



**THE IMPACT OF MACROECONOMIC VARIABLES ON
DEMAND OF LIFE INSURANCE IN MALAYSIA**

NORLIYANA BINTI JAMASRI

2012283366

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

JOHOR.

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ABSTRACT

This paper aims at finding out the impact of macroeconomic variables on demand of life insurance in Malaysia. The variables considered interest rate (IR), inflation (CP), income per capita (GDP), composite price index (CPI) and price of life insurance (PRICE). The sample of this study comprises of forty-eight (48) observations each of the independent and dependent variables on a quarterly basis over eleven (11) years period from 2002 to 2013. Methodology used for this study is by using natural logarithms with time series data sourced from DataStream and MAA Group Berhad Annual Report. Thereafter, econometric tests are to be conducted to observe the relationship of the macroeconomic variables to the demand of life insurance in Malaysia. Interactive software package E-view would be used for testing and analysing the data collected. The study is an attempt to investigate the relationship of the chosen macroeconomic variables towards influencing demand of life insurance in Malaysia. Findings from previous research papers in order to increase life insurance company over-reliance on fixed-rate financing as well as to lessen the challenge of mismatch risk by enabling life insurance company to vary the profit rate for financing. The results of this research paper would provide us the composite price index and price of life insurance are positively related to demand of life insurance in Malaysia which the indication that life insurance is still relevance for the individual futures.

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