relationship between this variable and the dependent variable. This finding does not support the research

hypothesis and conclude that religion in regression is an insignificant predictor of respondent's consumption of insurance.

Though there is theoretical evidence from previous studies that shows religion affects consumption of insurance e.g. Tajudin el., (2009), Bech and Webb (2003), this finding appear to contradict some of these previous studies. However, the explanation is that, the fact that religion is found in this study as insignificant determinants of consumption of insurance does not means this variable is not important but rather, according to the respondents, the other variables seem to be the dominant factor determining insurance consumption.

The insignificant relation exists may be different religion has its own thought in terms of transacting insurance. Some religion may prohibit buying insurance and some other may not. For instance the empirical study of Saaty& Ansari (2011) found low consumption of insurance in Muslim countries and has found a significant negative relationship between religion and insurance consumption. In the study of Mekonene (2010) and Baderu et al (2013), there were large number of Christian respondents and the result indicated no significant relation between these variables. The insignificant relation may be due to the fact that respondents' numbers were not equally proportional in terms of the religion.

For this study, as can be seen from each of respondents Demographic Table 4.1, there is high percentage number of Christian religion followers. Due to higher percentage number of Christians among the respondents may leads to such kind of result. Finally further studies needed to determine the real effects of religion on consumption of life insurance.

4.4.4 The Fourth Hypothesis - Product Variety

Ho: There is no relationship between product variety and consumption of insurance.

Ha: There is significant relation between product variety and consumption of insurance.

The Significant level for the variable "Product variety" is 0.005, which is less than the alpha level of 0.05. The null hypothesis is rejected and concludes that it is significantly related to the dependent variable. Looking at the B coefficient, it is negative, indicating that as product variety decrease, consumption of insurance also increases. It would be the researcher expectation that for every one unit decrease in product variety, there would be a 0.005 unit increase in consumption of insurance. Thus the research hypothesis is supported and concludes that product variety is negatively significant predictor of consumption of insurance.

The variable product variety has lower standardized Beta coefficient but has significant relation with the consumption of life insurance. Having provided with a mix of products enables people to choose from the alternative that suits them. In EIC, the available products are those that were developed at the time of the establishment of the company. Lack of product varieties and incompatibility of existing products with the society could be among the factors behind the low consumption of life insurance.

The result of this study which is the negatively relationship between product varieties and consumption of insurance is contradict with the study of Odemba (2013) Agarwal and Shukla (2014), AsmiyaGebregiorgis (2014)they were conclude positive relationship between product varieties and consumption of life insurance.

Finally related to the open ended questions with the aim of obtaining the respondents recommendations to improve consumption of insurance, a few of them forwarded their suggestion. From their suggestions, it is found that in order to increase consumption of insurance should develop new products, lower premium as the current premium is not affordable, create awareness using various communication means, revising the current premium rate to accommodate lower income society were included

4.2.5 The Fifth Hypothesis - Premium

Ho: There is no relationship between premium and consumption of insurance.

Ha: There is significant relation between premium and consumption of insurance.

Table 4.12 shows the significant level for the variable “Premium” is 0.211, which is grater than the alpha level of 0.05. The null hypothesis which is stated as no relationship between premium and consumption of insurance is retained and conclude that it is insignificantly related to the dependent variable. The B coefficient is negative, indicating that they have an inverse relationship. When premium increases, consumption of insurance decreases. The researcher would expect that for every one unit increase in premium, there would be a 0.056 unit decrease in consumption of insurance. This supports the research hypothesis and concludes that level of premium is a insignificant predictor of consumption of insurance. The other insignificant variable as indicated above is premium which is cost of insurance products. The higher the cost of premium, the lower the consumption it does. There is no specific data in Ethiopia that illustrate the economic stratification of societies based on their income level. Due to this lack of information, it is difficult to get the cut of point to categorize societies to low income, medium or

high income group. However, as it is well aware that most of the people are civil servants and most among them are low monthly income earner, they are not affordable to pay the premium which may be one reason to the low consumption of insurance.

The inverse relationship between premium and purchasing of insurance is consistent with other researches in terms ofB coefficient but contradict its significant level such as Odemba (2013), AsmiyaGebregiorgis (2014), Yadav and Tiwari (2012) they found that high premium will result low insurance consumption.

Finally related to the open ended questions with the aim of obtaining the respondents recommendations to improve consumption of insurance, many of them forwarded their suggestion. From their suggestions, it is found that in order to increase consumption of insurance should develop some best type of products, there is high income and create awareness using various communication means, revising the current premium rate is does not matter.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDAT

INTRODUCTION

The study was intended to investigate the factor affecting insurance purchasing habit of customer. Accordingly, this chapter briefly sums up the overviews of its main outcomes, conclusion of the study and recommendations pertaining to the identified findings. From the analysis and data collected, conclusion and recommendations were made. The responses were based on the objective of the study which sought to determine the factors which affect the consumption of insurance.

5.1 Summary

The main purpose of this study was to identify and investigate factors affecting household's consumption of insurance in Ethiopia (case of wku lecturer). Based on literature reviewed awareness, income, religion, product variety and premium are identified as an independent variables for this study.

The study employed self administered structured questionnaires to respondent using cross sectional survey strategy. It used descriptive analysis for demographic characteristics and regression analyses model to analyze the identified variables. Before directly analyzing the data gathered by the questionnaires, the researcher checked the necessary assumptions that are required to undertake multiple regression analysis. Based on the analysis of data and discussion of results, the following are the summary of major findings of this study.

The descriptive statistics shows that in respect of age variable, while there were fair proportions in employees' respondents, there had large number of male respondents. In terms of religion among respondents group, most of them were Orthodox Christian. With related to customers' it indicated that most buyers were Orthodox Christian, Followed by Protestant and Islam. In terms of distribution channel, most of the respondents were buying through Sales Agents, it signify that Agents play a major role in influencing household's to buy insurance. In relation to Education, while most of the respondent had BA degree and some had PhD. In respect of income, most customers are categorized under the average monthly income of over Birr 9000.00. It denoted that when income increase consumers of insurance will also increase.

The regression analysis shows that the overall model fitness is ascertained by the ANOVA table result and found that the independent variables taken together have statistically significant relationship with the dependent variable except premium and religion since their p-value is less than the alpha level which is 0.05. The R square statistic or the coefficient of determination in this particular case accounts 53.4% of the variability in the dependent variable is due to the selected factors. The other proportion of 46.6% is due to other variables which needs further investigation. The B coefficient of all the independent variables have (+) sign which means they have positive relationship with the consumption of insurance except the variable premium and product variety which have a negative relationship with insurance consumption. In view of the B coefficients value, the strongest predictor of the consumption of insurance is Awareness which has a value of 0.202. Followed by religion, income, product variety and premium that have a B value of 0.168, 0.069, and -0.202 $ -0.056 respectively. The study tested the hypotheses which were developed at the proposal stage. All hypotheses were accepted but hypothesis in respect of religion & premium. The fact that religion & premium are found in this study as insignificant determinants of consumption does not means this variable is not important but rather the other variables seems to be the dominant factor determining their consumption of insurance. The researcher found that for every one unit increase in awareness and income there would be a 0.202 & 0.069 unit increases in consumption of life insurance respectively. It was also found that for every one unit increase in premium and product variety there would be a 0.202, 0.056 unit decrease in consumption of insurance respectively.

5.2 Conclusion

The main objective of this study was to identify factors that affect household's consumption of insurance. With this in mind, through making an in-depth literature review "awareness", "income", "religion", "product varieties" and "premium" are identified as independent variables and studied their relationship against the consumption of insurance (dependent variable).

The study had five specific objectives. Therefore based on the identified variables from the literature review, the researcher developed conceptual framework which shows the relationship between the independent variables and dependent variable. Research hypothesis was also developed and their relationship tested by using multiple linear regression mode.

The study employed regression analysis model to determine the relation of independent variables with dependent variable. The P values of all variables except variable religion and premium were less than the alpha level of 0.05. The null hypotheses are rejected and conclude that all independent variables except religion and premium significantly related to household's consumption of insurance.

The relative importance of the factors to the consumption of insurance was determined by looking at their respective b coefficients. The coefficients of determination R square for this study were value The relative importance of the factors to the consumption of insurance was determined by looking at their respective b coefficients. The coefficient of determination R square for this study were value of 0.202, 0.069, 0.168, -0.202 and -0.056 for awareness, income, religion, product variety and premium respectively. It is concluded that Awareness has the highest impact on household's consumption of insurance followed by income, product variety and premium respectively. The researcher would expect that for every one unit increase in awareness and income there would be a 0.202and 0.069 unit increase in consumption of insurance respectively. It was also expected that for every one unit increase in premium and product variety there would be a 0.056 and 0.202 unit decrease in consumption of insurance respectively. The researcher concludes ways the insurance market could be developed. It is found that products which are compatible to the needs of the society could be developed; increase the awareness level of the society using various kinds of promotional activities.

5.3 Recommendations

To achieve greater insurance penetration, insurance companies should come up with new innovative some qualify (preferable) or choice of product offer to the all type of customers rather than concentrated on variety of product for higher income affordable customer and organizational level insurance. As it has been discussed in the literature review part of this study, there are different kind’s insurance products that are not available in wolkite shelf today such as universal life insurance and variable life insurance policies, higher education insurance and children education insurance. The result of the finding showed the purchase of insurance increase

if new customer wanted products are introduced. Thus it is advisable to check out these products and make them available to the market to boost the insurance consumption. The study found that income has significance positive relationship with the consumption of insurance. Those who have more income would purchase insurance and in the contrary those whose incomes are lower would not have an interest in buying insurance due to high cost of premium. Thus, the insurance sector should develop two product development strategy for these different income level groups, and provide in accordance with their need and ability to pay. So insurance is a long term policy part of premium collected could be invested on different investment area, which of course in line with the directive of the supervisory body. This helps the company obtain more profit which enables to much purchasing ability of customer, and increase the profit sharing percentage for the related policies that ultimately enhance insurance consumption. This study established "awareness" as the highest predictor of consumption of insurances, thus by recognizing the low level of consumption of insurance is due to inadequate public awareness made by insurance companies, more insurance education and publicity should be routinely carried out using available local media.

5.4 Future Research Direction

Time was a limiting factor because the researcher is a student thus having limited time to commit to the study. All the finding will be based on data gathered by the respondent. Thus it may subject to the potential bias and prejudice of the people involve. Due to time constraints, factors that have been taken for this report were only awareness, income, religion, product variety and premium. And the results of this study regression model R_2 = 53.3% tells there are 46.7% of other variables that could affect households consumptions of insurance. Therefore, future survey should try identifying and include relevant factors that were not examined in this study. The research instrument was collected from only lecturers of wku. The study didn't include organizations and traders. Therefore, a study that makes it possible to analyze consumption of insurances should be introduced in further studies, which may be an effective way to evaluate consumption of insurance. One of the major finding of this study is about the variable "religion" do not have significant relationship to household's consumption of insurance. However among the respondents the large portion was occupied by Orthodox Christian. Therefore other research should be made to determine the real effect of religion using equal percentage of sampling among religion groups. Other the major finding of this study is

about the variable "premium" do not have significant relationship to household's consumption of insurance. However among the respondents there is no many difference of disposal income so they focus only variety of insurance product. Therefore other research should be made to determine the real effect of premium using other type of respondent groups.

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APPENDIX

Wolkite university

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire to be full field by lecturers

Research Topic:FACTOR AFFECTING INSURANCE PURCHASING HABIT OF CUSTOMER IN ETHIOPIA (CASE STUDY OF WKU LECTURERS)

Researcher: EDRIS ABDELLA

Dear Respondent, I would like to express my sincere appreciation for your time, honest and prompt responses.This questionnaire is designed to collect data for examining the factor affecting to purchase insurance policies for the wolkite university lecturers. The information that you offer me with this questionnaire will be used as a primary data in the research which I am conducting as a partial requirement for BA degree in accounting and finance. Hence, this research is believed to be evaluated in terms of its contribution towards investigating the factors affecting of insurance policies along with its contribution to improvements in the consumption of insurance.

Confidentiality

I want to assure you that this research is only for academic purpose authorized by Wolkite University. In this regard, no other person shall access the data collected. In any sort of report, I will not include any information that will make it possible to identify any respondent

General Instructions

- *There is no need of writing your name.*
- *Please tick (√) in the appropriate box.*

Part I : Please indicate your response by ticking (✔) in the box

1. Gender 1. Male ☐ 2. Female ☐

2. Your Age;

1. 18-25 ☐ 2. 26-33 ☐ 3. 34-41 ☐

4. 42-50 ☐ 5. above 51 ☐

3. Your Educational Qualification

1. BA Degree ☐ 2. Master ☐ 3. PhD ☐

4. If your client and how many years have you stayed as a client in Insurance Company?

1. below 6 ☐ 2. 6-10 ☐ 3. 11-15 ☐ 4. 16-20 ☐ 5. above 21 ☐

5. How much is your average net monthly income?

1. below birr 3000 ☐ 2. birr 3000 – 6000 ☐ 3. birr 6001 - 9000 ☐

4. birr 9001-12000 ☐ 5. Over birr 12000 ☐

6. what is your Occupation rather than teaching?

1, self employed ☐ 2, employed ☐

7.If your client had an insurance policy? Please state the type of insurance.

_____

_____

8. who has influenced you to buy insurances?

1. advertisement ☐ 2. referral by a friend ☐ 3. advice of Agent ☐

4. no one influence me ☐ 5. other source ☐

9. what is your religion

1. Christian Orthodox ☐ 2. Islam ☐ 3. Protestant ☐

4. Catholic ☐ 5. Other ☐

Part II, In your opinion, please indicate your extent of agreement to the following statements in relation to factors affecting household's consumptions of insurance in Ethiopia (1=Strongly Agree, 2= Agree, 3= neutral, 4= Disagree, 5= Strongly Disagree up to question number 18.

Awareness 1 2 3 4 5

	Awareness	1	2	3	4	5
1	Most Household's do not know about insurance in general					
2	Most household's are unfamiliar with the available insurance products					
3	Households' do not have enough information to decide buying insurance					
4	There is weak awareness creation activities made by the organization about insurance					
5	Lack of awareness about the benefit of insurance has led to lower the consumption					
	Income					
6	The available insurance products are not affordable to low income household					
7	Most people do not have enough disposable income to buy insurance					
8	The consumption of insurance increase if affordable products are made available					
	Religion					
9	Your religion prohibits buying insurance					
10	insurance is against the protection of God's/Allah's trust					

	Product variety					
11	The available insurance product varieties are limited					
12	Existing insurance policies are not compatible to the needs of the society					
13	Lack of product variety has led to lower the consumption of insurance					
	Premium/Price					
14	insurance products are expensive					
15	The premium is costly compared to the policy benefit it confer					
16	Lower consumption of insurance is due to higher cost of premium					
17	The cost of premium is not compatible with the income of the society					
18	The sales performance of insurance is not at the desired level					