

Factors Affecting the Life Insurance Demand in Sri Lanka

Premasiri, K.A.A.G.S.S¹ and Madurapperuma, M.W.²

¹sakunthalapremasiri@gmail.com; ²wasanthi@kln.ac.lk

Abstract

Insurance industry is the one sector in financial system in Sri Lanka. Insurance industry is continuing both long term and general insurance business. Life insurance demand in Sri Lanka has increased significantly in the past decade. Many factors have contributed to the development of life insurance industry including microeconomic and macroeconomic factors. This research, therefore, aimed to study the impact of macroeconomic factors on the life insurance demand in Sri Lanka. Four independent variables were gathered such as GDP Per Capita, Age Dependency Ratio, Inflation Rate and Level of education. (Fortune, 1973; Beenstock, Dickinson, and Khajuria (1986), Fortune (1973), Truett and Truett (1990), Beck and Webb (2003) from the literature to do this study. Further, factors were selected to be statistically examined for their potential impacts on life insurance demand, which was represented by the amount of all directly earned premium of total life insurance demand by all insurance companies in Sri Lanka, were gathered from Central Bank Annual Report. Secondary data resources from 2013 to 2020 will be employed. Unit roots, cointegration and error correction model will be used to analyze the data. The findings of this study will be useful for the Policy makers in order to get the better decision relating to regulate and maintain life insurance industry in the Sri Lanka.

Keywords: Age Dependency Ratio, GDP Per Capita, Inflation Rate, Level of education, Life insurance demand.