

Factors Affecting Demand for Life Insurance in Sri Lanka

K.T.A.D.H. Kasthurirathna¹ and H.L.D.J. Chathurika²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
dasunheshan4@gmail.com¹, jayanic@kln.ac.lk²

ABSTRACT

Introduction: This research study examines the factors that influence the demand for life insurance in Sri Lanka.

Design/Methodology/Approach: Factors affecting the demand for life insurance have been analyzed using secondary data from the annual reports of CBSL, IBSL and the World Bank from 1990 to 2019. The dependent variable for the study was life insurance density, while the independent variables were income level, inflation, urbanization, social security, youth dependency & life expectancy. Multiple regression analysis method was used for data analysis.

Findings: According to the research results, income level and social security from the selected independent variables showed a significant positive relationship with the demand for life insurance. Also, young dependency and life expectancy have had a significant negative impact on the demand for life insurance. Excluded from the backward stepwise process because urbanization and inflation did not show a strong link with life insurance consumption.

Conclusion: This study shows that socio-economic factors have a significant impact on the demand for life insurance in Sri Lanka. Accordingly, the future of the life insurance market will depend on the behavior of those factors.

Keywords: *Life insurance Demand; Sri Lanka; Socio-Economic factors; Density; Penetration; Income; Life expectancy; Urbanization; Inflation; Young Dependency; Social security*