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Original Research Article

Drivers of Consumer Purchase Intention Toward Life Insurance: Mediating Role of Persuasion

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Abstract

Purpose: By developing an integrated model grounded in behavioral economics, this study examines the key factors influencing consumer purchasing intentions towards life insurance through the mediation of persuasion.

Design/methodology/approach: This study employed an explanatory research design, collecting cross-sectional data from 307 respondents in Kathmandu Valley conveniently through KoboToolbox. SmartPLS 4.0 was used to examine the structural relationship.

Findings: Findings revealed that attitude, subjective norms, and saving motives significantly influence life insurance purchase intention, while risk aversion and financial literacy do not exhibit significant direct effects. Similarly, mediation analysis indicates that persuasion plays a critical role by significantly mediating the effects of subjective norms, attitude, saving motives, and financial literacy on purchase intention.

Conclusion: These results highlight the centrality of psychosocial drivers and persuasive communication in shaping consumer behavior in Nepal's life insurance sector.

Implications: By identifying the behavioral levers that drive purchase intention and the persuasive pathways through which these levers operate, this study aspires to reposition life insurance not merely as a product but as a behavioral commitment to long-term security in an increasingly uncertain world

Originality/value: This study provides valuable empirical insights and novel perspectives by integrating behavioral factors and persuasion to explain life insurance purchase intention in Nepal's emerging market context.

JEL Classification: D12, G22, M31

Introduction

In emerging economies like Nepal, where socio-economic safety nets are underdeveloped and financial literacy remains limited, life insurance plays a pivotal role in offering financial stability, intergenerational support, and long-term wealth protection. Yet, despite its critical function, the life insurance sector in Nepal continues to grapple with low penetration rates, subdued consumer interest, and limited understanding of its importance (Beema Samiti, 2024). This paradox, between the increasing financial risks of modern life and the underutilization of life insurance as a safety mechanism, raises an urgent question: What drives consumer intention to purchase life insurance in a context like Kathmandu Valley?

Existing literature affirms that insurance purchasing behavior is influenced by a constellation of cognitive, behavioral, and contextual variables. The Theory of Planned Behavior (TPB) and the Financial Literacy Theory provide robust foundations to understand such behavior (Ajzen, 1991; Huston, 2010). According to Ajzen, purchasing intention is shaped by attitudes,

subjective norms, and perceived behavioral control, while financial literacy significantly enhances individuals' capability to evaluate risk and make informed decisions (Lusardi & Mitchell, 2014). Moreover, risk aversion and saving motives, core elements of behavioral economics, strongly influence long-term financial planning decisions (Thaler & Benartzi, 2004). However, consumers do not act in a vacuum; persuasion, through social influence, media, or interpersonal communication, can mediate and reshape how individuals interpret these factors and translate them into behavior (Cialdini, 2001).

Despite the robust use of these variables in global insurance behavior studies, their contextual application in Nepal remains scarce and fragmented. While studies such as Panigrahi and Azizan (2018) and Garg (2018) highlight the relevance of factors like financial literacy and risk aversion in developing economies, they do not capture the unique interplay of cultural attitudes, saving behaviors, and persuasive influences within Nepal's evolving insurance market. Kathmandu Valley, representing Nepal's most urbanized and economically progressive region (Nepal et al., 2023), provides an apt microcosm to examine these dynamics. Yet, most empirical studies continue to treat insurance behavior through generalized frameworks with little adaptation to Nepal's socio-cultural and institutional specificities. Moreover, the mediating role of persuasion, though well-discussed in advertising and consumer psychology, remains underexplored in the insurance behavior literature in Nepal.

This study aims to bridge this empirical and theoretical gap by developing an integrated model that examines the direct and mediated effects of key behavioral antecedents on life insurance purchase intention. Specifically, this study investigates how subjective norms, attitude, risk aversion motives, saving motives, and financial literacy influence purchase intention directly, and how persuasion mediates these relationships. The chosen variables are anchored in interdisciplinary foundations: attitude and subjective norms stem from the TPB (Ajzen, 1991); risk aversion and saving motives emerge from behavioral economics; financial literacy is grounded in the Financial Literacy Theory (Huston, 2010); and persuasion finds roots in the Elaboration Likelihood Model (Petty & Cacioppo, 1986). These constructs were chosen for their conceptual robustness, empirical relevance, and their alignment with the socio-psychological and financial characteristics of Nepalese consumers.

Life insurance in Nepal is no longer just a financial instrument; it is a litmus test of how well behavioral insights, policy interventions, and cultural narratives align to meet the needs of an evolving society. By identifying the behavioral levers that drive purchase intention and the persuasive pathways through which these levers operate, this study aspires to reposition life insurance not merely as a product but as a behavioral commitment to long-term security in an increasingly uncertain world. This study contributes by offering a contextualized, empirically grounded, and theoretically enriched model that advances both scholarship and policy relevance in life insurance behavior.

Literature Review

Empirical Review

The life insurance sector has witnessed significant global expansion, yet penetration remains highly uneven across regions. In developed countries such as the United States (52.7%), Japan (46.3%), and the U.K. (38.6%), market maturity is supported by institutional trust, diversified product portfolios, strong regulatory enforcement, and widespread financial literacy (Swiss Re Institute, 2021). These ecosystems are characterized by employer-sponsored coverage, tax advantages, and long-term financial planning. However, in developing countries, particularly in South Asia, the sector's potential remains underutilized despite growing income levels, increasing urbanization, and digital financial inclusion initiatives.

For example, life insurance penetration in India (25%), Bangladesh (9.6%), and Nepal (11.3%) remains low (Beema Samiti, 2024; World Bank, 2020). In Nepal, the issue is particularly stark given over six decades of industry history and ongoing regulatory reforms. A combination of low financial literacy, mistrust in insurers, gender disparities, and limited persuasive outreach contributes to underwhelming adoption rates. Despite Kathmandu Valley being the most financially advanced region in the country, uptake of life insurance remains confined to relatively affluent, educated, and male-dominated demographics (Beema Samiti, 2023).

While traditional insurance research emphasized income, mortality, and wealth transfer motives, contemporary scholarship has shifted toward examining behavioral and psychological determinants. Numerous global and regional studies have empirically validated the significance of motivational and cognitive factors in influencing purchase intention. In South Asia, Panigrahi and Azizan (2018) documented that consumer intention is shaped by behavioral norms and perceived value more than product features. Similarly, in a comparative study across India and Sri Lanka, Ouedraogo et al. (2016) found that peer influence and emotional framing had a higher impact on consumer decisions than pricing or coverage depth.

Despite this evolution in research orientation, empirical studies in Nepal remain sparse, fragmented, and largely descriptive. Most have focused on socio-demographic variables like age, gender, and income (Shrestha et al., 2020), with limited incorporation of behavioral constructs or theory-driven models. Furthermore, few studies systematically differentiate between direct and mediated effects in consumer behavior models, leaving critical questions around decision-making mechanisms unanswered.

This gap is particularly striking given the increasing use of persuasive marketing by insurers in Nepal. Life insurance companies frequently use emotional appeals, social proof strategies, and endorsement-based advertising. Yet, there is no robust empirical study examining persuasion as a mediating factor in the relationship between consumer motivations and purchase intentions. This omission contrasts sharply with global trends, where persuasive communication is integrated as a key mechanism influencing consumer behavior, especially in low-involvement decisions (Cialdini, 2001; Petty & Cacioppo, 1986).

On the regulatory front, Nepal has taken important policy steps. The Insurance Act, 1992, and its 2017 amendment, alongside the operations of Beema Samiti, Nepal's regulatory body, have formalized licensing, premium structuring, and solvency controls. Beema Samiti currently regulates 19 life and non-life insurers, and mandates capital adequacy, reporting compliance, and increasingly, digital access to insurance products (Beema Samiti, 2024). Additionally, the National Financial Literacy Strategy (2022–2026) aims to embed financial concepts into school curricula and promote public awareness through mobile platforms and local campaigns. Despite these interventions, policy effectiveness remains limited.

In terms of digital and behavioral transformation, Nepal remains at an early stage. A 2023 study by the Nepal Rastra Bank reported that only 34% of urban residents had engaged with any formal financial

literacy content. While mobile-based microinsurance platforms have gained traction in parts of India and Indonesia (Thakuria, 2023), Nepal has not yet achieved a similar scale, limiting innovation-driven outreach. The Insurance Board has piloted awareness campaigns in Kathmandu Valley, but these lack strategic targeting based on behavioral segmentation, limiting their efficacy.

Existing global literature suggests that developing country consumers respond more strongly to social and emotional cues than to technical or financial explanations. Bernheim et al. (2001) observed that even in high-literacy environments like the U.S., simplified messaging and social endorsements significantly increased life insurance uptake. Yet, Nepal's insurers have largely failed to adopt research-backed communication strategies. The use of persuasion, though intuitively employed in marketing, has not been evaluated as a formal construct in local academic studies, a significant methodological and conceptual omission.

Furthermore, cross-country empirical comparisons reveal that countries that have successfully expanded insurance coverage, such as Vietnam, Kenya, and the Philippines, combine behaviorally informed communication strategies with simplified product structures and strong regulatory mandates (International Labor Organization, 2021). In contrast, Nepal's product range remains complex, poorly explained, and misaligned with the risk preferences and saving behavior of emerging middle-class consumers.

Conceptual Framework

This study responds to these empirical gaps by applying an integrated behavioral model rooted in the TPB, Prospect Theory, Financial Literacy Theory, and the Elaboration Likelihood Model. It investigates how attitude, subjective norms, risk aversion motives, saving motives, and financial literacy influence life insurance purchase intention, while examining persuasion as a mediating variable. The selection of these variables is informed by both theoretical relevance and contextual necessity.

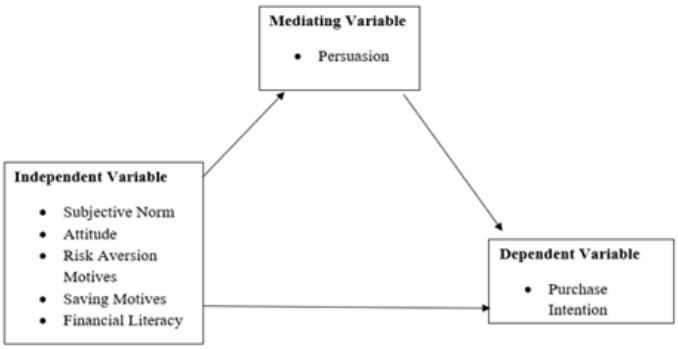

Figure 1: Conceptual Framework

Subjective Norm and Purchase Intention: Within the TPB (Ajzen, 1991), subjective norms refer to the perceived social pressure to engage in a behavior. In collectivist societies like Nepal, where financial decisions are often made within family or peer networks, these norms significantly shape purchase intention. Studies in similar socio-cultural contexts, such as Nigeria (Omar & Owusu-Frimpong, 2007) and East Asia (Cheng et al., 2006), affirm that social approval strongly influences life insurance adoption. In Nepal, where institutional trust is still developing, individuals often rely on the opinions of significant others when navigating complex financial products like insurance. This aligns with TPB, which emphasizes that subjective norms reduce uncertainty through social validation. Despite its relevance, this construct remains underexplored in Nepalese insurance studies. Thus, the study advances the following hypothesis:

H1: Subjective norms have a significant positive influence on the intention to purchase life insurance.

Attitude and Purchase Intention: According to the Theory of Reasoned Action (TRA) and its extension, the TPB), attitude toward a behavior, defined as the individual's positive or negative evaluation of performing that behavior, is a critical determinant of intention. In financial decision-making, a favorable attitude often reflects perceived benefits such as security, returns, or social value. Empirical studies across various financial domains, including Islamic insurance (Amin, 2012) and home financing (Alam & Janor, 2012), have confirmed the predictive power of attitude. Even in emotionally driven purchases like luxury goods, attitude strongly aligns with intention (Salem & Salem, 2018). Thus, the study advances the following hypothesis:

H2: Attitude has a significant positive effect on the intention to purchase life insurance.

Risk Aversion Motives and Purchase Intention: Risk aversion reflects an individual's preference for certainty over uncertainty when faced with potentially negative outcomes (Qualls & Puto, 1989). Risk-averse individuals seek to minimize exposure to financial loss by adopting protective mechanisms such as insurance (Chiappori & Salanié, 2000). At the macro level, cultural dimensions like uncertainty avoidance (Hofstede, 1995) explain variations in national insurance consumption, with societies exhibiting higher risk aversion demonstrating greater insurance uptake.

Empirical studies reinforce this link: consumers who perceive greater vulnerability to adverse events are more inclined to purchase life insurance as a risk mitigation tool (Ofoghi & Farsangi, 2013; Outreville, 2014). This motive is particularly salient in emerging economies where social safety nets are weak, and individuals rely on personal financial instruments to secure their future. Integrating these insights, this study hypothesizes that:

H3: Risk aversion motives have a significant positive effect on the intention to purchase life insurance.

Saving Motives and Purchase Intention: Saving motives reflect individuals' propensity to allocate income toward future financial security rather than immediate consumption (Modigliani & Brumberg, 1954). Life insurance, particularly investment-linked products, serves as both a protective mechanism and a structured savings vehicle, appealing to consumers seeking disciplined long-term wealth accumulation alongside risk coverage (Chaudhary et al., 2016; Mimović et al., 2017).

Empirical evidence from developing economies reinforces this dual role. Studies in Malaysia demonstrate that saving motives significantly predict life insurance purchase intention, with consumers valuing policies as instruments for forced savings and retirement planning (Victorian & Mahdzan, 2013; Zakaria et al., 2016). These findings align with behavioral finance insights emphasizing the importance of commitment devices in overcoming present bias and promoting future-oriented financial behavior (Thaler & Shefrin, 1981).

In Nepal's context, where formal savings mechanisms are often limited and financial literacy low, life insurance offers a strategic avenue to fulfill both protection and saving objectives. Thus, drawing on established financial behavior theories and regional empirical support, this study hypothesizes:

H4: Saving motives have a significant positive effect on the intention to purchase life insurance.

Financial Literacy and Purchase Intention: Financial literacy, defined as the ability to understand and effectively use various financial skills, including budgeting, saving, and evaluating investment options, is a critical enabler of informed decision-making (Lusardi & Mitchell, 2014). Theoretical frameworks such as the Behavioral Life-Cycle Hypothesis highlight how financial literacy reduces cognitive barriers, enabling individuals to better assess risks and benefits associated with financial products, including life insurance (Thaler & Shefrin, 1981).

Empirical evidence robustly supports the positive influence of financial literacy on insurance uptake. For instance, studies in emerging economies have shown that individuals with higher financial knowledge exhibit greater intention to purchase life insurance due to improved comprehension of policy features and trust in insurers (Victorian & (Mahdzan, 2013; Zakaria et al., 2016). This relationship is especially critical in contexts like Nepal, where financial literacy levels remain low, and misconceptions about insurance products are widespread.

By enhancing consumers' capacity to evaluate long-term financial security, financial literacy fosters greater confidence and reduces perceived complexity, key barriers to life insurance adoption. Hence, consistent with theoretical and empirical insights, this study proposes:

H5: Financial literacy has a significant positive effect on the intention to purchase life insurance.

Mediating Role of Persuasion: Persuasion, grounded in the Elaboration Likelihood Model by Petty and Cacioppo (1986), operates through central and peripheral routes to influence attitudes and behaviors. It has been widely recognized as a critical mechanism in insurance marketing, where consumers often rely on both rational arguments and emotional cues to form purchase intentions. Social approval and peer influence often shape consumers' receptiveness to persuasive messages (Cialdini, 2001). Studies in collectivist cultures show that subjective norms amplify the effectiveness of persuasion by enhancing message credibility and social validation, which subsequently increases purchase intention (Omar & Owusu-Frimpong, 2007). Thus, persuasion mediates the impact of subjective norms on insurance uptake.

Attitudinal predispositions influence how individuals process persuasive content. Empirical studies in financial services marketing demonstrate that positive attitudes enhance message elaboration, thereby strengthening persuasion effects on behavioral intentions (Salem & Salem, 2018). Persuasion thus channels the attitudinal influence into concrete purchase decisions.

Consumers' sensitivity to financial risk heightens their responsiveness to persuasive appeals emphasizing security and loss prevention (Ofoghi & Farsangi, 2013). Persuasive framing of insurance benefits reduces perceived uncertainty and reinforces the link between risk aversion and purchase intention.

Persuasion enhances the attractiveness of insurance products as disciplined savings instruments by highlighting future financial security and investment-linked benefits, as documented in Malaysian contexts (Victorian & Mahdzan, 2013). This mediation effect increases consumers' saving-driven purchase intentions.

Financially literate consumers are better equipped to decode persuasive messages and evaluate product information critically (Lusardi & Mitchell, 2014). Persuasion thus acts as a conduit that translates financial literacy into stronger purchase intentions by clarifying product value and reducing skepticism.

Based on these theoretical and empirical insights, the study proposes:

H6a: Persuasion mediates the relationship between subjective norms and purchase intention.

H6b: Persuasion mediates the relationship between attitude and purchase intention.

H6c: Persuasion mediates the relationship between risk aversion motives and purchase intention.

H6d: Persuasion mediates the relationship between saving motives and purchase intention.

H6e: Persuasion mediates the relationship between financial literacy and purchase intention.

Methods

This study adopts a quantitative, explanatory research design aimed at testing the causal relationships among key behavioral antecedents, subjective norms, attitude, risk aversion motives, saving motives, and financial literacy, and purchase intention, with persuasion serving as a mediating variable. The study was conducted in Kathmandu Valley, encompassing Kathmandu, Lalitpur, and Bhaktapur districts. This region was selected due to its economic centrality, demographic diversity, and concentration of life insurance company headquarters.

A non-probability, convenience sampling technique was employed, focusing on respondents with access to financial services and exposure to insurance products. A total of 307 valid responses were collected. This sample size exceeds the minimum requirement suggested by Hair et al. (2017) for Partial Least Squares Structural Equation Modeling (PLS-SEM) (i.e., at least 10 times the maximum number of structural paths directed at any construct). This ensures statistical power, reliability, and generalizability of results.

Primary data were collected using a structured, self-administered questionnaire, developed based on validated measurement scales from previous empirical studies. Items were measured on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The questionnaire comprised: demographic details, general awareness and perceptions of life insurance, and research variables.

The questionnaire was deployed using Kobo Toolbox, with approximately 80% of responses collected online (via email, Facebook, LinkedIn) and 20% offline through in-person administration using printed forms or Kobo Collect.

All the study variables were adapted from the well-established previous literature:

- Subjective Norms (3 items): Adapted from Ajzen (1991), reflecting perceived social pressure from important referents.
- Attitude (4 items): Based on Alam and Janor (2012), measuring the individual's favorable evaluation of purchasing life insurance.
- Risk Aversion Motives (5 items): Sourced from Outreville (2014), indicating preference for security in financial decisions.
- Saving Motives (4 items): Based on Victorian and Mahdzan (2013), capturing the intent to save through insurance.
- Financial Literacy (3 items): Adapted from Lusardi and Mitchell (2014), assessing understanding of insurance and related financial concepts.
- Persuasion (4 items): Developed from the Elaboration Likelihood Model (Petty & Cacioppo, 1986), measuring the influence of rational and emotional appeals.
- Purchase Intention (4 items): Adapted from Victorian and Mahdzan (2013), assessing the likelihood of buying life insurance.

Data were analyzed using PLS-SEM via SmartPLS 4.0. This method was chosen due to its robustness in handling complex models with mediating constructs and small to medium sample sizes (Hair et al., 2022). The analysis proceeded in two stages: assessment of the measurement model and testing of the structural model, including mediation effects.

Result and Analysis

Demographic Profile

A total of 307 respondents from Kathmandu Valley participated in the survey. As presented in Table 1, the majority were male (56.67%), and the dominant age group was 26–35 years (49.84%), indicating a relatively young sample. In terms of educational attainment, 94.46% held a bachelor's or master's degree, reflecting a highly educated respondent base.

Professionally, nearly half (49.51%) were employed in the private sector, followed by individuals engaged in business (23.45%) and other occupations (20.52%), with a smaller share in government service (6.51%). Monthly income distribution showed that 69.05% earned between NPR 25,000 and 100,000, suggesting a concentration of middle-income earners.

General Understanding of Life Insurance Policy

As shown, 31.27% of respondents had held their life insurance policy for less than one year, while 27.04% had coverage exceeding eight years. Most individuals (85.99%) cited financial protection and savings/investment as the primary purposes for purchasing life insurance, while 14% viewed it as a tool for retirement planning. In terms of coverage, the majority of policies included protection for medical emergencies (45.93%) and death of the policyholder (45.28%). A smaller proportion cited coverage for car accidents (6.51%) and job loss (1.95%).

Table 1: Demographic Profile of the Respondents

Variables	Category	Number	Percentage (%)
Gender	Male	174	56.67
	Female	133	43.32
Age	18-25	50	16.29
	26-35	153	49.84
	36-45	79	25.73
	46 and above	25	8.14
Education Level	Intermediate	17	5.54
	Bachelors	138	44.95
	Master's & above	152	49.51
Profession	Business	72	23.45
	Private Services	152	49.51
	Government Service	20	6.51
	Others	63	20.52
Monthly Income	Below 25,000	43	14.01
	25,000 - 50,000	107	34.85
	50,000 - 1,00,000	105	34.2
	Above 1,00,000	52	16.94

These findings indicate a growing awareness of life insurance as both a financial safeguard and a long-term investment tool. The data also suggest that policyholders prioritize coverage for critical health and life risks.

Table 2: General Understanding of Life Insurance Policy

Particulars	Categories	Number	Percentage (%)
Policy Tenure	Less than 1 Year	96	31.27
	1 to 3 Years	44	14.33
	3 to 5 Years	62	20.2
	5 to 8 Years	28	9.12
	More than 8 Years	83	27.04
Primary Purpose of a Life Insurance Policy	Savings and investment	119	38.76
	Retirement Planning	43	14
	Financial Protection	145	47.23
Insurance Policy Coverage	Car accidents	20	6.51
	Medical emergencies	141	45.93
	Death of the policyholder	139	45.28
	Job loss	6	1.95

Table 3: Measurement Model Analysis

Construct	Observed Items	Factor Loading	AVE	CR	Cronbach Alpha
Attitude	ATT_1	0.872	0.793	0.939	0.913
	ATT_2	0.894			
	ATT_3	0.905			
	ATT_4	0.892			
Subjective Norms	SN_1	0.868	0.789	0.918	0.866
	SN_2	0.886			
	SN_3	0.91			
Risk Aversion Motives	RAM_1	0.762	0.539	0.854	0.791
	RAM_2	0.707			
	RAM_3	0.734			
	RAM_4	0.736			
	RAM_5	0.73			
Saving Motives	SM_1	0.852	0.68	0.895	0.844
	SM_2	0.74			
	SM_3	0.85			
	SM_4	0.852			
Financial Literacy	FL_1	0.849	0.768	0.909	0.85
	FL_2	0.873			
	FL_3	0.907			
Purchase Intention	PI_1	0.778	0.733	0.916	0.877
	PI_2	0.881			
	PI_3	0.895			
	PI_4	0.866			
Persuasion	PS_1	0.833	0.654	0.904	0.868
	PS_2	0.851			
	PS_3	0.787			
	PS_4	0.773			

Measurement Model Assessment

To assess internal consistency reliability, Cronbach's Alpha (CA) and Composite Reliability (CR) values were examined. Convergent validity was evaluated using factor loadings and Average Variance Extracted (AVE). According to Henseler et al. (2015), factor loadings should be ≥ 0.50, AVE values should be ≥ 0.50, and both CR and CA should exceed the threshold of 0.70 to establish acceptable reliability and validity. The findings revealed that all factor loadings met the minimum requirement, AVE values were above 0.50, and both CA and CR values exceeded 0.70. These results confirm satisfactory levels of internal consistency, reliability, and convergent validity in the measurement model.

Discriminant validity was assessed using the Fornell-Larcker (FNL) criterion and the HTMT ratio. The FNL criterion was satisfied, as the square root of each construct's AVE exceeded its inter-construct correlations (see Table 4). Additionally, all HTMT values were below the 0.90 threshold (Chen & Chang, 2022), confirming discriminant validity (see Table 5), further supporting the model's discriminant validity.

Table 4: Discriminant Validity-Fornell-Larker Criteria

	ATT	FL	PI	PS	RAM	SM	SN
ATT	0.891						
FL	0.488	0.876					
PI	0.718	0.494	0.856				
PS	0.567	0.447	0.672	0.809			
RAM	0.47	0.346	0.43	0.344	0.734		
SM	0.435	0.4	0.574	0.469	0.39	0.825	
SN	0.665	0.387	0.673	0.592	0.422	0.451	0.888

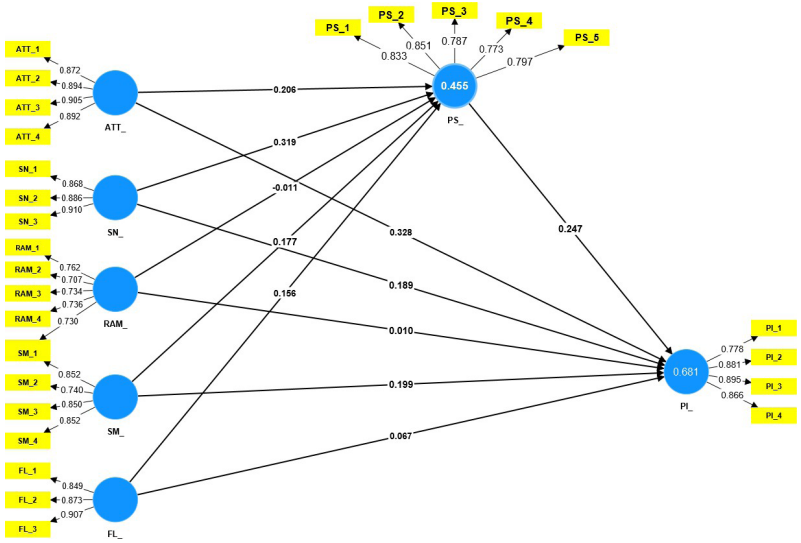

Figure 2: Structural Model

Table 5: Discriminant Validity-HTMT Value

	ATT	FL	PI	PS	RAM	SM	SN
ATT							
FL	0.553						
PI	0.801	0.566					
PS	0.632	0.511	0.764				
RAM	0.539	0.427	0.487	0.396			
SM	0.5	0.475	0.661	0.535	0.457		
SN	0.746	0.447	0.772	0.677	0.485	0.527	

Structural Model Assessment

The structural model was evaluated to test the research hypotheses and assess the model's explanatory power (Alzoubi et al., 2020). The model, developed using SmartPLS, included five exogenous constructs, one mediating construct, and one endogenous construct. A bootstrapping procedure with 10,000 subsamples was applied to determine the significance of path relationships.

Path analysis, as an extension of multiple regression, facilitates causal inference through structural equation modeling (Fidyah & Setiawati, 2019; Kim, 2020). The coefficient of determination (R^2) was used to assess the model's predictive power, where values closer to 1 indicate stronger explanatory strength (Ngah et al., 2020). The model explained 68.1% of the variance in Purchase Intention and 45.5% in Persuasion, suggesting a strong model fit.

Variance Inflation Factor (VIF) scores for all constructs were below 3, indicating no multicollinearity issues and supporting the robustness of the structural estimates (Hair et al., 2017).

Hypothesis Testing

The study employed a bootstrapping technique with 10,000 resamples to estimate path coefficients, significance levels, and confidence intervals. Table 6 summarizes the results for five direct hypotheses and one mediating relationship.

The analysis revealed that three direct paths (SN → PI: $\beta = 0.189$, $p = 0.023$; ATT → PI: $\beta = 0.328$, $p = 0.001$), were statistically significant, with confidence intervals not crossing zero, thereby supporting H1 and H2.

Conversely, (RAM → PI: $\beta = 0.010$, $p = 0.543$; FL → PI: $\beta = 0.067$, $p = 0.436$) did not exhibit statistically significant effects, as their confidence intervals encompassed zero, leading to the rejection of H3 and H5. While (SM → PI: $\beta = 0.199$, $p = 0.112$) showed a positive path coefficient, the relationship was not statistically significant at the 5% level, resulting in the rejection of H4.

These findings highlight the pivotal role of individual attitudes, social influences, and persuasive communication in shaping purchase intentions, while risk-related concerns and financial literacy appear to have limited direct impact in this context.

Table 6: Hypothesis Testing- Direct Structural Paths

Structural Path	Beta Coefficient (β)	p value	Confidence Interval (95%)		Conclusion
			LLCI	ULCI	
H1: SN-> PI	0.189	0.023	0.069	0.304	Supported
H2: ATT-> PI	0.328	0.001	0.206	0.444	Supported
H3: RAM -> PI	0.01	0.543	-0.075	0.095	Not Supported
H4: SM -> PI	0.199	0.112	0.111	0.294	Supported
H5: FL-> PI	0.067	0.436	-0.035	0.168	Not Supported

Mediation Analysis

Table 7 presents the results of five mediation hypotheses. The analysis confirmed significant mediation effects for four out of five paths. Specifically, PS significantly mediated the relationships between SN and PI (SN → PS → PI: $\beta = 0.079$, $p = 0.015$), ATT and PI (ATT → PS → PI: $\beta = 0.051$, $p = 0.017$), SM and PI (SM → PS → PI: $\beta = 0.044$, $p = 0.023$), and FL and PI (FL → PS → PI: $\beta = 0.038$, $p = 0.034$), confirming H6a, H6b, H6d, and H6e.

In contrast, the indirect effect of RAM on PI through PS via Persuasion was not significant (RAM → PS → PI: $\beta = –0.003$, $p = 0.567$), indicating that PS does not mediate this relationship (H6c was rejected.

Table 7: Hypothesis Testing- Indirect Structural Paths

Structural Path	Beta Coefficient (β)	p value	Confidence Interval (95%)		Conclusion
			LLCI	ULCI	
H6a: SN -> PS-> PI	0.079	0.015	0.042	0.131	Supported
H6b: ATT -> PS-> PI	0.051	0.017	0.013	0.108	Supported
H6c: RAM -> PS-> PI	-0.003	0.567	-0.03	0.021	Not Supported
H6d: SM -> PS -> PI	0.044	0.023	0.016	0.083	Supported
H6e: FL -> PS-> PI	0.038	0.034	0.011	0.076	Supported

Discussions

The findings of this study offer robust insights into the behavioral antecedents of life insurance purchase intention in Kathmandu Valley by integrating the TPB, Prospect Theory, Financial Literacy Theory, and the Elaboration Likelihood Model. The results affirm that ATT, SM, and SN are significant predictors of purchase intention.

The strong effect of ATT aligns with core TPB assumptions (Ajzen, 1991), affirming that favorable evaluations of life insurance are a critical cognitive driver of behavioral intention. This is consistent with findings from Dubey et al. (2021), who also reported attitude as the most influential determinant of insurance purchase decisions. In high-risk environments, individuals who perceive life insurance positively tend to act decisively. The strength of this relationship suggests that affective and evaluative dimensions of insurance communication must be central in marketing strategies.

Similarly, the influence of SN reflects the socio-cultural embeddedness of decision-making in collectivist contexts like Nepal. This supports prior findings by Aboobucker and Bao (2018), where social expectations and peer influences significantly shaped financial decisions. The significance of SN → PI also echoes TPB's postulate that perceived social pressure can shape behavioral intentions, particularly in domains involving financial prudence and long-term commitment.

In contrast, RAM and FL did not significantly predict purchase intention directly, contradicting core assumptions of Prospect Theory and Financial Literacy Theory. This suggests that while individuals may recognize risks and possess financial knowledge, these factors alone may not be sufficient to translate into actual intent unless activated through more immediate cognitive or emotional channels. These findings align with those of Chen et al. (2022), who observed that financial literacy does not necessarily equate to behavioral action unless mediated by trust or perceived relevance. Notably, the SM showed a relationship with PI. While prior studies (Lee, 2023) highlighted the dual role of insurance as both protection and savings, this study indicates that saving motives also play a crucial role in driving purchase intention.

The mediation analysis offers further nuance. PS significantly mediated the relationships between SN, ATT, SM, and FL on PI. This highlights the central role of PS communication, consistent with the Elaboration Likelihood Model (Petty & Cacioppo, 1986), which posits that individuals process persuasive messages via central or peripheral routes based on involvement and cognitive readiness.

The mediation of persuasion between SN and intention further amplifies the idea that normative beliefs become influential when they are reinforced by persuasive messaging. Likewise, the mediation between ATT and intention indicates that ATT requires motivational framing to translate into action, affirming that affective resonance and message clarity are essential. The mediating role of persuasion between FL and PI is particularly noteworthy. Although financial literacy was not a significant direct predictor, its indirect effect through persuasion underscores that knowledge must be framed, contextualized, and emotionally anchored to impact decision-making—a finding also supported by Goyal and Kumar (2021).

However, RAM showed neither a direct nor an indirect (via persuasion) effect, suggesting that fear-based messaging or risk sensitivity may be insufficient levers for driving insurance uptake in this context. This contrasts with findings in highly volatile or high-income economies where risk aversion is a strong driver (Lim et al., 2023). In the context of Kathmandu, this may point to risk normalization or cultural fatalism that dampens behavioral responsiveness to risk cues.

Conclusion and Implications

This study offers a comprehensive behavioral inquiry into life insurance PI in Kathmandu Valley. Grounded in the TPB, Financial Literacy Theory, and the Elaboration Likelihood Model, the model empirically responds to critical gaps in understanding life insurance behavior in emerging markets.

The findings reveal that ATT, SN, and SM exerted significant direct influence on purchase intention, confirming the centrality of individual evaluation, social conformity, and financial motivation as drivers of consumer action. These results reinforce the TPB assertion that behavioral intention is shaped by both internal dispositions and social influence structures. The strong influence of ATT in particular suggests that affective and evaluative beliefs toward life insurance significantly predict intent, a result in line with recent studies in similar socio-economic settings

Conversely, RAM and FL failed to exhibit direct significance, challenging conventional expectations rooted in Prospect Theory and Financial Literacy Theory. These findings suggest that risk perception and financial knowledge, while theoretically influential, may not translate into intent without appropriate cognitive or emotional framing. These insights are particularly relevant in collectivist and low-literacy contexts, where intention is often socially validated rather than individually calculated.

Crucially, PS emerged as a significant mediator across four of the five relationships, specifically between ATT, SN, SM, and FL with PI. This underlines the importance of persuasive framing in converting latent dispositions into actionable intent, thereby validating the explanatory utility of the ELM in financial services decision-making. PS, in this context, functions not merely as a communication tool but as a behavioral enabler, catalyzing the transformation of knowledge, norms, and values into meaningful purchase behavior. The study advances behavioral research by integrating multiple theoretical lenses, TPB, Financial Literacy Theory, and the Elaboration Likelihood Model, to construct a comprehensive model. It reaffirms the predictive power of ATT, SN, and SM as posited by TPB while highlighting the mediating role of PS, thus extending ELM's relevance in insurance-related decision-making. Furthermore, the non-significance of RSM and FL as direct predictors challenges conventional assumptions and calls for context-sensitive theoretical refinements in low- and middle-income economies.

For insurance providers, these findings demand a pivot from transactional selling to strategic behavioral engagement. Marketing strategies should prioritize attitude shaping, social reinforcement, and persuasive messaging that resonates both emotionally and cognitively. Financial literacy initiatives must evolve from generic information dissemination to interactive, persuasive experiences that personalize insurance relevance and foster behavioral conversion. Regulatory frameworks should also mandate transparent and accessible communication standards to build consumer trust. Government–private partnerships could play a strategic role in raising awareness through socially and culturally aligned campaigns that normalize life insurance as a responsible financial practice. Embedding life insurance in the broader discourse of family protection, social responsibility, and intergenerational well-being could catalyze shifts in perception and adoption.

Limitations and Further Research

Despite its contributions, the study is subject to several limitations. First, the cross-sectional design limits the ability to infer causality. Future research may employ longitudinal or experimental methods to observe changes in intention over time. Second, the study was conducted within a single geographical location, i.e., Kathmandu Valley, which may limit the generalizability of the findings. Comparative studies across urban and rural populations could provide a more nuanced understanding of behavioral variations.

Third, while the model integrates key psychological and informational variables, emotional, trust-related, or institutional factors were not included and could be relevant in similar emerging market contexts. Future research could explore moderating effects (e.g., trust, product awareness, perceived risk) or segment-specific behaviors (e.g., by age, income, or employment type). Additionally, qualitative approaches, such as in-depth interviews or focus groups, could uncover richer insights into how consumers perceive, resist, or adopt life insurance.

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Conflict of Interest

The authors declare no conflicts of interest, financial or otherwise, that could have influenced the conduct or outcomes of this research.

Ethical Statement

This research did not require ethical approval as it does not involve any human or animal experiments.

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