

## **Influence of Bank Interest Rate on the Buying Behaviour of Life Insurance Products: A Survey among Selected Households in Sri Lanka**

S. K. Gamage

Department of Insurance & Valuation  
Wayamba University of Sri Lanka  
[gamagesk@yahoo.com](mailto:gamagesk@yahoo.com)

A stable financial system creates a favorable environment for depositors and investors and encourages financial institutions and markets to function effectively and efficiently for promoting investment and economic growth. The maintenance of financial stability creates a trust-worthy environment to savers and investors. The banking sector and insurance sector are treated as safe and secure twin pillars for savings and investments. Bank Interest rate is the reward for depositors and investors. Lower interest rate makes savings less attractive and alternatively, a lower interest rate may encourage other forms of savings and investments. The problem of this study is “does the bank interest rate influence the consumer buying behavior of life insurance products?” Accordingly, the objective of this study is to examine the relationship between bank interest rate and the demand for life insurance products. In this study, both secondary and primary data collected from a sample of 200 households selected through stratified random sampling technique were used and the data was analyzed using quantitative statistical techniques. The results revealed that, out of six alternative investment sources 66 per cent of the households most prefer to invest in fixed deposits in banks and only 4 per cent of them prefer to invest in life insurance. Results revealed that 81 per cent of them agree that bank interest rate directly affect their buying behavior of life insurance products. Accordingly, it can be concluded that, interest rate of the banks affects the consumer buying behavior of life insurance products.

**Keywords:** Interest Rate; Life Insurance; Investment; Consumer Buying Behaviour