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A Study on Financial Factors Influencing Customer's Investment in Life Insurance Policies

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Abstract:

The life insurance sector in India, regulated by the Insurance Regulatory and Development Authority of India, plays an important role in providing financial security and encouraging long-term savings. This study examines the key financial factors influencing customers' investment in life insurance policies, such as income level, premium affordability, tax benefits, and risk coverage. Using survey data and statistical tools like percentage analysis, weighted average, correlation, and ANOVA, the study finds that income level, premium affordability, and tax benefits are the most influential factors affecting investment decisions. Financial awareness also increases the likelihood of customers investing in life insurance policies.

Keywords— Life Insurance Investment, Financial Factors, Customer Investment Behavior, Premium Affordability, Risk Coverage, Tax Benefits, Income Level, Financial Security.

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INTRODUCTION

The life insurance sector plays an important role in providing financial protection and supporting long-term financial planning for individuals and families. In an uncertain economic environment, life insurance helps people manage risks related to death, disability, and income loss. In addition to protection, life insurance is also widely used as a savings and investment tool that helps individuals achieve financial goals such as children's education, marriage, retirement planning, and emergency needs.

In India, the life insurance industry has experienced significant growth due to increasing financial awareness, higher disposable income, and the expansion of insurance services across different sections of society. The industry is regulated by the Insurance Regulatory and Development Authority of India, which ensures transparency, consumer protection, and proper functioning of insurance companies. With the presence of both public and private insurers, customers now have access to various life insurance products such as term insurance, endowment plans, unit-linked insurance plans (ULIPs), pension plans, and money-back policies.

Customer investment in life insurance is largely influenced by several financial factors. These include income level, premium affordability, expected returns, tax benefits, savings motives, risk coverage, and long-term financial objectives. Individuals usually evaluate these factors carefully before selecting a life insurance policy. For example, customers with higher income

levels may choose policies with higher premiums and investment benefits, while middle-income groups often focus on affordability and basic risk protection. Financial factors also influence how customers perceive life insurance as a financial product. Many people consider life insurance not only as protection against uncertainties but also as a disciplined savings instrument that helps them accumulate funds over time. In addition, government tax incentives under income tax provisions encourage individuals to invest in life insurance policies.

In the present competitive financial environment, customers also compare insurance products based on premium amount, return on investment, policy tenure, bonus benefits, and the claim settlement performance of insurance companies. These financial considerations play a major role in shaping customer behaviour and their willingness to invest in life insurance policies.

Therefore, understanding the financial factors influencing customer investment decisions is important for insurance companies and policymakers. It helps insurance providers design customer-oriented policies, improve marketing strategies, and enhance customer satisfaction. The present study focuses on analysing the key financial factors such as income level, premium affordability, tax benefits, savings objectives, and expected returns that influence customers' investment in life insurance policies. The findings of the study will provide valuable insights into customer investment behaviour and support insurance companies in developing effective strategies to attract and retain policyholders.

OBJECTIVES

Primary Objective:
To Know the Financial Factors Influencing Customer Investment in Life Insurance policies.

Secondary Objectives:
To analyze the relationship between types of customers and their choice of life insurance policies.
To identify the major factors influencing customer investment in life insurance policies.
To examine the significant difference between income level & premium affordability in life insurance policies.

REVIEW OF LITERATURE

Pavithra, M. (2025) conducted a study titled "Investor Decision-Making Pattern for Life Insurance Products at Life Insurance Corporation of India." The study analysed the decision-making behaviour of investors while purchasing life insurance policies. It focused on factors such as income level, risk perception, and financial goals. The findings revealed that income level and perception of financial risk significantly influence investment decisions, while financial security and family protection are the primary reasons for investing in life insurance policies.

Dharani P. I. and Anushree V. (2023) conducted a study on the factors affecting customer investment towards life insurance policies. The research used survey data collected from 32 respondents and analysed the information using percentage analysis. The study found that income level and financial security for family members are the most significant factors motivating customers to invest in life insurance. It also revealed that tax benefits and the reputation of insurance companies influence the policy selection process.

Pant (2024) conducted a study titled "Factors Affecting Investment Decision of Life Insurance Policy." The research examined financial factors such as risk and return, tax benefits, and claim settlement performance of insurance companies. Multivariate regression analysis was used to analyse the relationship between these factors and customer investment decisions. The findings showed that expected returns, tax advantages, and reliable claim settlement procedures strongly influence customers' willingness to invest in life insurance policies.

Manish Bahadur Bista and Hari Prasad Upadhyay (2023) conducted a study to analyse the factors affecting customers' purchase decisions of life insurance policies. The research collected primary data from policyholders and used percentage analysis and correlation analysis for data interpretation. The study examined factors such as premium affordability, financial security, risk coverage, and tax benefits. The results indicated that financial benefits and risk protection are the most important factors motivating customers to invest in life insurance policies.

Asim Ray and C. S. Rohit Kumar Yadav (2025) conducted a study titled "Impact of Demographical Content on Life Insurance Saving." The objective of the research was to examine how demographic factors such as income level and education influence individuals' saving behaviour in life insurance. Statistical tools including correlation analysis, regression equation, and ANOVA were used for data analysis. The findings revealed that individuals with higher income and better education levels are more likely to invest in life insurance policies.

METHODOLOGY

The study adopts a Descriptive Research Design, aiming to systematically explore and understand the financial factors that influence customer's investment decisions in life insurance policies. This design enables a detailed analysis of customer's investment behaviour, financial considerations, and preferences while selecting life insurance policies. It helps in examining how factors such as income level, premium affordability, returns, tax benefits, and financial security influence investment decisions.

A total of 143 respondents were selected through Convenience Sampling, where participants were chosen based on their accessibility and willingness to participate in the study. This sampling method allows the researcher to collect relevant data efficiently from individuals who have knowledge or experience with life insurance investments.

Primary data: It was collected directly from respondents using structured questionnaires and surveys to gather information about their financial considerations, investment preferences, and factors influencing their decision to invest in life insurance policies.

To analyse the collected data, various statistical tools such as Percentage Analysis, Weighted Average Method, Correlation Analysis, and ANOVA are employed. These tools help in identifying the relationship between demographic factors and customer's investment decisions in life insurance policies. They also assist in measuring the association between financial factors such as income level, premium affordability, returns, tax benefits, and customers' preference for life insurance policies. Further, the study compares variations in investment behaviour among respondents with different income levels and demographic backgrounds. The research aims to examine the financial factors that influence customers' investment in life insurance policies and provide insights into how these factors affect their decision-making process.

Data Analysis

Percentage Analysis: Percentage analysis is used to describe the demographic characteristics of respondents and to understand the distribution of responses related to financial factors influencing investment in life insurance policies. It helps in identifying the proportion of respondents who prefer life insurance as an investment option and their level of awareness and attitude toward life insurance policies.
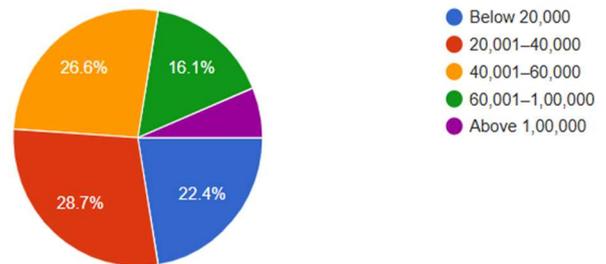
Percentage Analysis for gender
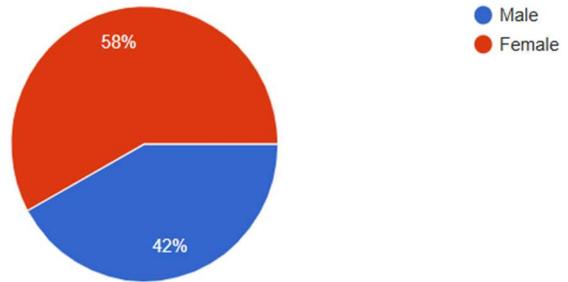
INFERENCE:

The analysis shows that 58% of the respondents are female and 42% are male. This indicates that female respondents constitute the majority of the sample, suggesting that women are more represented in the study on life insurance investment.
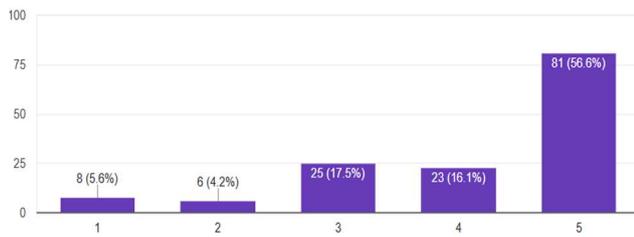
Percentage Analysis for Income

INFERENCE:

The largest group of respondents (28.7%) earn between ₹20,001–₹40,000, followed by 26.6% earning ₹40,001–₹60,000. This indicates that middle-income individuals constitute the majority of the sample, suggesting that life insurance investment is more common among the middle-income group.

Percentage Analysis for Risk Coverage

INFERENCE:

The analysis shows that 56.6% of respondents strongly agree and 16.1% agree that risk coverage is an important factor for investing in life insurance. This indicates that risk protection is the most significant reason for customers to invest in life insurance policies.

CORRELATION:

To find out the relationship between type of investor and choice of policy.

**Null hypothesis (H0):** There is no relationship between type of investor and choice of policy.

Alternative hypothesis (H1): There is a relationship between type of investor and choice of policy.

Correlations			
		Choice of Policy	Investor Type
Choice Of Policy	Person Correlation	1.000.	0.067
	Sig. (2-tailed)		0.008
	N	143	143
Investor Type	Person Correlation	0.067	1.000.
	Sig. (2-tailed)	0.008	
	N	143	143

INFERENCE:

The p-value (Sig. 2-tailed) of 0.008 is less than the standard significance level of 0.05, leading to the rejection of the null hypothesis. This indicates a statistically significant relationship exists between Choice of Policy and Investor Type.

WEIGHTED AVERAGE:
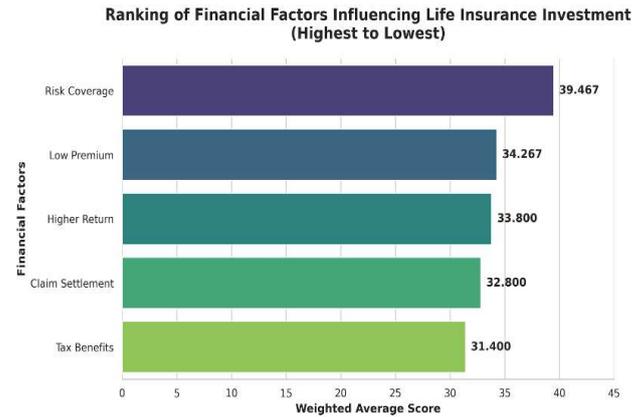
INFERENCE:

Risk Coverage (Weighted Average = 39.467) – Rank 1

The highest weighted average score indicates that risk coverage is the most important financial factor influencing customers' investment in life insurance policies. Most respondents strongly agree that protection against financial risk is the primary reason for choosing life insurance.

Low Premium (Weighted Average = 34.267) – Rank 2

The results show that affordable premium is the second most important factor influencing customers. Respondents prefer life insurance policies that provide benefits with lower premium costs.

Higher Return (Weighted Average = 33.8) – Rank 3

The analysis indicates that earning higher returns from life insurance policies also plays an important role in investment decisions, though it is slightly less influential than premium affordability and risk coverage.

Claim Settlement (Weighted Average = 32.8) – Rank-4

The weighted average shows that efficient and reliable claim settlement influences customer trust in life insurance policies, making it an important but comparatively lower factor in decision-making.

Tax Benefits (Weighted Average = 31.4) – Rank 5

The lowest weighted average score suggests that tax benefits are the least influential factor among the listed financial factors, although they still play a

supportive role in encouraging investment in life insurance.

ANOVA

To find out the association between factors considering while choosing a financial advisor and income.

Null hypothesis (H0): There is no significant difference between income and percentage of income spent on insurance premiums.

Alternative hypothesis (H1): There is significant difference between income and percentage of income spent on insurance premiums.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Premium % Income	Between Groups	2.55	4	.64	1.34	.257
	Within Groups	65.36	138	.47		
	Total	67.90	142			

The ANOVA test results show that the F-statistic is 1.34 with a significance value of 0.257. Since the p-value (0.257) is greater than 0.05, the null hypothesis is not rejected. Therefore, there is no statistically significant difference between income groups with respect to the preferred Percentage of premium. Therefore there is a significant relationship between income and preferred percentage of premium.

FINDINGS:

1.Relationship between Type of Investors and Choice of Policy

The correlation analysis indicates that there is a relationship between the type of investors and their choice of life insurance policy. This shows that different types of investors tend to prefer different policy options based on their financial preferences and investment objectives.

2. Income Level and Premium Allocation (ANOVA Result)

The ANOVA analysis shows that there is no significant difference between income level and the percentage of income spent on life insurance premium.

3. Importance of Financial Security and Risk Protection

The study concludes that financial security and risk protection are the primary reasons for customers to invest in life insurance policies. Other financial considerations such as premium affordability, expected returns, and claim settlement also influence their investment decisions.

4. Risk Coverage as the Most Influential Financial Factor

The weighted average analysis reveals that risk coverage is the most important financial factor influencing customers' investment in life insurance policies, with the highest weighted average score of 39.467.

5. Awareness and Preference toward Life Insurance Investment

The study finds that most respondents show a positive awareness and preference toward investing in life insurance policies as a financial security instrument. Customers consider life insurance not only as a protection tool but also as a long-term financial planning option for securing their family's future.

SUGGESTIONS

Provide Personalized Insurance Plans: Companies should design customized insurance policies based on customers' income levels, financial goals, and risk preferences to attract a wider range of investors.

Develop Low-Cost Insurance Plans: Insurance companies should introduce more affordable policy options to attract middle-income and low-income customers who are concerned about premium affordability.

Increase Rural Market Penetration: Insurance providers should focus on expanding their services in rural and semi-urban areas to increase awareness and coverage of life insurance among untapped populations.

Improve Policy Flexibility: Insurance companies should allow flexible payment options and policy modifications so that customers can adjust their policies according to their changing financial situations.

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