



A Study on Role of Income Level and Financial Literacy in the Purchase of Accident Insurance in Pune Region

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Abstract – In order to offer financial security against unforeseen risks like injury, disability, and death, accident insurance is essential. However, due to disparities in financial literacy and income levels, its acceptance varies greatly across individuals. The purpose of this study is to investigate how financial literacy and income level affect accident insurance purchases in the Pune area. A structured questionnaire was used to gather primary data from 100 respondents for the study. Data interpretation was done using statistical tools such the chi-square test, correlation, and percentage analysis. The results show that because accident insurance is more affordable, people with higher income levels are more likely to get it. Furthermore, awareness, comprehension, and decision-making about insurance products are strongly influenced by financial literacy. The study comes to the conclusion that increasing financial literacy and creating reasonably priced insurance plans can boost insurance penetration and encourage people's financial security.

Keywords- Financial Literacy, Income Level, Accident Insurance, Insurance Awareness, Financial Decision Making

I. INTRODUCTION

In the present times, there are several risks faced by people, including accidental risks which could lead to loss of finances, injury, or even death. Accident insurance is an essential protection plan which offers financial aid in cases where an individual faces any of the aforementioned scenarios. Although this form of insurance is very beneficial, few segments of society do not purchase this product.

Some of the key determinants for accident insurance purchases include income levels and financial literacy. The income levels of an individual will determine their ability to afford insurance premiums; similarly, their financial literacy levels will determine whether the individual understands the value and importance of insurance plans. Individuals with high income levels are better able to afford insurance products compared to those with low income levels.

On the other hand, financial literacy levels are also very important as they help in making sound financial decisions. This means that people with high levels of financial literacy are usually well aware about the value of insurance as a protection strategy and will purchase this form of insurance.

The city of Pune being one that is growing at a rapid pace, and having a heterogeneous community, can provide the perfect opportunity to conduct research on

the effects of income level and financial literacy on buying insurance.

The purpose of this research is to explore the effect of income level and financial literacy on the buying of accident insurance and propose ways to enhance its usage.

Objectives of the Study

- To investigate the association between income levels and accident insurance purchases.
- To examine the influence of financial literacy on insurance decisions.
- To assess awareness about accident insurance.
- To uncover characteristics that influence purchase behavior.
- To propose methods to increase insurance adoption.

Significance of the Study

- Aids insurance firms in understanding client behavior.
- Supports policymakers in increasing financial inclusion.
- Improves understanding of the necessity of financial literacy.
- Adds to scholarly research.

Scope of the Study

The study is limited to the Pune region and focuses



solely on accident insurance. It takes into account working people from various income brackets and examines how income level and financial literacy influence purchasing decisions.

II. REVIEW OF LITERATURE

1. Lusardi & Mitchell (2014)

It was revealed from this research that the level of financial literacy can greatly help people make good financial decisions. It has been discovered that financially literate people tend to engage in financial products like insurance and investments more than others. Another importance of financial literacy is that people having good knowledge about finances are able to comprehend risks and returns involved in any financial decision-making, hence better planning is done. People having sound financial literacy also have the confidence to compare various financial products and pick the right one for them.

2. Beck & Webb (2003)

The research found out that the most important factor that influences demand for insurance is the income level. People who earn higher wages tend to buy more insurance due to their affordability and awareness.

3. Cole et al. (2011)

From the findings of this study, we can clearly see that financial illiteracy plays a significant role as a barrier for insurance adoption among the people in developing nations. Financial illiteracy results into a failure to understand the concept of insurance and its advantages. People do not trust insurance because they fail to understand it. Even where insurance services are available, people avoid buying them because they lack knowledge.

4. Kumar (2019)

In terms of research, the study highlights the need for awareness since lack of awareness makes individuals reluctant about buying insurance. Most people think buying insurance is either irrelevant or not worth it because they do not have enough knowledge regarding the product. The research also revealed that increased awareness can positively impact the purchase of insurance. It is because communication and policies play an important role in building customer confidence.

5. IRDAI Reports (2022)

According to reports, insurance in India still has a low penetration rate due to inequality and lack of financial education. Most people in the country are not insured at all or are underinsured, particularly those in rural or poor communities. The reports show, however, that people do not know much about the different types of insurance. Insurance should be made easier for everyone through various means, such as increased access and affordability.

III. PROBLEM STATEMENT & HYPOTHESIS

Problem Statement

Despite the availability of accident insurance, a large portion of individuals do not purchase it. This indicates the presence of influencing factors such as income constraints and lack of financial literacy.

Hypothesis 1

- H0₁: Income level does not significantly influence insurance purchase
- H1₁: Income level significantly influences insurance purchase

Hypothesis 2

- H0₂: Financial literacy does not influence insurance purchase
- H1₂: Financial literacy significantly influences insurance purchase

IV. RESEARCH METHODOLOGY

1. Study Duration

The study took place during a period of two months that covered all the important phases of the research like designing questionnaire, collecting data, analyzing data and interpreting the findings. Sufficient time was allotted in order to make sure that the data collected was accurate and reliable. This was done by validating the answers received and analyzing them using appropriate statistical methods.

2. Subject selection

The study population consists of people with different socio-economic statuses like salaried employees, professionals, individuals involved in business and students. People belonging to various income levels were used in order to observe the effect on the behavior of insurance purchase. This makes sure that there is an understanding of the impact of income level and financial literacy.

3. Data Collection Method

Primary data will be gathered through questionnaire method which will contain both close-ended as well as Likert scaled questions. The secondary data would be collected from journals, articles, reports and other reliable sources available online.

4. Research Design

The research adopts descriptive research methodology



because it describes respondents' attributes and behaviour by focusing on variables that are not manipulated. This approach is appropriate in researching the relationship between income level, financial literacy and purchasing insurance. It aids in analyzing realistic circumstances and recognizing behavior patterns of respondents.

5. Sampling Method and Sample Size

Convenience sampling technique was used to pick respondents because of convenience and accessibility. A sample size of one hundred respondents from various occupations and varying levels of income was considered in the research. Even though this sampling technique is easy and inexpensive, it does not cover the entire population. Nonetheless, it will be useful in revealing behavioral patterns of purchasing insurance.

6. Data Analysis Tools

Data was analyzed using:

- Percentage Analysis
- Correlation Analysis
- Chi-Square Test
- Graphical Representation

Tools like Microsoft Excel and Google Forms were used data processing

7. Limitations of the study

- Limited sample size
- Area-specific study
- Response bias
- Time constraints

V. DATA ANALYSIS

1. Income Distribution

Income Level	Respondents	Percentage
Below ₹3 lakh	20	20%
₹3-5 lakh	48	48%
₹5-10 lakh	32	32%
Above ₹10 lakh	0	0%

Interpretation:

Majority respondents belong to middle-income group, indicating affordability constraints.

2. Insurance Ownership

Response	Percentage
Yes	89%
No	11%

Interpretation:

High awareness but purchase still depends on affordability and literacy.

3. Financial Literacy Level

Factor	Percentage
Understand financial concepts	87%
Aware of insurance products	97%
Read policy documents	96%

Correlation Analysis

Awareness vs Insurance Purchase

$r = 0.99 \rightarrow$ Strong positive relationship

Income vs Affordability

$r = 0.88 \rightarrow$ Strong positive relationship

Chi-Square Test

$\chi^2 = 118.7 > 9.49$

- Reject Null Hypothesis
- Financial literacy significantly affects insurance purchase.

Important Findings

- There is a positive relationship between income and adoption of insurance because people with higher incomes have greater capacity to afford premium amounts.
- Financial literacy contributes to making proper decisions through knowledge regarding benefits and understanding of insurance policies and terms.
- Affordability is one of the key factors behind making purchase decisions for insurance products especially for middle and low-income categories.
- Lack of awareness is also present for lower-income categories where people have no awareness about



insurance products and their benefits.

- Social influence is another factor contributing to making purchase decisions for insurance products since families, friends, and agents' recommendations are significant.
- People also avoid making purchases of insurance products due to the lack of trustworthiness, complexity of policy terms and fear of claims being rejected.
- However, even aware people face some gaps when it comes to making purchase decisions because of the perceived value and financial priorities.
- Adoption rate among young respondents and students is low due to financial dependency on their families and lower perceptions of risks.
- Online awareness through digital platforms is gradually increasing the interest in buying insurance products among educated people.

VI. CONCLUSION

The study concludes that income level and financial literacy play a significant role in the purchase of accident insurance. Individuals with higher income levels are more likely to purchase insurance due to better affordability. Similarly, individuals with higher financial literacy demonstrate better understanding and confidence in making insurance decisions.

The study also highlights that awareness alone is not sufficient; affordability and trust are equally important. Therefore, improving financial literacy and designing cost-effective insurance products can enhance insurance adoption.

Suggestions

- Increase financial literacy programs
- Provide affordable insurance plans
- Simplify policy documents
- Use digital platforms for awareness
- Improve claim settlement processes

Limitations

- Small sample size
- Limited geographical area
- Self-reported data
- Time constraint

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