

"Impact of Life Insurance Awareness on Investment Decisions: A Study of Urban and Rural Households"

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Abstract

Life insurance can be used for insuring against risks and also for investing your money long-term. Since the knowledge about finance and availability of products are not equal across urban and rural India, people's awareness of life insurance greatly affects how they manage their finances. This study focuses on how the understanding of life insurance impacts the way urban and rural households invest their funds. The research uses information from a survey completed with 200 households (100 from urban areas and 100 from rural areas). It evaluates how aware people are, if they know about the policies, how much they understand their insurance benefits and how much impact insurance agents and the media have on them. Descriptive statistics and chi-squared tests are examples of statistical tools that help analyze whether there is a link between awareness and how much we invest. According to the study, people in urban areas invest and understand finance more than those in rural areas. Many city families know the value of life insurance and tend to invest their money in it and what city families do. The results indicate that better awareness among rural people can guide them to better decisions about investments. The paper supports the existing body of work on financial inclusion and issues recommendations to enhance life insurance outreach activities.

Keywords: Life insurance, Investment decisions, Awareness, Urban households, Rural households, financial planning.

Introduction: Nowadays, every household should consider financial planning. Men and women earn income, keep some, spend some and invest depending on their wants, aims and the information they have. In comparison to other financial products, life insurance is important. After a person dies, their family receives money from the life insurance for their expenses and the policy can also help accrue savings for many years. Certain ULIPs have features such as returns, bonuses and maturity benefits and they are tax-efficient too.

But, whether someone invests in life insurance is influenced by how well they are versed in it. Often, many people are unsure about what life insurance has to offer. People should understand what life insurance is for, the policies it offers, what benefits and risks are involved and how to submit a claim. With this information, people may understand that life insurance is more than a form of protection and can serve as an investment too.

Financial education and opportunities to use financial services are much higher in India's cities than in rural areas. Cities tend to give individuals greater exposure to banks and insurance firms and they are more likely to own personal computers and mobile devices. Alternatively, rural families often find their information informally and quite a few do not realize how important life insurance is. For this reason, people living in rural regions tend to know less about certain things than those living in urban areas.

People's levels of awareness can impact how they invest their money. Awareness of life insurance and its advantages usually helps people include it in their financial plans. Sometimes, individuals choose life insurance because it protects them, allows them to save money, offers tax benefits and helps them prepare for their future. But if a person does not understand the newer options, they may rely just on gold, cash or land as a means of saving money.

It examines the impact of knowing about life insurance on the decision-making process related to investments for both urban and rural households. A comparison between them allows us to discover the impact of education, easy access and financial information on people's investment habits. It will support efforts to introduce life insurance to more people living in rural parts of the country.

It is valuable for society because educating people helps them become more financially secure and equips families to invest more wisely. As more individuals in India are becoming

financially part of the digital world, it is important to explore how knowledge about life insurance can be beneficial.

Literature Review:

Many experts believe that understanding life insurance comes in handy when making financial decisions. According to Choudhary and Singh (2008) and Mishra (2016), rural households have very little knowledge and mainly trust that life insurance protects them, not that it can act as an investment. Gupta and Kumar (2014) and Kaur (2018) revealed that having financial literacy improves a person’s ability to use and understand life insurance.

Both Patel (2021) and Sharma and Reddy (2019) reported that urban households are more educated and better at investing their money than rural households. According to Rao’s findings, higher awareness encourages people to purchase more life insurance.

Some studies, like Singh and Joshi (2005), Aggarwal and Singh (2013) and Bansal and Kumar (2017), pointed out that buying habits in rural areas are dependent on people’s income, trust in others and the level of education.

Chatterjee (2009), Das and Das (2015) and Jain and Singh (2012) are other examples of researchers that found the same outcome.

According to research, educating the public and people in rural areas on finances and life insurance is important for developing the sector in India.

Objectives of the Study:

- To study the level of awareness about life insurance in urban and rural households.
- To compare the investment behavior of urban and rural households.
- To analyze the relationship between life insurance awareness and investment decisions.
- To identify the key factors influencing life insurance investment in both groups.

Hypothesis:

H0 (Null Hypothesis): There is no significant relationship between life insurance awareness and investment decisions.

H1 (Alternative Hypothesis): There is a significant relationship between life insurance awareness and investment decisions.

Research Methodology:

This study focuses on description and analysis of its findings. It seeks to study the effect of knowing about life insurance on the investment choices made by households of all backgrounds. A questionnaire with both closed and open-ended questions was made so the researcher could get the required information. It surveyed questions involving people’s awareness of life insurance, whether they possess policies, their view of insurance as a form of investment, what they know about tax benefits and what impacts their decision about life insurance.

Random sampling was used to collect primary data by interviewing 100 people from urban areas and another 100 from rural areas. A fair representation was achieved by choosing respondents from various groups based on income, age and education. The regions chosen in Maharashtra for this study included both towns and villages, so their differences could be easily compared.

Understanding the trends involved using statistical tools such as percentages and frequencies. To check the hypothesis and measure their relationship, chi-square tests were performed. Collecting and using both types of data allowed me to look at the topic from various perspectives. As a result, the outcomes of this methodology satisfied objectiveness, reliability and were helpful in advising policies.

Table 1: Descriptive Statistics:

Parameter	Urban Households (%)	Rural Households (%)
Aware of life insurance	90%	60%
Own at least one life insurance policy	85%	55%

Consider life insurance as an investment	70%	35%
Influenced by agent or media for decision	75%	50%
Understand tax benefits	65%	30%

Analysis of Descriptive Statistics:

Statistics demonstrate that an urban household is more likely to know about life insurance than a rural household. Most people in urban areas knew about life insurance, while only about two-thirds in rural areas said the same. Out of urban households, almost everyone held a policy, but only half of those in the country did.

Considering life insurance as an investment is more common for urban respondents, as 70% say so, while only 35% of rural ones agree. It reveals that people have little knowledge about finances and how to invest.

More people living in urban areas are impacted by agents or advertisements, meaning they are exposed to many marketing and financial literacy programs. A lot of urban households understood tax benefits, but very few rural households knew about them.

Table 2: Hypothesis Testing (Chi-Square Test)

Variable	Chi-square Value	p-value	Significance
Awareness vs. Investment Decision	12.45	0.0004	Significance
Ownership vs. Awareness	10.23	0.0013	Significance
Tax Benefit Understanding vs. Investment	14.87	0.0001	Significance

Analysis of Hypothesis Testing:

According to the chi-square test, all variables have p-values less than 0.05. As a result, we believe that the alternative hypothesis is accurate and don't accept the null hypothesis.

There is a strong link between knowing about something and deciding to invest. Awareness of life insurance increases the chances that a person invests in it.

Being a shareholder often keeps investors informed of changes in the company. People who are more aware are often owners of life insurance.

Besides, tax breaks can also influence the investments people make. Many individuals who realize they can save on taxes by using life insurance tend to invest.

According to the results, people in rural areas need more knowledge about life insurance to encourage them to invest.

Conclusions Overall Results:

From Tables 1 and 2, we can see how awareness of life insurance affects how urban and rural families choose their investments. According to Table 1, the knowledge of life insurance among urban residents is higher than that of residents in rural areas. The majority of families in cities know about life insurance, hold at least one policy and regard it as an advantageous investment. They may be more informed about tax perks and are likely to be guided by both insurance agents and TV ads. The situation is not the same in rural areas. Most rural households are unaware of life insurance and what it has to offer. Mostly, they view it as insurance for their family, rather than as an opportunity to earn money.

As seen in Table 2, the results are determined using the chi-square approach for hypothesis testing. Every p-value is smaller than 0.05 which indicates the results are significant. This demonstrates that knowledge of life insurance often influences investment decisions. In essence, when individuals realize the perks of life insurance, they tend to invest in it more often. Towns and cities often have a stronger connectivity because more people are aware of this issue.

In the end, the tables indicate that making a decision to purchase life insurance is strongly affected by awareness. Those living in cities know more about investing and usually make the

right decisions, whereas those living in rural areas may benefit from more helpful information. Promoting rural development in investments requires people to be informed, have financial know-how and find it easier to get insurance support.

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