

ABSTRACT

This paper analyses the factors affecting the life insurance purchase decisions in the rural and urban households of India. To study the factors that affect the decision making, IHDS I and IHDS II datasets are considered because these are panel data that investigates the same households majorly over a period. In this study, the variables that denotes financial inclusion, family composition and financial condition are considered and a possible impact of all these factors on life insurance ownership has been studied by estimating beta coefficients under logistic regression. The study has been divided into two parts and the factors leading to acquisition and discontinuation of life insurance policy have been studied respectively. Financial condition of a household has been projected by taking variables like BPL card ownership, vehicle ownership, and land holding. Family composition has been studied by considering the variables like size of the household, gender of the head of the household, and life events like marriage and birth of a child. Financial inclusion has been denoted by bank account opening, bank account closure and bank loan acquisition. All these variables are then studied and the beta coefficients for them are estimated taking into consideration whether the life insurance policy is acquired or dropped by the rural and urban households.