WHAT ARE THE SOCIO-ECONOMIC CORRELATES OF LIFE INSURANCE PURCHASE? EVIDENCE FROM THE ASOKORE MAMPONG MUNICIPALITY IN GHANA

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Abstract

With life full of uncertainties, one of the major strategies adopted to face unforeseen future negative life occurrences is insurance. However, the patronage of insurance policies and more importantly life insurance policies in Ghana has not been very much encouraging. Given the above, this paper purposively sampled 200 adults in the Asokore Mampong Municipality to investigate the Socio-economic factors that influence the demand for life insurance by adopting the binary logit regression model. The study therefore found that, people without any bad perception about insurance firms, married respondents, respondents with senior high and tertiary levels of education, employed and female respondents, were more likely to demand for life insurance. Further, Muslim and Traditional/other religion respondents were found to be less likely to demand for life insurance. The study therefore recommended that insurance firms and other stakeholders must pay attention to socio-economic factors in the attempt to increase patronage for life insurance policies.

Keywords: Purchase of Life Insurance; Life Uncertainties; Socio-Economic Factors; Ghana

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1.0 Introduction

The enormity of the negative uncertainties of life calls for strategies that can be adopted to mitigate their impact in case they occur. Thus one of the most recommended strategies has to do with insurance and more importantly life insurance. Therefore individuals are encouraged to purchase life insurance policies in order to cushion themselves against future life threatening unforeseen circumstances.

Whereas the patronage of insurance policies in advanced economies with well-developed financial markets is encouraging, same cannot be said of most developing economies like Ghana. It is therefore not surprising that Ackah and Owusu (2012) reported that majority of Ghanaians, more in particular those in the informal sector do not patronise insurance as a means of protecting themselves from unexpected misfortunes in future.

Thus given the benefits of life insurance and the attempts being made by several marketing departments of insurance firms to increase the purchase of insurance policies, it is imperative that a study is conducted to find out the socio-economic features of people that may influence their demand for life insurance. This would help in shaping the marketing tools of insurance firms by revealing which categories of people should be targeted. Also it would also help inform other stakeholders on which socio-economic factors are essential in the design of policies towards ensuring better patronage of insurance products.

On the theoretical literature, basically the demand for life insurance stems from the utility maximization theory, where a person may decide to choose life insurance or not depending on his/her expected utility. Thus if the expected utility of demanding life insurance is higher than not demanding, a person may choose life insurance and if otherwise, a person may not choose.
On the empirical literature, Enjolras and Sentis (2008) have investigated the determinants of demand for crop insurance in France. Nesterova (2008) have investigated the Determinants of the demand for life insurance in Ukraine and other countries. Dragos (2014) among other findings revealed urbanisation to influence demand for life insurance in Asia but not Europe. Çelik and Kayali (2009) in a study of 31 European countries found income to be the main variable which influence life insurance consumption. Laurent & Kivyiro (n.d) found

macroeconomic and demographic factors to influence the demand for life Insurance in Kenya, Nigeria, and South Africa.

On Ghana, Ackah and Owusu (2012) have studied the knowledge and attitude towards insurance. Owusu-Sekyere and Chiaraah (2014) found higher level of education, marital status, income and sex in addition to other factors to influence health insurance enrolment. Fofie (2016) found that sex, education, age, marital status, income status, employment status and number of dependents positively influenced insurance patronage in the Sunyani Municipality of Ghana. Daniel (2015) found income, employment status, education and the age of consumers to have positive significant influence on life insurance consumption in the Kumasi Metropolis. However, family size was insignificant. Sarkodie and Yusif (2015) revealed that better perception about insurance, income, number of dependents, higher education and employment by someone else improved the likelihood of demanding life insurance in the Ayeduase-Kumasi Community. Duku, Fenenga, Alhassan and Nketiah-Amponsah (n.d.) studied rural-urban differences in health insurance enrolment determinants in Ghana.

Thus among all the studies on Ghana, it is only Daniel (2015) and Sarkodie and Yusif (2015) that specifically studied the determinants of demand for life insurance in the Kumasi Metropolis and Ayeduase Community respectively. This study however posits that, given the relevance of life insurance, the above two studies are woefully inadequate. Further, this study used a different study area with different characteristics as compared to the study areas used by the above studies on the determinants of demand for life Insurance. Moreover, this study included religion, an important determinant which was ignored by Daniel (2015) and Sarkodie and Yusif (2015).

2.0 Data and Methods

The study used data (collected in January, 2017) in the form of administered questionnaires to purposively sample adults who were 18 years or above in the Asokore Mampong Municipality to find out information with regards to whether they have purchased a Life Insurance policy from any insurance firm or not. Further, additional information on the socio-economic background of respondents was gathered.

Since the dependent variable of the study i.e. purchase of Life Insurance was dichotomous (Yes (1) or No (0)), the study employed the binary logit regression model as the empirical model of estimation. However, before the binary logit regression which was a multivariate analysis, the study employed a univariate analysis in using the Pearson chi squared to find out the strength of the association between the categorical independent variables and the demand for life insurance. In this study, all the independent variables except household size were categorical and hence were treated as dummies.

3.0 Results and Discussions

3.1 Descriptive Statistics

This section presented the descriptive statistics on the demand for life insurance and it can be seen that in Table 1, majority of the respondents 61.50 percent said they have never purchased any life insurance package while 38.50% said they have purchased a life insurance policy. This result is worrying given that only few of the respondents had subscribed to a life insurance package.

Table 1: Descriptive Statistics of Life Insurance Purchase

Purchase of Life Insurance	Frequency	Percent
No	123	61.50
Yes	77	38.50
Total	**200**	**100.00**

Source: Authors computation from Field survey, 2017

3.2 Univariate Analysis with Pearson Chi Square

This section presented the results on the Pearson chi Squared test utilised to test the strength of association or whether there is a statistically significant difference within the predictors and the purchase of life insurance.

Table 2: Univariate Analysis of Socio-Economic Correlates of Life Insurance Purchase

Variable	Purchase of Life Insurance		Chi Square Test
	No (%)	Yes (%)	
Bad Perception about Insurance Firms			18.1575***

Yes	75.73	24.27	
No	46.39	53.61	
Marital Status			25.0976***
Single/widowed/divorced/separated	77.57	22.43	
Married	43.01	56.99	
Educational Level			37.3808***
Uneducated	80.88	19.12	
Primary	76.74	23.26	
Junior High School (JHS)	53.33	46.67	
Senior High School (SHS)	29.63	70.37	
Tertiary	34.38	65.63	
Employment Status			22.9555***
Employed	47.90	52.10	
Unemployed	81.48	18.52	
Age			5.9845
18-30 years	47.73	52.27	
31-40 years	62.32	37.68	
41-50 years	73.53	26.47	
51-60 years	62.16	37.84	
61 years and above	68.75	31.25	
Religion			35.2012***
Christianity	33.33	66.67	
Islam	77.50	22.50	
Traditional/other	57.14	42.86	11.0533***
Gender			
Male	72.38	27.62	
Female	49.47	50.53	

Source: Authors computation from Field survey, 2017. Notes: ***P-value<.01, **P-value<.05, *P-value<.1

As it can be observed, there were statistically significant differences within all the predictors and the purchase of life insurance package with the exception of age. Further, only 24.27% of those with bad perception about insurance firms had purchased a life insurance while majority (53.61%) of those without any bad perception about insurance firms had purchased life insurance.

Also only 22.43% of respondents who were single/widowed/divorced/separated had purchased a life insurance package while most (56.99%) of the married respondents had purchased life insurance.

In addition, 19.12%, 23.26%, 46.67%, 70.37% and 65.63% of respondents with no education, those with primary, junior high school, senior high school and tertiary levels of education respectively had purchased life insurance. Thus the uneducated respondents had the least proportion of them patronising life insurance. Moreover, 52.10% and 18.52% of employed and unemployed respondents respectively had purchased a life insurance package.

Furthermore, 27.62% and 50.53% of males and females had purchased a life insurance package. Thus more females were found to have purchased life insurance relative to the proportion of males.

3.2 Multivariate Analysis

Table 3: Logit Regression Results on Socio-Economic Correlates of Life Insurance Purchase

Variable	Co-efficient	Standard Error	P-value
Bad Perception about Insurance Firms			
Yes (Reference Group)			
No	1.464104	.4203597	0.000
Household Size	-.0118127	.0901681	0.896
Marital Status			

Single/widowed/divorced/separated (Reference Group)			
Married	.8322101	.4064273	0.041
Educational Level			
Uneducated (Reference Group)			
Primary	.3021245	.5473081	0.581
Junior High School (JHS)	.9742754	.6084243	0.109
Senior High School (SHS)	1.883171	.710036	0.008
Tertiary	1.492918	.6453519	0.021
Employment Status			
Employed	1.098789	.4321211	0.011
Unemployed (Reference Group)			
Age			
18-30 years (Reference Group)			
31-40 years	-.8236373	.5835236	0.158
41-50 years	-1.084252	.6979081	0.120
51-60 years	.2938014	.6554683	0.654
61 years and above	-.1172854	.811489	0.885
Religion			
Christianity (Reference Group)			
Islam	-1.19361	.4238747	0.005
Traditional/other	-1.305259	.7497723	0.082
Gender			
Male (Reference Group)			
Female	.8927097	.4199992	0.034
Constant	-2.249538	.8622148	0.009

Source: Authors computation from Field survey, 2017. Number of obs   =   200, Prob > chi2 =   0.0000

The Multivariate analysis showed that respondents without any bad perception about insurance firms were found to be more likely to have purchased life insurance relative to those with bad or negative perceptions about insurance firms. This is similar to the finding of Sarkodie and Yusif

(2015) who revealed that better perception about insurance increased the likelihood of demanding life insurance. This is not surprising since those without any bad perception would find it less risky to deal with insurance firms and hence would be more willing to purchase insurance policies such as life insurance relative to those with bad perception about insurance firms.

Further, married respondents were found to be more likely to have purchased life insurance relative to their single/widowed/divorced/separated counterparts given the positive coefficient of .8322101 that was significant at 5%. This finding could be attributed to married individuals getting the support of their partners and being more capable of purchasing life insurance products relative to their single/widowed/divorced/separated counterparts. This is similar to the findings of Owusu-Sekyere and Chiaraah (2014) who found marital status to influence health insurance enrolment.

Also respondents with senior high school and tertiary levels of education had positive coefficients of 1.883171 and 1.492918 that were significant at 1% and 5% respectively. Thus respondents with senior high school and tertiary levels of education were more likely to purchase life insurance relative to the uneducated respondents. This is not surprising given that the educated can better comprehend the essence of cushioning themselves against any future unforeseen misfortune relative to the uneducated. Similar findings were revealed by Daniel (2015) and Sarkodie and Yusif (2015) who found education to influence life insurance patronage as well as Owusu-Sekyere and Chiaraah (2014) with regard to health insurance enrolment.

Moreover, employed respondents were found to be more likely to purchase life insurance relative to the unemployed respondents. This is not startling since the employed are expected to have a better financial strength relative to the unemployed, they will be more capable of buying life insurance relative to the unemployed. Similar finding was revealed by Daniel (2015) who found employment status to positively influence life insurance consumption.

Furthermore, Muslim and Traditional/other religious faith respondents were also found to be less likely to have purchased life insurance relative to respondents belonging to the Christian faith.

In addition, female respondents were found to be more likely to purchase life insurance as compared to the male respondents. This is not surprising given that females are naturally risk averse relative to males and hence would be more willing to purchase life insurance policies to take care of any unforeseen future misfortune. This is similar to the findings of Fofie (2016) and Owusu-Sekyere and Chiaraah (2014) who found sex to influence insurance and health insurance enrolment respectively.

Conclusion

From the findings, it can be concluded that policies towards enhancing patronage of life insurance policies should demystify the bad perception people have about insurance firms and also target the unemployed, Muslims and Traditional/other religious faith individuals, males and the uneducated or less educated individuals.

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