Exploring Investment, Insurance, and Financial Behaviour: A Study of Risk Management and Financial Planning

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Abstract:
Globalization has profoundly impacted investment, reshaping the landscape of international finance and economic development. Technological advancements, policy changes, and the increasing interconnectedness of economies worldwide drive this transformation. Investment is the key to building a secure financial future, providing opportunities for growth and wealth accumulation. Diversifying your investment portfolio can help mitigate risk and increase the potential for long-term returns. With that background, our study explores the relationship between insurance policies, loans, and the financial behaviour of married females aged 25-35. It delves into findings of data collected from 135 respondents, focusing on fifty members who have taken and repaid loans. The data analysis revealed intriguing patterns, highlighting the demographics' higher preference for insurance policies. Possible reasons include a sense of responsibility toward family, homeownership, or starting a family. The present study also sheds light on the role of localized agents in promoting insurance products to these target demographics. The correlation between insurance policies and loans underscores the importance of risk management in savings and investment strategies. While the study acknowledges its limitations, such as a relatively small sample size and exclusive focus on one branch's customer base, it provides valuable insights that can inform financial institutions and insurance providers in tailoring their products to serve the specific needs of this demographic better, ultimately fostering a more financially secure future for them and their families.

Keywords: Savings, Investment, insurance, loan, repayment.

INTRODUCTION:

Investment involves giving money or assets to someone else with the expectation of receiving them back along with a profit in the future. Successful investment requires careful research, diversification, and a long-term perspective to weather market fluctuations and achieve your financial goals. There are different types of investment plans. For example, bonds involve lending money to a company or government and receiving interest. Stocks, on the other hand, represent ownership in a business. Bonds are considered safer investments, while stocks have the potential for higher profits but also come with higher risks and no guarantees. Mutual funds are another option, where you invest in a mix of stocks and bonds. They are considered to have moderate risks and returns.

The insurance sector consists of companies that provide a service called insurance. Insurance serves as a method for the management of risks and uncertainties. The idea behind purchasing insurance is straightforward: consumer can obtain insurance from reputable organizations if they want to safeguard their important assets, such as a car or house, or if they want to protect themselves and their

families from natural disasters. In exchange for this promise of protection, consumer agrees to pay the insurance company a smaller amount of money periodically, called a premium. The premium can be paid monthly, quarterly, or annually, depending on the insurance policy terms. This allows them to pool the money and create a fund that can be used to pay claims to those who experience the covered events. They use actuarial calculations and statistical analysis to determine the appropriate premiums based on the events; likelihood and the potential costs involved. Overall, the insurance industry is considered a relatively safe and stable sector for investors. While it may not snowball like some other financial sectors, it provides a reliable and steady source of income. This perception has been confirmed for a long time, although it has weakened compared to the past.

HOW INSURANCE COMPANY WORKS:

In simple terms, the insurance sector is all about managing risks. When insurance companies provide policies, they carefully consider the different risks. They use actuarial analysis, which means they use statistics and data to understand how likely certain events are to occur.

Based on this analysis, insurance companies adjust their policyholders' premiums. The premiums might be higher if the statistical data show a higher risk. If the data a lower risk, the premiums might be lower. On the basis of these risk assessments, they also revaluate the benefits offered by the policies.

What is interesting about insurance companies is that they can use the money they receive from their customers as premiums to invest in themselves. They can invest this money to potentially earn more profits. This is similar to how banks operate, but insurance companies tend to invest even more. This is sometimes called "the float," and it helps insurance companies generate additional income.

Loan against Insurance Policy:

Now a day, almost everyone has some form of insurance policy. It is a crucial financial investment that protects you and your family in unexpected situations. In addition to this security, an insurance policy can also be used to get money when needed. Some banks offer an option where you can take a loan using your insurance policy as a basis, but there are specific terms and conditions that follow. This can be helpful during a financial emergency or when you need quick cash for short-term expenses.

Although not well-known in our country, this type of loan is quite popular in many other countries worldwide. The best part is that your insurance policy acts as collateral, so you do not need any other guarantee. It is one of the most straightforward and convenient types of loans available in the market.

Purpose: You usually have get an insurance policy to protect your family in case something happens to you. But now, there is an extra benefit—you can take a loan using this policy if you need money for a short time or during an emergency. Different banks have a list of policies they accept for this type of loan. They often offer loans based on unit-linked and endowment plans.

This type of loan is convenient because you do not need to provide any other assets as collateral. Your insurance policy itself serves as sufficient security. Thus, it is a straightforward way to get funds when needed quickly.

***Benefits*:**

A loan against an insurance policy is an excellent option for people who need money immediately. This is a way to borrow money using your insurance policy as a guarantee without needing other assets. Here are some advantages of this type of loan:

- You do not need any additional collateral or assets because your insurance policy serves as security.
- This loan's interest rate is usually lower than that of a personal loan.
- Since the loan is already secured with your insurance policy, there is a meagre chance that your loan application will be rejected.
- If you pass away while the loan is still active, the remaining balance is deducted from your policy amount, and the rest is given to your chosen nominee.
- You can apply for a loan against your insurance policy online, which makes the whole process quick and hassle-free.

METHODOLOGY:

Research Design

The data used for the analysis in this case study are qualitative. The primary data were collected in the form of a survey questionnaire. The data collection mainly focused on three aspects of the respondents: Part one enquired about their basic information; part two enquired about their employment details: and part three enquired the details of their investment and loan.

The questionnaire consisted of 17 questions out of which 3 questions enquired about their basic information, 2 questions enquired about their employment details and the remaining 12 questions enquired about the details of the loan and investment. The questionnaire was sent to 135 respondents through social media with the link to the Google form. These questionnaires were further analysed and screened for respondents who took loans. The respondents who took loans were individually called and enquired about the purpose of the loan, about the tenure of the loan repayment, and their satisfaction with the loan policies.

Table 1: Demographic profile of Respondents

STATUS	RESPONDENTS	PERCENTAGE (%)
STATUS		
Male Female	19 31	38 62
Total	50	100
Age		
Below 25 years 25to 35 Years 36 to 45 years 46 to 55 years Above 55 years	03 32 10 04 01	06 64 20 08 02
Total	50	100
Education qualification		

Below PUC UG PG	07 37 06	14 74 12
Total	50	100
Marital status		
Married Unmarried	32 18	64 36
Total	50	100
Monthly income		
10,000-20,000 20,000-30,000 30,000-40,000 Above 40,000	27 15 06 02	54 30 12 04
Total	50	100
Sum of assure		
1,00,000 2,00,000 5,00,000	15 22 13	30 44 26
Total	50	100
Loan taken		
Bellow 1,00,000 1,00,000-2,00,000 2,00,000-3,00,000 3,00,000-4,00,000	21 17 08 04	42 34 16 08
Total	50	100

Table 1 shows that 38 % of respondents are male and 62% are female. The highest percentage of the respondents is 64 % belonging to the 25-35 years age group, followed by 20 % between 36 and 45 years, 8% belonging to the 45 -55 years of age, 65 belonging below 25 years, and remaining 2% belonging to above 55 years. Of the education of the respondents, 74 %were UG Degree holders, followed by 14% below PUC and 12 % PG. Regarding marital status, the 64% of respondents are married and 36% unmarried. Of the monthly income of the respondents, 54 % are 10,000-20,000, 30 % are 20,000-30,000, 12 % are 30,000-40,000, and 4 % are above 40,000. The sum of assure taken respondents are44% taken 2, 00,000, 30 % taken 1, 00,000, 26 % taken 5, 00,000. Of the loan-taken respondents, 42 % were below 1 00,000, 34 % were 1, 00,000- 2 00,000, 08 % were 2 00,000-3, 00,000, and 04 % were 3, 00,000-4, 00,000.

Table 2: Association between age and Satisfaction level toward Investment

Age	Extremely	Satisfied	Cannot say	Not satisfied	Total
Below25 years	0	02	01	0	03
25 -35 years	20	11	01	0	32

36 -45 years	06	03	01	0	10
46 -55 years	04	0	0	0	04
Above 55 years	01	0	0	0	01
	31	16	03	0	50

Source: Primary Data

Results of the chi-square test

Degree of freedom	12
Calculated value	10.888
Table value 5 per cent level	21.026

Table 2 the critical value from the chi-square table at the 5 % significance level with 12 degrees of freedom is 21.026. Because the calculated value (10.888) is less than the critical value (21.026), we fail to reject the null hypothesis.

Table: 3 Association between Gender and a Satisfaction level

Gender	Extremely	Satisfied	Cannot say	Not satisfied	Total
Male	10	06	03	0	19
Female	12	17	02	0	31
Total	22	23	05	0	50

Source: Primary Data

Results of the chi-square test

Degree of freedom	3
Calculated value	2.9309
Table value 5 per cent level	7.815

Table 3: The critical value from the chi-square table at the 5 % level of significance with 3 degrees of freedom is 7.815. Because the calculated value (2.9309) is less than the critical value (7.815), we fail to reject the null hypothesis. There is no association between gender and investment satisfaction.

Table 4: Association between marital status and satisfaction level

Gender	Extremely	Satisfied	Cannot say	Not satisfied	Total
Married	16	14	02	0	32
Unmarried	17	01	0	0	18
Total	33	15	02	0	50

Source: Primary Data

Results of the chi-square test

Degree of freedom	3
Calculated value	9.2718
Table value 5 per cent level	7.815

Table 4: The critical value from the chi-square table at the 5% level of significance with 3 degrees of freedom is 7.815. Because the calculated value (9.2718) is greater than the critical value (7.815), we reject the null hypothesis.

Table: 5 Correlation between the sum of assured and loan taken

Sum of assure Loan taken	1,00,000	2,00,000	3,00,000	4,00,000	5,00,000	Total
Below 1,00,000	15	6	-	-	-	21
1,00,000-2,00,000	-	17	-	-	-	17
2,00,000-3,00,000	-	-	-	-	8	8
3,00,000-4,00,000	-	-	-	-	4	4
Total	15	23	-	-	12	50

The correlation coefficient ranges from -1 to 1. A value of **0.68** a moderately strong positive correlation. This means that as one variable increases, the other variable also tends to increase, and vice versa.

Scatter Plot: Create a scatter plot to visualize the data points for each respondent. If the points cluster in a pattern that slopes upwards from left to right, this would support the positive correlation indicated by the correlation coefficient.

Discussion

The relationship between insurance policies and loans holds significant importance in personal finance, especially when considering savings and investment strategies. This discussion delves into the findings obtained from data collected from 135 respondents, explicitly focusing on fifty members who have both taken and repaid loans. Data were obtained from customers of a specific branch through one agent. A notable observation from these data is that married females purchase many insurance policies within the age group of 25-35.

The data analysis highlights an intriguing pattern that reflecting the financial inclinations of married females between the ages of 25 and 35. This segment demonstrates a higher preference for purchasing insurance policies, indicating their tendency to secure their financial future and protect their loved ones against unforeseen risks. The reasons behind this trend may vary, ranging from a growing sense of responsibility toward family members to a desire to build a stable financial foundation.

The association between insurance policies and loans further enriches our understanding of this demographic and financial behaviour. Examining data from 50 members who have taken and repaid loans a responsible and disciplined approach to managing financial obligations. This group's ability to borrow and repay loans on time implies a certain level of financial stability and willingness to engage in strategic financial planning.

One potential explanation for the higher uptake of insurance policies among married females in this age group could be linked to the life events typically experienced during this stage of life. Young couples may be considering marriage, homeownership, or starting a family, leading them to seek comprehensive insurance coverage to protect their growing assets and ensure financial security for their loved ones.

Moreover, the data's focus on a specific branch's customers, channelled through a single agent, provides valuable insights into the local financial dynamics and the agent's influence in promoting insurance products to this target demographic. This localized prospective aids in understanding how agents play a vital role in guiding customers toward suitable insurance options that align with their life goals and financial aspirations.

Regarding savings and investment, the correlation between insurance policies and loans highlights the importance of risk management. Individuals can mitigate potential financial setbacks and protect their assets from unexpected events by securing insurance coverage, thereby ensuring a more robust savings and investment strategy.

However, it is essential to acknowledge the studies, relatively small sample size and the exclusive focus on one branch's customer base. The findings may only partially represent the broader population. Expanding the scope of the research to encompass a more diverse sample from multiple departments would provide a more comprehensive and accurate understanding of the relationship between insurance, loans, and the targeted demographic.

Conclusion

In conclusion, the correlation between insurance policies, loans, and the financial behaviour of married females within the age group of 25-35 years offers valuable insights into their savings and investment decisions. By recognizing their preference for insurance coverage and responsible approach to loan management, financial institutions, and insurance providers can tailor their products to better cater to the needs of this specific demographic, fostering a more financially secure future for them and their families.