

## Insurance Literacy – Tool to Save Our Life

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**Abstract:** *All parents want their children to be taken care of even when they are not around. Life insurance makes sure your loved ones won't suffer financially in your absence. There is no way to replace a loved one, but planning with life insurance does help in taking care of the financial needs of the family's. Life insurance help you achieve those goals by helping you build a financial corpus with the protection of a life cover. Life insurance plans inculcate a habit of disciplined saving. Paying a little amount as an insurance premium each month will help you accumulate funds. An insurance policy is one of the most valuable instruments that allow us to enjoy such benefits. It is crucial to realize the importance of insurance and understand how they can positively impact our lives. The chapter attempts to measure the Insurance literacy leads to development of awareness among scheduled community people in Tuticorin District. Primary data collected through structured interview scheduled has been used for analysis and presented in the study. The result of the study that Insurance literacy is low among the scheduled community people in Tuticorin district.*

### Introduction

Insurance awareness plays a key role in ensuring policyholders' protection and also in development of insurance sector. Lack of insurance awareness has proved to be one of the hurdles in penetration of insurance across the country. Insurance occupies an important place in the complex modern world since risk, which can be insured, has increased enormously in every walk of life. Insurance being complex and a subject matter of solicitation is relatively not easy for a common person to understand. The Consumer education is an important prerequisite for promotion on insurance inclusion and enhancing public awareness on key local risks and insurance policy available that suits their needs. Managing finances through different stages in life can be challenging in various ways. It is necessary to chart a plan that evaluates how income needs to be distributed to have a beneficial financial portfolio. Through the different short and long-term life goals, the need for financial protection remains constant. Financial literacy advocates making financially responsible decisions to avoid being economically vulnerable or to face any financial adversity. Trusted Since 1906 Page 3 of 6 In India the need for financial literacy is getting greater because of the low level of literacy and large section of population which remains out of the formal financial set up. India still has large sections of people who are resource poor and who operate on the margin. These groups are really vulnerable towards persistent downward financial pressures. Moreover with no established banking relationships, the poor

sections are pushed towards expensive alternatives without adequate financial literacy.

### Statement of the Problem

While the importance of insurance is widely recognised, for individuals as well as for society as a whole, the number of individuals actually buying insurance is dramatically low. After stressing this concept in this paper we focus on the critical comparison between three strands of research: financial literacy, insurance literacy, and behavioural insurance literacy and decision-making. Financial literacy has assumed greater significance in recent years. It is popularly believed that people need to become more self-dependent in the upcoming years. Growing competition has forced financial service providers to offer hybrid products with composite features. Many users have left these ill- equipped products to cope with the complicated choices which they need to make due to insufficient awareness and improper awareness level.

With the changes in working life globally, the income stream of individuals has all become more incoherent. The income level of an individual fluctuates at different timelines such as the periods of high income followed by low level of income or no income at all. This pattern may be reversed. With the increase in mortality age; people need to make greater provisions for their retirement, health care and insurances to cover uncertain eventualities. Social security schemes offered by the government are also shrinking gradually. Thus with the changing socio-economic environment of personal finance one must have necessary financial skills to make

appropriate investment decisions. Finance Education can play a vital role in equipping individuals with the necessary skills for appropriate investment decisions. This will increase one's ability to choose suitable products that will facilitate in achieving their financial goals. Financial literacy mission can prevent Economic Weaker Sections (EWS) of society from being trapped in complex financial markets which are offering complex integrated products.

### **Objectives of the Study**

The study "Financial Literacy among Scheduled Communities in Tuticorin District" aims to assess the financial literacy level among scheduled community people in general and in particular. The following objectives were made:

1. To know the demographic profile of the scheduled community people in the study area.
2. To analyse the literacy level of scheduled community people in insurance in the study area. viz, Tuticorin district.
3. To offer suitable suggestions to improve the financial literacy of scheduled community people that leads to financial inclusion.

### **Review of Literature**

**Rusliza Yahaya, Zuraidah Zainol, Juliana Haji Osman @ Zainal Abidin, Rosmini Ismail (2019)<sup>1</sup>** in their study on "The Effect of Financial Knowledge and Financial Attitudes on Financial Behavior among University Students" examine financial literacy among university students in Malaysia. Specifically, this study attempts to examine the relationship between financial knowledge and financial attitudes and also the effects of these variables on financial behavior among university students. The findings reveal that the respondents have moderate level of financial knowledge financial knowledge significantly influenced financial attitudes significantly influenced financial behavior. On the other have, financial knowledge does not any significant influence on financial behavior. This study enriched the literature by identifying factors that influenced financial behavior and provided suggestions to be practiced by universities in developing good financial attitude and financial behavior of students.

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<sup>1</sup> RuslizaYahaya, Zuraidah Zainol, Juliana Haji Osman @ Zainal Abidin, Rosmini Ismail (2019). The Effect of Financial Knowledge and Financial Attitudes on Financial Behavior among University Students. *International Journal of Academic Research in Business*, Vol.8, No.8

**Poppy Alvianolita Sanistasya, Kusdi Raharjo and Mohammad Iqbal (2019)<sup>2</sup>** in their study on "The Effect of Financial Literacy and Financial Inclusion on Small Enterprises Performance in East Kalimantan" aims to find out the effect of financial literacy on Small Enterprises (SEs) performance and the effect of financial inclusion on small enterprises performance. The result of the study showed that positive and significant effect of financial literacy on enterprises performance and financial inclusion positively affects the performance of small enterprises.

**Neha Garg and Shveta Singh (2018)<sup>3</sup>** in their study on "Financial literacy among youth" the study particularly focus at how socio – economic and demographic factors such as age, gender, marital status and income influence financial literacy level of youth and whether there is and interrelationship between financial knowledge, financial behavior. The study reveals that the financial literacy level among youth is low across the most part of the world that has become a cause of concern. also it has been observed that various socio –economic and demographic factors such as age, gender, income, marital status and educational attainment influence the financial literacy level of youth and there exists an interrelationship between financial knowledge, financial attitude and financial behavior. This paper aims to understand the influence of various factors influencing the financial literacy as understanding the factors that contribute to or detract from the acquisition of financial literacy among youth can help in making policy interventions targeted youth to enhance their financial well – being. Strong endeavour of the world economics to improve the financial well-being of their citizens has contributed to the rising importance of financial literacy as it equips the individuals to take quality financial decisions to enhance their financial well-being

### **Hypotheses of the Study**

To give a specific focus to the objectives, hypotheses have been formulated to test the objectives in clear terms using appropriate statistical tools. For testing purposes, some of the

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<sup>2</sup> Poppy Alvianolita Sanistasya, Kusdi Raharjo, Mohammad Iqbal (2019). The Effect of Financial Literacy and Financial Inclusion on Small Enterprises Performance in East Kalimantan. *Journal Economica*, Vol.15, No.1

<sup>3</sup> Neha Garg, Shveta Singh (2018). Financial literacy among youth. *International Journal of Social Economics*, Vol.45, Issue.1

research questions of the study were converted into hypotheses. The study involved the hypotheses which are listed down, proved and explained in detail in the fourth and fifth chapters. Following null hypotheses were formulated for the study.

H<sub>02</sub>: There is no significant difference in insurance literacy level among the different demographic variables of scheduled community people in Tuticorin district.

### Methodology

Primary and secondary data have been collected from different sources and used for analysis. Secondary data required for the study have been collected from various publications of the Reserve Bank of India and various reports of the government of India. Primary data has been collected through a well-structured interview schedule structured by the researcher in consultation with the experts in the field. A Likert five-point scale ranging from strongly agree to strongly disagree has been used to collect a quick response from the respondents.

### Significance of the Study

Scheduled community people are economically belonging to the weaker section. They are more vulnerable naturally. They don't have land on their own. They are less educated and poorer in health. Without financial literacy, we cannot expect to make major headway in either financial inclusion or consumer protection. Financial literacy has been assumed a greater importance in recent years, as financial markets have become increasingly complex and there is information asymmetry between markets and the common person which is leading to the latter i.e. common person finding it increasingly difficult to make informed choices.

### Scope of the Study

The present study attempts to examine the demographic variables of scheduled community

people and demographic variables influencing the financial literacy among scheduled community people in Tuticorin district. It examines the financial literacy level among scheduled community people in the study area viz. Tuticorin District based on their selected demographic variables. Further, it examines the literacy level of scheduled community people in the banking, insurance, and postal financial services in the study area. viz, Tuticorin district. It aims to offer suitable suggestions to improve the financial literacy of scheduled community people that leads to financial inclusion. The study was done taking the scheduled community people in Tuticorin district into consideration. The survey was restricted to the scheduled community people only in Tuticorin district.

### Analysis of the Study

#### Insurance Literacy Level among Different Gender Group of Scheduled Community People

This part deals with the gender group of scheduled community people and Insurance literacy level. The relationship between independent variable (Gender group) and dependent variable (Insurance literacy level) is established through 't' test. An attempt has been made to find the significant relationship between the gender group of scheduled community people and insurance literacy level, 't' test is used. The hypothesis is framed as follows,

The null hypothesis (H<sub>01</sub>) - **“There is no significant difference in insurance literacy level among the different gender group of scheduled community people in Tuticorin district”**.

The result of the 't' test for the insurance literacy level among different gender group of scheduled community people is presented in Table 1.

**Table 1, Insurance Literacy Level among Different Gender Group of Scheduled Community People**

Insurance Literacy Level	Gender Group (Mean Score)		t Statistics
	Male	Female	
Insurance is the best way to save and secure money	4.0599	4.0375	1.235
Insurance will give protection to life and property	3.9683	3.8344	3.098*
Insurance gives confident about returns	3.6901	3.4713	4.648*
Insurance gives timely help for sudden loss to life property	3.2535	3.2261	0.732
Other than life protection, LIC provides loan to its customers	3.1549	3.1083	1.232
There are varieties of policies in insurance to save the money	3.5106	3.3949	2.584*
Insurance schemes are suitable for all kinds of people	3.2923	3.1242	3.269*
There are many number of policies available which suits to fulfil the needs of the people	4.0986	4.0892	0.329
Scheduled communities are well aware about latest policies introduced in the market	4.1303	4.0287	3.177*
Children's plans always give the returns after a long time	3.8803	3.8471	0.761

**Source: Computed Data**

\*-Significant at five per cent level

As the above Table 1 shows scheduled community people are well aware about latest policies introduced in the market and there are many number of policies available which suits to fulfil the needs of the people are the high insurance literacy among the sample scheduled community people who are male as their mean scores are 4.0986 and 4.1303 respectively. The Table 4.10 shows there are many number of policies available which suits to fulfil the needs of the people and Insurance is the best way to save and secure money are the high insurance literacy among the sample scheduled community people who are female as their mean scores are 4.0892 and 4.0375 respectively. Regarding the insurance literacy among the different gender group of sample scheduled community people, Insurance will give protection to life and property, Insurance gives confident about returns, there are varieties of policies in insurance to save the money, Insurance schemes are suitable for all kinds of people and scheduled community people are well aware about latest policies introduced in the market are statistically significant at 5 per cent level.

From the table 5.10 it is found that Insurance will give protection to life and property (t=3.098), Insurance gives confident about returns (t=4.648), There are varieties of policies in insurance to save the money (t=2.584), Insurance schemes are suitable for all kinds of people (t=3.269), scheduled community people are well aware about latest policies introduced in

the market (t=3.177) differs significantly with respect to gender group of the scheduled community people. This leads to mean wise comparison of each segment of gender group.

It can be concluded that the scheduled community people who are male have high insurance literacy level regarding Insurance will give protection to life and property (Mean=3.9683), Insurance gives confident about returns (Mean=3.6901), There are varieties of policies in insurance to save the money (Mean=3.5106), Insurance schemes are suitable for all kinds of people (Mean=3.2923), scheduled community people are well aware about latest policies introduced in the market (Mean=4.1303).

**Insurance Literacy Level among Different Age Group of Scheduled Community People**

An attempt has been made to find the significant relationship between the age group of scheduled community people and insurance literacy level, 'ANOVA' test is used. The hypothesis is framed as follows,

The null hypothesis ( $H_{01}$ ) - **“There is no significant difference in insurance literacy level among the different age group of scheduled community people in Tuticorin district”**.

The result of the 'ANOVA' test for the insurance literacy level among different age groups of scheduled community people is presented in Table 2.

**Table 2, Insurance Literacy Level among Different Age Group of Scheduled Community People**

Insurance Literacy Level	Age Group (Mean Score)				F Statistics
	Below 20 Years	20 – 40 Years	41 – 60 Years	Above 60 Years	
Insurance is the best way to save and secure money	4.0000	4.0395	4.0417	4.0820	0.435
Insurance will give protection to life and property	3.9333	3.9435	3.8631	3.7213	3.414*
Insurance gives confident about returns	3.5333	3.6130	3.5714	3.3770	2.883*
Insurance gives timely help for sudden loss to life property	3.0000	3.2599	3.2679	3.0984	3.812*
Other than life protection, LIC provides loan to its customers	3.0000	3.1949	3.0714	2.9508	6.859*
There are varieties of policies in insurance to save the money	3.4667	3.5056	3.4107	3.2295	4.875*
Insurance schemes are suitable for all kinds of people	2.9333	3.2429	3.1607	3.1639	1.711
There are many number of policies available which suits to fulfil the needs of the people	4.1333	4.1017	4.0952	4.0328	0.746
Scheduled communities are well aware about latest policies introduced in the market	4.2000	4.0989	4.0536	3.9836	2.210
Children's plans always give the returns after a long time	3.9333	3.8729	3.8690	3.7705	0.750

**Source: Computed Data**

\*-Significant at five per cent level

As the Table 2 shows scheduled community people are well aware about latest policies introduced in the market and there are many number of policies available which suits to fulfil the needs of the people are the high insurance literacy among the sample scheduled community people who are in the age group of below 20 years as their mean scores are 4.2000 and 4.1333 respectively. The table shows that there are many number of policies available which suits to fulfil the needs of the people and scheduled community people are well aware about latest policies introduced in the market are the high insurance literacy among the sample scheduled community people who belong to the age group between 20-40 years as their mean scores are 4.1017 and 4.0989 respectively. The table indicates that there are many number of policies available which suits to fulfil the needs of the people and scheduled community people are well aware about latest policies introduced in the market are the high insurance literacy among the

sample scheduled community people who are in the age group between 41-60 years as their mean scores are 4.0952 and 4.0536 respectively. As shown in the above table that Insurance is the best way to save and secure money and there are many number of policies available which suits to fulfil the needs of the people are the high insurance literacy among the sample scheduled community people who belong to the age group of above 60 years as their mean scores are 4.0820 and 4.0328 respectively. Regarding the insurance literacy among the different age group of sample scheduled community people, Insurance will give protection to life and property, Insurance gives confident about returns, Insurance gives timely help for sudden loss to life property, other than life protection, LIC provides loan to its customers and there are varieties of policies in insurance to save the money are statistically significant at 5 per cent level.

**Table - 3**  
**Demographic Variables of Scheduled Community People and Insurance Literacy**

Demographic Variable	Insurance Literacy			d.f	F Value	Sig at 5% Level	Ho
	Mean	S.D	No. of Respondents				
Age Group							
Below 20 Years	36.13	1.80	15	3	5.687	0.001	Rejected
20-40 Years	36.87	2.77	354				
41-60 Years	36.40	2.52	170				
Above 60 Years	35.40	2.62	61				
<b>Education</b>							
Illiterate	37.02	2.30	37	6	18.560	0.000	Rejected
Primary school Level	35.55	2.28	190				
High school Level	36.31	2.43	188				
Hr.Sec. Level	37.32	2.86	64				
Graduate Level	37.50	2.58	104				
Post Graduate Level	41.06	3.47	15				
Professional	41.50	4.94	2				
<b>Occupation</b>							
Agriculture	35.90	2.17	20	5	16.872	0.000	Rejected
Coolie	35.88	2.51	238				
Self Employed	38.06	2.99	44				
Government Employee	38.42	3.44	26				
Private Employee	37.87	2.39	113				
Others	36.03	2.40	159				
<b>Number of Members in the Family</b>							
Below 4	36.08	2.57	139	2	3.161	0.043	Rejected
4-8	36.70	2.76	436				
Above 8	37.04	1.94	25				
<b>Monthly Income</b>							
Below Rs.5000	35.26	2.12	26	3	16.357	0.000	Rejected

Rs.5000-10000	36.02	2.54	148				
Rs.10001-15000	36.17	2.28	225				
Above Rs.15000	37.59	3.01	201				
<b>Source of Income</b>							
Income from Spouse/Parents	35.79	2.16	195	4	5.698	0.000	Rejected
Salary Income	37.79	2.76	137				
Agriculture	35.86	2.85	15				
Own Business Income	38.35	2.61	42				
Wages	36.19	2.71	211				

Source: Computed data

It could be understood from Table 3 that the computed 'F' value for insurance literacy among different age group of sample scheduled community people is 5.687 and the 'p' value at 5% level of significance is 0.001. As computed value is greater than table value, the null hypothesis is rejected. It is inferred that there is a significant difference between age group of the sample scheduled community people and insurance literacy. Table 5.29 shows that the computed 'F' value for insurance literacy among different education of sample scheduled community people is 18.560 and the 'p' value at 5% level of significance is 0.000. As computed 'F' value is greater than table value, the null hypothesis is rejected. It is inferred that there is a significant difference between education of the sample scheduled community people and insurance literacy. Table further shows that the computed 'F' value for insurance literacy among different occupation of sample scheduled community people is 16.872 and the 'p' value at 5% level of significance is 0.000. As computed 'F' value is greater than table value, the null hypothesis is rejected. It is inferred that there is a significant difference between occupation of the sample scheduled community people and insurance literacy. Table further elucidates that computed 'F' value for insurance literacy among different number of members in the family of sample scheduled community people is 3.161 and the 'p' value at 5% level of significance is 0.043. As computed 'F' value is greater than table value, the null hypothesis is rejected. It is inferred that there is a significant difference between number of members in the family of sample scheduled community people and insurance literacy. Table further highlights that the computed 'F' value for insurance literacy among different monthly income of sample scheduled community people is 16.357 and the 'p' value at 5% level of significance is 0.000. As the computed 'F' value is higher than table value, the null hypothesis is rejected. It is inferred that there is a significant difference

between monthly income of sample scheduled community people and insurance literacy. Table further highlights that the computed 'F' value for insurance literacy among different source of income of sample scheduled community people is 5.698 and the 'p' value at 5% level of significance is 0.000. As the computed 'F' value is greater than table value, the null hypothesis is rejected. It is inferred that there is a significant difference between sources of income of sample scheduled community people and insurance literacy.

#### **Conclusion**

Today's financial world is highly complex when compared with that of a generation ago. Financial education is important to both the security of individuals and the security of nations. To the scheduled community people the financial literacy is very important to make efficient decision on their finance. As compared to urban scheduled community people, the rural Scheduled community people have low level of awareness on finance related matters. Scheduled community people in India have reasonable knowledge on the various savings and investment medium available in the market. But it is very ironical to assess that their knowledge is very much limited to the traditionally know savings and investment avenues like bank saving, holding insurance policy, investment in equities gold or inland/building. To conclude, the government should literate the scheduled community people financially through the camp, seminars, and conference. Then only the scheduled community people can make their investment in an efficient manner.

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