

The demand for life insurance: a quantitative study among “generation y” in the Klang Valley, Malaysia

La demanda de seguros de vida: un estudio cuantitativo entre la “generación y” en el Valle de Klang, Malasia



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ABSTRACT

Despite the importance of life insurance as an investment for protection, many of us, especially the young generation were still unaware of the importance to purchase their own life insurance. Therefore, the objective of this study was to investigate factors that related to the demand for life insurance among “Generation Y” in the Klang Valley, Malaysia. Using a purposive sampling method, a total of 320 respondents from Klang Valley, Malaysia involved in this study. All data gathered were tabulated and analysed using SPSS, employing Descriptive Analysis, Independent Sample T-Test, One-way ANOVA, Pearson’s Correlation Analysis and Multiple Linear Regression Analysis. The results showed that there is a moderately important level of demand for life insurance among the “Generation Y”. Significant differences were found in demand for life insurance in accordance with gender, age group, monthly income, and education level. Besides, significant relationships were found between income level, knowledge of life insurance, income protection, risk attitude, and demand for life insurance. Furthermore, risk attitude, income level, knowledge of life insurance, and income protection were the predictor factors of demand for life insurance.

Keywords: Life insurance; “Generation Y”; quantitative; Malaysia.

RESUMEN

A pesar de la importancia del seguro de vida como inversión para protegerse, muchos de nosotros, especialmente la generación joven, seguimos sin ser conscientes de la importancia de contratar un seguro de vida propio. Por lo tanto, el objetivo de este estudio era investigar los factores relacionados con la demanda de seguros de vida entre la “Generación Y” en Klang Valley, Malasia. Utilizando un método de muestreo intencionado, participaron en este estudio un total de 320 encuestados de Klang Valley, Malasia. Todos los datos recopilados se tabularon y analizaron con el programa SPSS, empleando análisis descriptivo, prueba T de muestras independientes, ANOVA unidireccional, análisis de correlación de Pearson y análisis de regresión lineal múltiple. Los resultados mostraron que existe un nivel moderadamente importante de demanda de seguros de vida entre la “Generación Y”. Se encontraron diferencias significativas en la demanda de seguros de vida en función del sexo, el grupo de edad, los ingresos mensuales y el nivel de estudios. Además, se hallaron relaciones significativas entre el nivel de ingresos, el conocimiento de los seguros de vida, la protección de los ingresos, la actitud ante el riesgo y la demanda de seguros de vida. Además, la actitud ante el riesgo, el nivel de ingresos, el conocimiento de los seguros de vida y la protección de los ingresos eran factores predictores de la demanda de seguros de vida.

Palabras clave: Seguro de vida; “Generación Y”; cuantitativo; Malasia.

1. INTRODUCTION

1.1 Background of the Study

Nowadays, many Malaysians face risks that they could not foresee when they may fall sick and that they will need a big amount of money to cover their medical expenses (Tee, 2020). In the worst scenario, they may even have to face sudden death. Life insurance is a protection inclusion that the insured or specific recipients will get certain measure of compensation from the insurance organizations when they confronted uncertainties, like genuine disease or death (Tee, 2020; Loke & Goh, 2012). Insurance policies can even give a stable income during retirement. Regularly, the maturity of the life insurance policy takes a long-term period and it needs periodic premium payments either monthly, quarterly, or annually (Beck & Webb, 2003).

Life insurance is not acclaimed in Malaysia considering the reality that the misinterpretation of insurance (Bank Negara Malaysia [BNM], 2018). Majority of Malaysians felt that insurance can be of a fraud and is not essential. It may take some time for Malaysian to purchase life insurance, however, they neither accept the fact that insurance agencies will compensate claims, nor believe in the protection that the insurance could offer support to them. Many Malaysians facing crisis, especially from health problem to financial risk, but many choose to ignore it. On the other hand, some Malaysians do not buy life insurance due to ignorance on the prospects of the insurance and one financial constrain (Malaysian Takaful Association [MTA], 2019).

In the past, nearly 10% of Malaysians had a life insurance policy. To date, the rate is slightly increased to 35% (Ng, 2018). The concern now is the life coverage invasion rate did not increase as expected. This is basic ground set for the need to further investigate factors that affected the demand of life insurance in Malaysia.

According to Bank Negara Malaysia (2018), by the end of 2018, it is positively expected that the life insurance entryways for the protection area remain open. Strong interest for life coverage, coupled with higher demand continue being upheld by positive long haul basic patterns in Malaysia. These consolidate the low protection advertise penetration rate, a rapid expanding regular common labourer's populace, high cash based social insurance go through similarly as improved time on earth hope. The auxiliary patterns provoking to solid interest for life coverage items above, however there is also a part of Malaysians who can't deal with the money related assurance (Tee, 2020; BNM, 2018).

Due to the rising healthcare costs, insurance products and ventures turn out to be progressively costly and trigger the public's safety anxiety. Hence, Bank Negara Malaysia, joint forces with the insurance companies, presented a moderate insurance scheme known as "*Perlindungan Tenang*" in November 2017 (BNM, 2018). The goal of the plan is to propose reasonable insurance coverage to satisfy the budgetary insurance needs of the base 40% households (The Star, 2018).

In short, life insurance is essential for all Malaysians, especially the young generation as an investment for protection. Life insurance is a significant capacity to protect family members just as to give security funds for peoples. In any case, Malaysian's demand for life insurance is still not desirable. Despite the increasing pressure in medical costs, many Malaysians however, still unaware of the importance of purchase their own life insurance. Therefore, there is a need to find out why the demand for life insurance among young Malaysian still low. However, the lack of research attention given to the demand for life insurance in Malaysia in previous studies highlights a significant research gap that requires further investigation. Therefore, this study is set to clarify and answer several questions raised from the life insurance industry in Malaysia.

1.2 The Objective of the Study

The objective of this study is to investigate factors that related to the demand for life insurance among "Generation Y" in the Klang Valley, Malaysia.

1.3 Research Questions

The primary research questions to be addressed in this study are as follows:

1.3.1 What is the level of the demand for life insurance among “Generation Y” in the Klang Valley, Malaysia?

1.3.2 Is there any difference on the demand for life insurance among “Generation Y” in accordance with gender, age group, monthly income, and education level?

1.3.3 What is the relationship between income level, knowledge of life insurance, income protection, risk attitude, social influence, and the demand for life insurance?

1.4 Hypotheses

H₁: Income level is positively related to the demand for life insurance.

H₂: Knowledge of life insurance is positively related to the demand for life insurance.

H₃: Income protection is positively related to the demand for life insurance.

H₄: Risk attitude is positively related to the demand for life insurance.

H₅: Social influence is positively related to the demand for life insurance.

2. LITERATURE REVIEW

2.1 The Demand for Life Insurance

The study of demand on life insurance was initiated by Yaari in 1960s'. The conceptual basis for life insurance demand was by formulated by Yaari in 1965. Yaari's work was grounded by the Theory of Consumer Choice that discussed determining factors of the demand for life insurance, namely price change, income, reference, and use value. Yaari (1965) argued that any decision made by an individual on purchasing life insurance is also depending to his/her willingness to pass on wealth to family members, In the same time contribute income for retirement. Yaari (1965), further explained that the demand for life insurance is Influenced by the component of wealth, expected income over an individual's entire life, interest rates, the expenses for life insurance policies and the expected subjective discount on current over future expenditure (Tee, 2020).

Beck and Webb (2003) continued Yaari's work and broadened the prior framework by integrating the inclinations of dependents and beneficiaries into the model. They argued that the demand for life insurance rises with changes of Individual earning, knowledge of life insurance, present value of the beneficiary's expenditure, and the level of risk aversion. Another researcher Todd (2004) on the other hand, found that life insurance demand reduces with the policy loading factor, the household's wealth, and social influence, especially from their significant others—family members, friends, colleagues, etc.

According to Mitra (2017), per capita premium expenditure is a major factor contributed to the demand for life insurance. Similarly, in the earlier studies by Tennyson and Yang (2014), Hwang and Greenford (2005), Browne and Kim (1993), Yuengert (1993) had an identical view. They also revealed that risk on the return of investment may seem to be a significant strong factor that influences the demand for life insurance.

Other researchers such as Ghimire, (2017), Sarkodie and Yusif (2015), Stroe and Iliescu (2013) added to the literature that consumers' attitudes and perception influence the decision to purchase life insurance. For Loon et al. (2019), Redzuan (2014), Mahdzan and Victorian (2013), Loke and Goh (2012), they revealed that the determinants for life insurance in Malaysia were income, knowledge of the insurance, income protection on the investment, attitude towards life insurance and social influence.

2.2 Income Level and the Demand for Life Insurance

The demand to buy life insurance is mainly influenced by one's salary or income. Previous studies by Loon et al. (2019), Ghimire (2017), Fukuchi (2016), Shahriari & Shahriari (2016), Sarkodie and Yusif (2015), Redzuan (2014), Mahdzan and Victorian (2013) revealed that there was a significant and positive relationship between income level and demand for life insurance. The researchers agreed that demand for life insurance would have been affected by their amount of income and source of income. Naturally, this led

to lower intensity of life insurance for low-income workers due to the fee of life insurance is expensive. In contrary, those with higher income will have higher demand on life insurance. Therefore, the following hypothesis is derived:

H₁: Income level is positively related to the demand for life insurance.

2.3 Knowledge of Life Insurance and the Demand for Life Insurance

Conceptually, lack of knowledge on insurance will lead to not buying of a life insurance policy (Loon et al., 2019; Loke & Goh, 2012). According to Life Insurance Association Malaysia (LIAM, 2020), the Malaysian life insurance industry had shown an impressive growth of 14.9% in new business in 2019. This healthy performance was the result of the increase in awareness or knowledge among consumers on the life insurance protection that had raised their confidence and intension to buy the insurance. Therefore, people would normally seek professional advice before deciding on any purchase of insurance policy. Previous studies indicated that there was a significant and positive relationship between knowledge of insurance policies and the intention to purchase the policy (Loon et al., 2019; Sarkodie & Yusif, 2015; Tennyson & Yang, 2014; Lee, 2012; Ioncica et al., 2012; Loke & Goh, 2012). Hence, the hypothesis can be derived here is:

H₂: Knowledge of life insurance is positively related to the demand for life insurance.

2.4 Income Protection and the Demand for Life Insurance

Ideally, everyone leaves his/her wealth to the beneficiaries and expects the beneficiaries enjoy the inherited wealth. Later, as breadwinners, they will try to leave their heirs with more wealth and increase the demand for life insurance. This phenomenal is known as bequest motive by financial planner (Arun et al., 2012; Bernheim, 1991; Fischer, 1973). Scholars such as Lewis (1989) and Bernheim (1991) revealed that a person who hoped to leave a lot of wealth to increase the demand for life insurance. They wanted to secure their income from being utilized in unsafe situations. The present value of beneficiary utilization as the demand for life insurance raises due to their awareness of the uncertainty in life expectancy and greater legacy purpose. Previous researchers found that there was a significant and positive correlation between income protection and demand of life insurance (Loon et al., 2019; Ghimire, 2017; Mitra, 2017; Fukuchi, 2016; Mahdzan & Victorian, 2013; Arun et al., 2012; Loke & Goh, 2012). Therefore, the following hypothesis is established:

H₃: Income protection is positively related to the demand for life insurance.

2.5 Risk Attitude and Demand for Life Insurance

Risk attitude has strong effect on demand for life insurance (Loon et al., 2019). Risk is the likelihood or threat of any negative event caused by measurable loss, injury, liability, loss or external or internal weaknesses that can be prevented by active actions (Tee, 2020). The study of people's attitudes towards risk has become of great concern in the developing field of behavioural finance, focusing on their financial planning as well as their methods of risk management, as the risk of an insurance group or individual is transmitted to another people or organization (Tee, 2020; Tennyson & Yang, 2014; Hwang & Greenford, 2005; Browne & Kim, 1993; Yuengert, 1993). Furthermore, there are a few concerns that might lead to the intention to purchase life insurance. Firstly, the concerns of one's financial risk in terms of their perceptions of health risks. Secondly, the exposure to safety and environmental risks. And thirdly, the concern of the unexpected events (Stroe & Iliescu, 2013).

Researchers like Loon et al. (2019), Fukuchi (2016), Ackah and Owusu (2012), argued that the demand for life insurance was affected positively as the increase in policy holder's attitude towards the risk of his/her medical accidents and no provision of medical treatment for certain illness. Another study conducted by Stroe and Iliescu (2013), found that there was a significant connection between attitude towards risk and environmental context with purchase of life insurance. Tennyson and Yang (2014) suggested that life experiences can affect the demand for life insurance as risk perceptions change. Therefore, H₄ is derived as follow:

H₄: Risk attitude is positively related to the demand for life insurance.

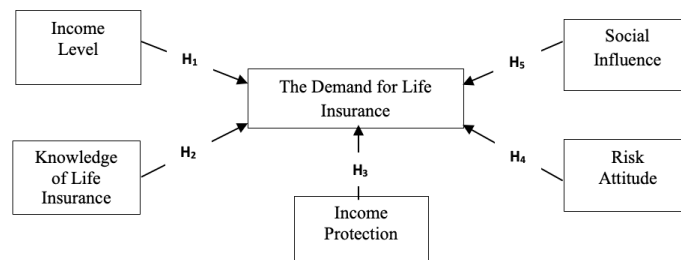
2.6 Social Influence and the Demand for Life Insurance

Social influence such as the influence of peers, family members, insurance agents, etc. are factors significantly influence the demand for life insurance. Previous research showed significant and positive correlation between social influence and the demand for life insurance (Loon et al., 2019; Fukuchi, 2016; Stroe & Iliescu, 2013; Ackah & Owusu, 2012; Cai et al., 2011). In their research, they found that there was a significant, positive, and strong relationship between these two variables. They argued that when a person buys insurance, it is because others do. One becomes worry when they saw their friends, neighbours, or family members Involved in an uninsured tragedy and then, they began to believe in the importance of insurance protection. Gradually, if a person has the same preferences, then, he or she may have a stronger intention to purchase life insurance. These findings supported earlier study conducted by Dercon et al. (2011) that had determined the peer referral therapy, which is good for buyers who are able to persuade people to buy life insurance policy. Tee (2020); Loon et al. (2019), Fukuchi (2016), Sarkodie and Yusif (2015), Ackah and Owusu (2012), and Cai et al. (2011) revealed that most people will have a greater intention to buy insurance policy if they were introduced and referred by their significant others to an insurance agent. Therefore, the following hypothesis is derived:

H_5 : Social influence is positively related to the demand for life insurance.

2.7 Conceptual Framework

Figure 1: Conceptual Framework



Source: Adapted from Ghimire, 2017; Sarkodie & Yusif, 2015; Stroe & Iliescu, 2013

Based on the literature review, this study posits that income level, knowledge of life insurance, income protection, risk attitude and social influence significantly related to the demand for life insurance. Figure 1 shows the conceptual framework for this study. It was adapted from the conceptual framework developed by Ghimire (2017), Sarkodie and Yusif (2015), Stroe and Iliescu (2013). The demand for life insurance is the dependent variable. Meanwhile, income level, knowledge of life insurance, income protection, risk attitude, and social influence are the independent variables.

3. METHODOLOGY

3.1 Research Design

The objective of this study was to investigate factors that related to the demand for life insurance among “Generation Y” in Klang Valley, Malaysia. Quantitative research method was employed with the emphasis on the objective measurements and numerical analysis. Both descriptive and inferential analyses were used to test the hypotheses and subsequently address the research questions. A cross sectional study approach was implemented where the data were collected once at a particular time across the entire research area in Klang Valley, Malaysia.

3.2 Sampling Method

This study employed Purposive Sampling Method whereby data was collected on a targeted population, i.e., “Generation Y” who live in Klang Valley, Malaysia. This method was chosen as it aimed to delve into the key factors motivating life insurance purchase amongst “General Y” within the targeted research area. The online version of the questionnaire was distributed to 1,000 residents in Klang Valley. However, only 425 of them responded and only 320 of them deemed usable. Referring to the Krejcie and Morgan’s Table for Determining Sample Size (Krejcie & Morgan, 1970), this sample size is sufficient.

3.3 Research Instrument

In this study, a self-administered questionnaire which was adapted from Loon et al. (2019) was used as the main instrument to gather data. The questionnaire consisting of three sections, namely Section A, Section B and Section C with a total of 33 questions. The questionnaire was uploaded and distributed via Google Forms to the respondents. Section A asked about demographic information of the respondents (gender, age group, monthly income, and educational level). Section B contains questions about the five independent variables in this study (income level, knowledge of life insurance, income protection, risk attitude and social influence). Section C consists of questions that asking about the level of demand on life insurance.

A pilot study for the draft questionnaire was carried out in order to examine its reliability and construct validity. The results of the pilot study revealed that the Cronbach’s Alpha coefficients for all variables were relatively high: Demand for life insurance (0.873), income level (0.899), knowledge of life insurance (0.866), income protection (0.852), risk attitude (0.832), and social influence (0.818). However, three items that scored lesser than 0.70 were deleted to make the overall reading of Cronbach’s Alpha coefficients to settle at 0.865 which showed a high degree in reliability. On the other hand, item analysis revealed that all the items from the questionnaires reached the significant level at 0.05. Furthermore, the results of factor analysis also showed adequate construct validity.

3.4 Statistical Analysis

Before choosing a statistical analysis or test, the researcher addressed the issue of whether the data are parametric or not. In this context, all data in this study are parametric. Therefore, there were five types of analyses administrated in this study, namely, Descriptive Analysis, Independent Sample T-Test, One-way ANOVA, Pearson’s Correlation Analysis and Multiple Linear Regression Analysis. Descriptive Analysis was carried out on the distribution of the demographic variables and to address research question 1: What is the level of demand for life insurance policy among “Generation Y” in Klang Valley, Malaysia? Independent Sample T-Test and One-way ANOVA tests were conducted to test the difference on the demand for life insurance policy among “Generation Y” in accordance with gender, age group, monthly income, and education level. Pearson’s Correlation was conducted to test hypothesis H_1 to H_5 . It was further strengthened by Multiple Linear Regression Analysis that finally a model was developed as follow:

$$\text{LINS_DEM} = \alpha + \beta_1\text{INCOME} + \beta_2\text{KNOWLEDGE} + \beta_3\text{PROTECT} + \beta_4\text{RISK} + \beta_5\text{INFLUENCE}$$

Where α is a constant, LINS_DEM denotes the demand for life insurance, INCOME refers to income level, KNOWLEDGE refers to knowledge of life insurance, PROTECT is the income protection, RISK relates to risk attitude, INFLUENCE refers to social influence; and β_{1-5} are the coefficients to be tested.

4. RESULT AND ANALYSIS

4.1 Demographic Profile of the Respondents

Table 1 provides details of the demographics of the respondents. The factors investigated in this study were gender, age group, monthly income, education level, and insurance agency.

Table 1: Demographic Profile of the Respondents

| Factor | Category | Frequency | Percentage |
|-----------------|-----------------|-----------|------------|
| Gender | Male | 189 | 59.1% |
| | Female | 131 | 40.9% |
| Age group | <19 years | 38 | 11.9% |
| | 19-29 years | 150 | 46.9% |
| | 30-39 years | 132 | 41.2% |
| Monthly income | <RM1000 | 20 | 6.2% |
| | RM1000 – RM2000 | 117 | 36.6% |
| | RM2001 – RM3000 | 41 | 12.8% |
| | RM3001 – RM4000 | 142 | 44.4% |
| Education level | Diploma | 80 | 25.0% |
| | Bachelor | 151 | 47.2% |
| | Master | 75 | 23.4% |
| | Professional | 14 | 4.4% |

Source: Elaborated by the author for this research

The results show that 189 or 59.1% and 131 or 40.9% are male and female respondents respectively. There are 38 or 11.9%, 150 or 46.9%, and 132 or 41.2% of the respondents aged below 19 years old, 20-29 years old, and 30-39 years old respectively. Most of the respondents (142, 44.4%) indicated they earned RM3001-RM4000 monthly. 36.6% (117) of them indicated their monthly income are RM1000-RM2000. Only 12.8% (41) and 6.2% (20) of them have a monthly income of RM2000-RM3000 and below RM1000 respectively. From the factor of education level, 80 respondents (25%) with diploma qualification, 151 respondents (47.2%) with bachelor degree qualification, 75 respondents (23.4%) with master degree qualification and only 14 respondents (4.4%) with professional qualification..

4.2 The Level of the Demand for Life Insurance among “Generation Y” in Klang Valley, Malaysia

Table 2 shows the mean and standard deviation for number of insurance policies hold by the respondents and their amount of annual premium paid.

Table 2: Mean and Standard Deviation for the Demand for Life Insurance

| Demand of Life Insurance | Mean () | Standard Deviation (SD) |
|--------------------------|----------|-------------------------|
| Number of policies | 1.92 | 0.64 |
| Amount of annual premium | 2497.20 | 237.25 |

Significant at P<0.05 Source: Elaborated by the author for this research

From Table, the mean value for number of policies is 1.92, which means each respondent has 1.92 insurance policies. Therefore, the number of insurance policies hold by respondents is considered moderately high. In term of annual premium paid by the respondents, the mean value is 2497.20, which means, in average each respondent spent RM2497.20 for their insurance premium annually. Hence, the amount of annual premium is considered moderately high too. Therefore, it is summarised that the level of the demand for life insurance among “Generation Y” in Klang Valley, Malaysia is moderately important.

4.3 The Difference on the Demand for Life Insurance among “Generation Y” in Accordance with Gender, Age Group, Monthly Income and Education Level

Table 3 below shows the results of the Independent Samples T-Test of gender difference on the demand for life insurance.

Table 3: Mean Scores and T-Values of Gender Difference on the Demand for Life Insurance

| Gender | N | Mean () | SD | df | t | Sig. |
|--------|-----|---------|-------|-----|-------|------|
| Male | 189 | 4.1176 | .5918 | 318 | 2.421 | .011 |
| Female | 131 | 3.8217 | .7108 | | | |

Significant at $P < 0.05$

Source: Elaborated by the author for this research

The results show us that there is a significant difference on the demand for life insurance among the “Generation Y” in Klang Valley ($t = 2.421$, $df = 318$, $p < .05$). The male respondents ($= 4.1176$, $SD = .5918$) showed higher demand for life insurance in comparison with the female respondents ($= 3.8217$, $SD = .7108$). Table 4 shows the results of the One-Way ANOVA Test of age group difference on the demand for life insurance.

Table 4: Mean Scores and F-Values Difference of Age Group on the Demand of Life Insurance

| | Sum of Square | df | Mean Square | F | Sig. |
|----------------|---------------|-----|-------------|--------|------|
| Between groups | 9.612 | 2 | 4.806 | 12.483 | .000 |
| Within groups | 122.131 | 317 | .385 | | |
| Total | 132.301 | 319 | | | |

Significant at $P < 0.05$

Source: Elaborated by the author for this research

It is clear that there is a significant difference on the demand for life insurance between age groups as determined by One-Way ANOVA [$F(2, 317) = 12.483$, $p < .01$]. A Tukey Post-hoc Test revealed that the demand for life insurance is significantly higher for those who aged 30-39 years old (4.143 ± 0.8 policies, $p < .01$) in comparison with those who aged 19 - 29 years old (3.843 ± 0.5 policies, $p < .01$). However, there is no statistically significant differences between the <19 years old and 19 - 29 years old groups ($p > .05$).

Table 5 shows the results of the One-Way ANOVA Test of monthly income difference on the demand for life insurance.

Table 5: Mean Scores and F-Values Difference of Monthly Income on the Demand for Life Insurance

| | Sum of Square | df | Mean Square | F | Sig. |
|----------------|---------------|-----|-------------|-------|------|
| Between groups | 5.318 | 3 | 1.773 | 4.477 | .003 |
| Within groups | 125.015 | 316 | .396 | | |
| Total | 131.303 | 319 | | | |

Significant at $P < 0.05$

Source: Elaborated by the author for this research

The results show that there is a significant difference on the demand for life insurance between the four groups of monthly income as determined by One-Way ANOVA [$F(3, 316) = 4.477$, $p < .01$]. A Tukey Post-hoc Test showed that the demand for life insurance is significantly higher for those who earned RM1000 - RM2000 monthly (3.943 ± 0.78 policies, $p < .01$) in comparison with those who earned below RM1000 monthly (3.543 ± 0.45 policies, $p < .01$). However, there is no statistically significant difference between the income group of below RM1000 and other two groups ($p > .05$).

Table 6 shows the results of the One-Way ANOVA Test of education level difference on the demand for life insurance.

Table 6: Mean Scores and F-Values Difference of Education Level on the Demand for Life Insurance

| | Sum of Square | df | Mean Square | F | Sig. |
|----------------|---------------|-----|-------------|-------|------|
| Between groups | 6.228 | 3 | 2.076 | 5.296 | .001 |
| Within groups | 123.997 | 316 | .392 | | |
| | 130.323 | 319 | | | |
| Total | 131.303 | 319 | | | |

Significant at $P < 0.05$

Source: Elaborated by the author for this research

From Table 6, there is a significant difference on the demand for life insurance in accordance with the four groups of education level as determined by One-Way ANOVA [$F(3, 316) = 5.296, p < .01$]. A Tukey Post-hoc Test showed that the demand for life insurance is significantly higher for those who obtained a Bachelor Degree (4.018 ± 0.65 policies, $p < .01$) in comparison with those who a Diploma (3.724 ± 0.42 policies, $p < .01$). However, there is no statistically significant difference on the demand for life insurance between Diploma holders and other two groups of education level ($p > .05$).

4.4 Hypothesis Testing

To measure the strength of the relationship between the five independent variables and the demand for life insurance, the Table of Correlation Value Interpretation developed by Bartlett, Kontrlik, and Hingpins (2001) is referred.

Table 7: Correlation Value Interpretation

| Correlation Value (r) | Relationship Strength |
|-----------------------|-----------------------|
| $\pm 0.70 - 0.99$ | Very Strong |
| $\pm 0.50 - 0.69$ | Strong |
| $\pm 0.30 - 0.49$ | Moderately strong |
| $\pm 0.10 - 0.29$ | Weak |
| $\pm 0.01 - 0.09$ | Very weak |

Source: Bartlett, Kontrlik, & Hingpins, 2001

4.5 Relationship between Income Level, Knowledge of Life Insurance, Income Protection, Risk Attitude, Social Influence and the Demand for Life Insurance

Table 8 shows the results of the Pearson's Correlation Analysis on income level, knowledge of life insurance, income protection, risk attitude, social influence, and the demand for life insurance.

Table 8: Correlations between Income Level, Knowledge of Life Insurance, Income Protection, Risk Attitude, Social Influence and the Demand for Life Insurance

| Variable | LINS_DEM | INCOME | KNOWLEDGE | PROTECT | RISK | INFLUENCE |
|-----------|----------|--------|-----------|---------|-------|-----------|
| LINS_DEM | - | | | | | |
| INCOME | .638* | - | | | | |
| KNOWLEDGE | .644* | .121 | - | | | |
| PROTECT | .591* | .451* | .521* | - | | |
| RISK | .650* | .615* | .398* | .414* | - | |
| INFLUENCE | -.015 | -.200 | -.031 | -.042 | -.045 | - |

*Significant at $p < .01$ (One-tailed)

Source: Elaborated by the author for this research

From Table 8, it is found that there is a significant, positive and strong relationship between income level and the demand for life insurance ($r = .638$, $n = 320$, $p < .01$). The positive significant relationship shows that a higher in income can increase the demand for life insurance and vice-versa. Therefore, H1 : Income level is positively related to the demand for life insurance is supported. The results are consistent with the conceptual link that those with higher income will have higher demand on life insurance (Stroe & Iliescu, 2013; Beck & Webb, 2003; Yaari, 1965). The results also supported previous research’s findings (Loon et al. (2019), Ghimire (2017), Fukuchi (2016), Shahriari & Shahriari (2016), Sarkodie and Yusif (2015), Mahdzan and Victorian (2013).

A significant, positive and strong relationship also found between the knowledge of life insurance and the demand for life insurance ($r = .644$, $n = 320$, $p < .01$). The positive significant relationship shows that a higher level of knowledge in life insurance will result in a higher level of demand for life insurance and vice-versa. Therefore, H2 is supported. The results concur with the previous findings (Loon et al., 2019; Sarkodie & Yusif, 2015; Tennyson & Yang, 2014; Lee, 2012; Ioncica et al., 2012; Loke & Goh, 2012).

Similarly, there is a significant, positive and strong relationship between income protection and the demand for life insurance ($r = .591$, $n = 320$, $p < .01$). The positive significant relationship shows that a high expected income protection can increase the demand for life insurance and vice-versa. Therefore, H3 is supported. This result supported the findings from previous studies and the conceptual link between these variables (Loon et al., 2019; Ghimire, 2017; Mitra, 2017; Fukuchi, 2016; Mahdzan & Victorian, 2013; Arun et al., 2012; Loke & Goh, 2012).

Likewise, there is a significant, positive and strong relationship between risk attitude and the demand for life insurance ($r = .650$, $n = 320$, $p < .01$). The positive significant relationship shows that any increase in risk attitude will increase the demand for life insurance and vice versa. Hence, H4 is supported. This result supported the findings from previous studies (Loon et al., 2019; Fukuchi, 2016; Tennyson & Yang, 2014; Stroe & Iliescu, 2013; Ackah & Owusu, 2012).

Surprisingly that there isn’t any significant relationship between social influence and the demand for life insurance ($r = -.015$, $n = 320$, $p > .05$). Therefore, H5 is failed to be supported. The results somewhat contradict with the previous findings (Loon et al., 2019; Fukuchi, 2016; Stroe & Iliescu, 2013; Ackah & Owusu, 2012; Cai et al., 2011) and fail to support the conceptual link between the variables (Sarkodie & Yusif, 2015; Stroe & Iliescu, 2013).

In summary, as predicted income level, knowledge of life insurance, income protection and risk attitude show significant positive relationship with the demand for life insurance. However, this study found no significant relationship between social influence and the demand for life insurance.

4.6 Predictor Factors of the Demand for Life Insurance

Table 9 shows the results of the Multiple Regressions Analysis on the predictor factors of the demand for life insurance.

Table 9: Correlation and Multiple Regressions on the Demand for Life Insurance

| <i>Independent variable</i> | <i>r</i> | <i>Beta (β)</i> | <i>Sig.</i> |
|----------------------------------|----------|---------------------------------------|-------------|
| INCOME | .638* | .515* | .000 |
| KNOWLEDGE | .644* | .592* | .000 |
| PROTECT | .591* | .491* | .000 |
| RISK | .650* | .597* | .000 |
| INFLUENCE | -.015 | -.012 | .383 |
| F = 14.142 R ² = .691 | | Adjusted R² = .683* | |

*Significant at $p < .01$

- a. Predictors: (Constant), income level, knowledge of life insurance, income protection, and risk attitude.
- b. Dependent Variable: Demand for life insurance

(Source: Elaborated by the author for this research)

From Table 9, it is learned that all the factors statistically significantly predict the demand for life insurance [$F(5, 320) = 14.142, p < .01$], except for social influence ($p > .05$). The combined influence of all the predictor factors explained 68.3% of the variance change in the demand for life insurance ($R^2 = .691, \text{Adj. } R^2 = .683, p < .01$). Moreover, risk attitude is found to be the best predictor factor of the demand for life insurance ($\beta = .597, p < .01$). Income level ($\beta = .515, p < .01$), knowledge of life insurance ($\beta = .592, p < .01$) and income protection ($\beta = .491, p < .01$) are also good predictor factors of the demand for life insurance. The results supported largely on the existing conceptual link of the demand for life insurance and previous researches (Loon et al., 2019; Ghimire, 2017; Sarkodie & Yusif, 2015; Redzuan, 2014; Mahdzan & Victorian, 2013; Stroe & Iliescu, 2013; Ackah & Owusu, 2012; Loke & Goh, 2012; Pliska & Yeh, 2007; Todd, 2004; Beck & Webb, 2003; Cleeton & Zellner, 1993; Burnett & Palmer, 1984; Yaari, 1965).

5. CONCLUSION AND IMPLICATIONS

The overall objective of this study was to examine the relationship of the five factors related to the demand for life insurance among the “Generation Y” in Klang, Malaysia. The descriptive statistics of this study show that there is a moderately important level of number of insurance policies purchased and value of the annual premium paid among the “Generation Y” in Klang Valley. T-Test shows significant difference in the demand for life insurance in accordance with gender. ANOVA Analysis shows that there is a significant difference in the demand for life insurance between age groups of 19-29 and 30-39, monthly income of Less than RM1000 and RM1000–RM2000, education level of Diploma and Bachelor. The inferential statistics of this study show that there is a significant, strong, and positive relationship between income level, knowledge of life insurance, income protection, and risk attitude and the demand for life insurance. Interestingly, this study found no significant relationship between social influence and the demand for life insurance. In addition, Regression Analysis reveals that risk attitude is the most dominant predictor factor of the demand for life insurance. Income level, knowledge of life insurance, and income protection are also found to be good predictor factors to the demand for life insurance.

The results of this research have implications not only for the insurance agencies, policy holders but also for the entire population of Malaysia especially the “Generation Y”. The findings show that risk attitude, income level, knowledge of life insurance, and income protection dominate the demand for life insurance emphasize the need for those who are directly involved in this industry to initiate a greater responsibility in promoting the importance and benefits of life insurance, besides putting in higher awareness in cultivating knowledge of life insurance among the “Generation Y” or perhaps even in the broader community groups. These moves will slowly but steadily cultivate and enhance positive culture and/or attitude toward life insurance.

Drawing on the four factors as discussed above, give the following expectation if the demand for life insurance among “Generation Y” is to be improved. First and foremost, from the perspective of risk attitude, in which if insurance agency could come out with convincing policies that offer attractive protection to policy holder in the event of occurrence in any negative event caused by measurable loss, injury, liability, external or internal weaknesses. How far could the insurance agency in instilling positive values of life insurance into the community towards risk attitude will have a significant impact on the demand for life insurance.

From the perspective of income level, marketers of life insurance would normally focus on efforts on individuals who have higher income, since these are the group of people who can afford to purchase life insurance. However, the low-income earners should not be neglected as these individuals are the ones who most probably are the least protected. In the matter of fact, insurance companies should emphasize the importance of life insurance to this group of individuals and promote term life insurance which is relatively cheaper as opposed to whole life insurance or investment-linked policies. With lower insurance premium, low-income earners would be able to afford the similar protection and investment in life insurance. Ultimately, the demand for life insurance in Malaysia will be increased.

Insurance companies and agents should also play more active role in cultivating and enhancing knowledge of life insurance and its benefits among the “Generation Y” in Malaysia. The knowledge of income

protection, bequest motive and other aspects in financial planning should be constantly instilled into the “Generation Y”. Plausibly, the findings of this study suggest that Malaysians perceive life insurance as a secured and long-term measure of accumulating wealth, due to strong and prudent financial record of accomplishment of the major life insurance companies in Malaysia. Therefore, life insurance companies should take note of these results and repackage their insurance policies with more attractive elements of return in investment and/or savings. Life insurance companies should also highlight the benefits in income protection, bequest, life cycle and precautionary aspects of life insurance to make their products and services more attractive and visible into the entire society.

This study is a preliminary study investigating factors that related to the demand for life insurance with the focus on the “Generation Y” in Klang Valley, Malaysia. Therefore, the results may not be able to generalise to the entire Malaysian population. Hence, there is ample room for future research to be carried out at the broader area and society of Malaysia, especially those underdeveloped, rural areas, where life insurance penetration can be expected to be low. Such research efforts would allow greater generalizations to be made and facilitate the efforts in increasing the demand for life insurance throughout the nation. Other aspects of life insurance demand should also be considered for further studies, inclusive of but not limited to, behavioural aspects of financial decision-making, such as risk aversion and one’s willingness to invest in life insurance.

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