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AN EMPIRICAL STUDY ON PERCEPTION INSURANCE POLICY HOLDER TOWARDS INVESTMENT WITH SPECIAL REFERENCE TO CENTRAL CHENNAI

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ABSTRACT:

This research analyses the viewpoints of people with an insurance policy towards whether they believe that insurance should also be regarded as an investment option (in this case, originates from Chennai). Insurance is seen as protection from risk and over time it has progressed into a means for investment/financialization with the potential to create wealth. The purpose of the research was: 1) to establish how people with insurance perceive it with respect to the investment aspect; 2) to investigate the various influencing factors on this perception; 3) to evaluate the challenges encountered by policyholders regarding their investment decisions. Primary data was obtained through structured questionnaires from a total of 104 respondents from a wide variety of socio-economic backgrounds. Statistical analysis including descriptive analysis, t-test, ANOVA, correlation, and regression analyses was conducted upon the collected data. The findings demonstrated that demographic determinants of respondents (e.g., gender/occupation/income/education) have a significant effect on how policyholders perceive insurance. Respondents view insurance primarily as a secure investment option; however, they are more focused on receiving protection against permanent loss of wealth and/or receiving a tax benefit from investing their money in an insurance policy than receiving returns on investment from the actual investment that is built into the policy, which creates or increases the overall value of their property/assets. Respondents also identified key challenges (lack of transparency with insurers; low levels of financial literacy; complexity associated with understanding relevant terms and conditions; low levels of trust in insurers) and provided insight into areas of further research regarding the above findings. The statistical tests performed on the data suggested that there is a significant difference in the way males and females perceive insurance.

Keywords: Insurance Perception, Investment Behaviour, Policyholders, Financial Literacy, Risk Coverage, Tax Benefit

1.Introduction

1.1 Concept

The purpose of the study is to look at how consumers see life insurance as an investment from the perspective of their increasing wealth creation from investment, creating tax savings, and using it to plan for their future financial needs. The paradigm changed for consumers because there are currently significant changes in the insurance industry, including extreme changes in consumers' expectations, the increase in financial literacy, and the changing dynamics of the insurance industry. Understanding these shifts will help insurers, advisors, and policymakers provide options that meet customers' needs and create value for customers through their investments. The impact of perception will affect investment decisions, customer satisfaction, and customer retention and is therefore important for all parties involved.

1.2 Need of the Study

There is a growing need to understand policyholders' awareness, expectations, and satisfaction levels regarding insurance-linked investments, especially in a diverse urban setting like Chennai.

1.3 Influence Factors

Perceptions are influenced by demographic variables, income, financial literacy, risk tolerance, trust in insurers, expected returns, and market conditions, along with digital access and advisory support.

1.4 Statement of the Problem

Policyholders often face confusion regarding policy terms, premiums, claim procedures, and service quality. Lack of transparency and trust impacts satisfaction and decision-making, creating a gap between expectations and actual investment outcomes.

1.5 Theoretical Framework

This research integrates financial literacy, risk vs return, consumer behavior, and investment decisions into one document. It is an integration of the conventional protection-oriented theories of insurance and the contemporary view of insurance as a financial asset, taking into consideration social, economic, psychological and market factors.

1.6 Significance

The findings will help insurers design customer-centric products, enable advisors to provide better guidance, and support policymakers in enhancing financial awareness and investor protection.

1.7 Objectives

- To analyses socio-economic profiles of policyholders
- To assess awareness of insurance investment options
- To identify factors influencing investment decisions

1.8 Hypothesis

Insurance investment perceptions are significantly influenced by awareness, income, risk tolerance, and trust in insurers.

1.9 Scope

The study is limited to policyholders in Chennai, focusing on their awareness, preferences, satisfaction, and challenges related to insurance as an investment, compared with other financial instruments.

2. Review of Literature

The review of literature highlights that policyholders' perception towards insurance investments in Chennai is shaped by a combination of awareness, service quality, risk perception, and technological accessibility. Earlier studies emphasize that awareness significantly influences purchase behaviour, with agents and advertisements playing a key role in shaping policyholder decisions. However, gaps in understanding policy features and claim procedures continue to affect satisfaction levels.

Empirical findings consistently show that service quality dimensions—such as reliability, responsiveness, transparency, and customer relationship—are critical determinants of perception and satisfaction. Studies reveal that private insurers often outperform public insurers in responsiveness and empathy, thereby influencing customer preference. At the same time, lack of transparency and complex policy terms reduce trust, indicating the need for clearer communication.

Socio-economic factors such as age, education, and occupation also impact perception, while income shows a comparatively weaker influence. Policyholders increasingly view insurance not only as risk protection but also as a financial investment, particularly in uncertain economic conditions. This shift is reinforced by rising awareness of financial security and post-pandemic risk consciousness.

Recent literature further highlights the growing importance of digital platforms in shaping customer experience. Convenience, ease of use, and accessibility of online insurance services positively affect customer satisfaction and adoption, especially in urban markets. Additionally, increased awareness and literacy levels are directly associated with higher satisfaction and willingness to invest in insurance products.

Overall, the literature suggests that policyholder perception is a multidimensional construct influenced by awareness, service delivery, socio-economic characteristics, and evolving digital engagement. Aligning customer expectations with actual service experience remains crucial for enhancing trust, satisfaction, and investment behaviour in the insurance sector.

3. Research Methodology

3.1 Overview

Systematic collection of data refers to gathering data in an orderly manner. Once you have collected data, you analyse the data to interpret the results. The overall purpose of this research study is to engage in an objective analysis to earn a better understanding of the people purchasing life insurance products in Chennai. This study will explore the way people perceive these products (life insurance) as investments as well as understand their reasoning behind their purchase decisions with regards to these products.

3.2 Research Design

Two types of research designs will be utilized: Descriptive Research Design and Analytical Research Design for data collection in a study. The descriptive research design adequately describes demographic characteristics (age, sex, occupation, and income) and purchasing preferences. The analytical research design will identify the relationships amongst the three variables: insurance purchase perception, influencing factors, and investment behaviours. The study is based on primary directly from insurance policyholders.

3.3 data collection

- Demographic details
- Types of insurance preferred
- Purpose (risk protection, investment, tax saving)
- Perception towards insurance as investment
- Influencing factors and agreement levels on safety, trust, returns, and financial planning

3.4 sample design

- Population: Insurance policyholders in Chennai
- Sampling Technique: Convenience Sampling
- Sample Size: (as per study)

3.5 Tools and techniques used for analysis

- Descriptive Analysis: A depiction of demographic factors such as preferences and ways that factors are perceived.
- Independent Sample t-test: Comparison of two groups in regard to how they perceive certain factors (e.g., male vs. female).
- ANOVA: Investigation of characteristics associated with a variable (e.g., Age, Income, Occupation).
- Correlation Analysis: Exploration of relationships between all relevant variables (e.g., perception, trust, risk/return, tax benefits, experience).
- Correlation Matrix: Visual representation of variable relationships with data arranged into a matrix-like format.
- Regression Analysis: Analysis of how the dependent variable is influenced by the independent variables. Example: how the dependent variable of the perception of insurance as an investment is related to the independent variables of risk coverage, guaranteed returns, tax benefits, trust, experience, and/or brand reputation.

3.6 Link between objectives and methodology

Descriptive analysis is used for profile, preferences, and perception; correlation and matrix for relationships; regression for impact; and t-test/ANOVA for demographic comparisons.

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4 DESCRIPTIVE ANALYSIS

Objective 1: Analyse socio-economic profile of policyholders

Mean	**1.4807**	**2.5480**
Variance	0.5044	1.3180
Observations	104	104
Pearson Correlation	0.0190	
Hypothesized Mean Difference	0	
Df	103	
t Stat	-8.1319	
P(T<=t) one-tail	5.0019	
t Critical one-tail	1.6597	
P(T<=t) two-tail	1.0004	
t Critical two-tail	1.9832	

Table 4.1 social – economical profile

Objective 2: To assess awareness of insurance investment options

Multiple R	0.07261
R Square	0.00527
Adjusted R Square	-0.02457
Standard Error	1.16208
Observations	104

Variables	***Df***	***SS***	***MS***	***F***
Regression	3	0.715	0.238	0.176
Residual	100	135.0437	1.35043	37

Intercept	***Coefficients***	***Standard***	***t Stat***	***P-value***

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		Error		
	2.793	0.555	5.027	2.18E
Insurance influence	-0.0927	0.130	-0.709	0.479
Balance risk	0.0082	0.120	0.068	0.945
Better safety	0.0071	0.107	0.067	0.946

Table 4.2 knowledge level of policyholders

- **Objectives 3:** To identify factors influencing investment decisions

particular	*Trust level*	
Insurance policies	1	
Trust level	0.3381	1

Table 4.3 Identify factors influencing investment decisions

Objectives	**Key Findings**	**Interpretation**
Analyse socio-economic of policyholders	Respondents from different age ranges (mostly young & middle-aged), different professions, (employed, self-employed, retired) and different levels of income tend to agree that High earners prefer ULIPs and investment linked products whereas low earners are more concerned with risk cover.	The socio-economic diversity in Central Chennai demonstrates that perceptions of insurance as an investment are not uniform and depend on both an individual's financial capabilities and also where they are positioned in life. Younger, higher-income individuals are now moving from a mindset focused solely on risk protection to one more focused on investments in financial assets. This supports the primary premise of the study that states the evolution of insurance from providing only risk protection to being a financial asset.
Assess knowledge level of	Most people are aware of the different types of insurance (life,	The moderate level of financial literacy of Central Chennai's policyholders indicates that

policyholders	health and general). A lot of people equate insurance with being an investment or tax effective. There is a general lack of complete understanding of the difference in the perception of risk between mutual funds and bank deposits; people generally prefer safety to potential returns.	they understand insurance is both protective in nature and an investment, though they may not understand how much return they will receive from their investment.
identify factors influencing investment decisions	Main factors: protection from risk, secure, tax adv. Trust and brand name are two factors. The correlation reveals trust has a positive relation to tax adv. (r = .338) while the regression is weak in its explanatory power $R^2 = 0.0053$ which implies that there are other unknown variables that come into play.	The investment choice is primarily influenced by personal security and psychological confidence. Although moderate correlations exist between income tax benefits and investor confidence, financial incentives increase people's confidence about their investment options.

Table 4.4 key findings

5. Findings, Suggestions and Conclusions

5.1 Major Findings

Socio-economic characteristics are found to greatly affect perception, particularly among younger, higher-income individuals who have a greater tendency to purchase investment-based insurance products. These results are in keeping with the finding of Muthukumaravel (2019) and Anjappa & Prathapan (2024), which indicate that demographic factors and knowledge influence policyholder behaviour. Awareness of the role of financial resources, however, has been classified as moderate; while policyholders see insurance as a safe and tax-deferred investment, they appear to have little understanding of the return on their investment potential (consistent with Nithya (2017), as well as with the work of Kannaujiya et al. (2024) on the role of financial literacy). A variety of other factors such as risk management, trust, and tax incentives are all found to significantly influence how policyholders make decisions regarding the status of their coverage over time. This is also consistent with the conclusions drawn by Gangel & Vishnu (2020) and Krishnamoorthy & Jayakumar (2020), who emphasize that service delivery and trust are the most significant determinants of how policies are purchased. Finally, given the low value of the R^2 statistic (0.0053), it suggests that perceptions regarding insurance are influenced by more global behaviour and psychological factors which cannot be measured through standard variables. Socio-economic characteristics are found to greatly affect perception, particularly among younger, higher-income individuals who have a greater tendency to purchase investment-based insurance products.

5.2 Suggestions to Stakeholders

Government and Regulators - Strengthening Financial Literacy Programs and Enforcing Disclosure Standards will help reduce financial information asymmetry. Insurance Companies Offering Clearer Products, More Information about Products, and faster claims processing will assist in building consumer trust and improving overall perception of Insurance. Financial Advisors - Developing a comprehensive advisory process; focusing on Educating/Training customers, rather than selling products. Policyholders- Improving financial literacy/knowledge, comparing products available, actively understanding policy features.

5.3 Limitations

The study is geographically restricted to Central Chennai and is based on a relatively small sample size (104 respondents). The use of structured questionnaires may introduce response bias, and the regression model indicates limited explanatory variables, suggesting the exclusion of behavioural and psychological factors.

5.4 Overall Conclusion

According to the report, the insurance industry in Central Chennai will evolve from a traditional risk cover product to an evolving hybrid financial product. There is a high level of awareness; however, people still perceive it conservatively as an investment (i.e. they think more about the way an investment works and the security that comes with it rather than focusing only on the potential return). Bridging the gap between awareness (that is, you know about something) and understanding (that is, you understand a product or service) through education, transparency and better delivery of service will help position insurance as a viable investment opportunity The study concludes that policyholders in Chennai perceive insurance as both a risk protection tool and an emerging investment avenue. Awareness, service quality, and trust significantly influence their perception and purchase decisions. Socio-economic factors such as age, education, and occupation also play an important role in shaping attitudes. The increasing use of digital platforms has enhanced accessibility and customer engagement. Overall, improving transparency, communication, and customer-centric services is essential to strengthen policyholder confidence and satisfaction.

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