

## “Policy Li Hai... Par Samajhi Nahi Hai” A Primary Study on Insurance Awareness and Consumer Decision-Making in India

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### ABSTRACT

This paper explores the degree of consumers with regard to their insurance knowledge and how they relate to consumer decision-making when buying insurance policies. The study also examines the issue of whether the decision making in matters involving insurance varies among the groups of educational qualifications. The key survey was done on 70 respondents where a structured questionnaire was used on a five-point Likert scale. According to the results, the average level of insurance awareness (3.5143) is considerably represented compared to the neutral benchmark value ( $\mu = 3$ ), which means that there is a moderately positive attitude to the policy features, benefits, and claim processes. The correlation analysis, however, has not revealed significant relationship to exist between insurance awareness and consumer choice ( $r = -0.222$ ,  $p > 0.05$ ). Also, the results of the ANOVA show no significant difference in making a decision based on the groups of educational qualification. The study concludes that despite the fact that the awareness level is satisfying, the level does not play a significant role in purchasing decisions, so more strategies to contact the consumer should be developed.

**Key Words:** Insurance Awareness, Consumer Decision-Making, Insurance Literacy, Policy Understanding, Risk Perception, India, Financial Inclusion, Insurance Penetration

### INTRODUCTION

Insurance is an important element in the provision of financial security whereby, it covers individuals and families against unexpected events like sickness, accidents, death, and damaged property. In a nation such as India where income uncertainty, illnesses and vulnerability to the social society are common, insurance is not just a financial commodity but a social security system. Although there have been active Government of India and Insurance Regulatory and Development Authority of India (IRDAI) policy initiatives to enhance the insurance penetration and financial inclusion, there is still a large gap between the insurance ownership and insurance knowledge among the consumers. The catchphrase goes by the name Policy Li Hai... The title Par Samajhi Nahi Hai best demonstrates this fact as a significant number of consumers buy insurance policies without a clear understanding of their contents, advantages, and limitations or long-term consequences.

The aggressive marketing, bancassurance channels, digital platforms and government-backed schemes have led to a rapid growth of Indian insurance markets. Nevertheless, the choice of policy is usually affected by the persuasion of the agents, the recommendation of others or the need to save taxes or the requirement of the employer instead of making informed judgment. This often leaves the consumer without knowledge of crucial elements like the premium structures, claim processes, lapses in the policy and the amount of coverage. Such lack of awareness contributes to

the dissatisfaction and mistrust and undermines the perceived value of insurance as a risk-management tool.

The process of consumer decision making in terms of insurance is very complicated and entails cognitive, psychological as well as socio-economic aspects. The low level of financial literacy, low insurance literacy, the fear-based selling practices, and the information asymmetry all impact the capacity of consumers to make rational insurance decisions to a great extent. The knowledge of the impact of the awareness level on the insurances-related choices is, thus, crucial to consumer protection, better policy performance, and increased confidence in the insurance ecosystem in the long term.

In that regard, this current major research intends to explore the awareness of insurance amongst the Indian consumers and how it affects their decisions. The study aims to produce the insights needed by insurers, policymakers, and educators to create more transparent, consumer-centric, and inclusive insurance policies because it is based on real consumer experiences and perceptions.

## LITERATURE REVIEW

The reviewed literature offers a well-rounded knowledge of how consumers make decisions when purchasing insurance, healthcare, retail and digital consumption based on behavioural, perceptual, socio-demographic and informational factors. Jain, Beliya, Jain, and Mishra (2025) show that the perceived health needs, including self-perceived health risks, and health care costs, are the most suitable predictors of health insurance adoption, and income and education are the moderating factors. To support this, Kondapally and Reddy (2024) find that there is a consistent discrepancy between health insurance awareness and purchase, with the attitudes determinative factor in addition to demography. This is again proved by James and Kavitha (2025) who state that the expenditure on insurance premiums in India is heavily influenced by income, age, perception of risk, and differences in regions.

Various studies focus on behavioural views. Based on the phenomenon of limited rationality developed by Herbert Simon, Kumar et al. (2025) unveil that life insurance choices are not driven by economic rationality, but rather, by cognitive constraints, behavioural biases, social influences, and consumer favour satisficing decision-making, which in this case is endowment plans. This behavioural deviation is in tandem with the European Commission (2017) report that records the impacts of biases, such as limited attention, status-quo bias, and inadequate understanding of complex contracts on insurance decisions, which in most cases lead to under-insurance. According to Bisen and Singh (2025), insurance literacy is a decisive factor of informed decision-making and perceived financial security.

Jayashree, Mohith, and Ranganath (2025) and Priya et al. (2024) point out that high brand trust does not always result in the good grasp of policy features, which explains why specific educational efforts are required to address consumer awareness and communication gaps. Jeevanantham (2025) expands on this argument by underlining the importance of consumer rights awareness and legal literacy as the basis of ethical markets.

In addition to insurance, the findings of Saxena and Mishra (2025), Shukla and Adme (2023), and Godey et al. (2016) demonstrate how consumer behaviour is redefined via subliminal cues, digital connectivity, and web design, and in most cases, with a non-linear or subconscious decision-making process. Lastly, Alamudi (2025) and Basyaiban (2025) show in business-related issues that qualitative decision-making practices and empowerment practice contribute to the sustainability of the organization. On the whole, the literature emphasizes that successful consumer engagement must be achieved by combining behavioural guidelines, awareness campaigns, and situation-related approaches.

### RESEARCH GAP

The literature on insurance in India is mostly focused on insurance penetration, customer satisfaction or the performance of insurance firms without much focus being given to the extent of understanding of the consumer after purchasing the policies. There are numerous researches that assume policy ownership to be a measure of awareness, which does not take into account a large number of people having partial or incomplete knowledge about insurance products. In addition, no primary, perception-based studies directly correlate insurance awareness and consumer decision-making process in the Indian context. This paper fills this gap by empirically investigating the impacts of different degrees of insurance awareness on the insurance decision, confidence, and post purchase perceptions of the consumers.

### RESEARCH OBJECTIVES

Objective 1: To examine whether the mean level of insurance awareness among consumers is significantly higher than the neutral benchmark level ( $\mu = 3$ ) regarding policy features, benefits, and claim procedures.

Objective 2: To examine whether there is a significant relationship between insurance awareness and consumer decision-making in the purchase of insurance policies.

Objective 3: To examine whether insurance-related decision-making differs significantly among consumers based on their educational qualification.

### RESEARCH METHODOLOGY

#### Research Methodology

- **Research Design:** Descriptive and analytical research design was adopted.
- **Type of Study:** Primary survey-based empirical study
- **Study Area:** Selected respondents from India (as per research context).
- **Sample Size:** 70 respondents.
- **Sampling Technique:** Convenience sampling method.
- **Data Collection Tool:** Structured questionnaire using a 5-point Likert scale.

#### Studied Variables:

Insurance Awareness Level

Consumer Decision-Making Index

Educational Qualification

#### Statistical Tools Used:

One-Sample t-test (to compare mean awareness with benchmark  $\mu = 3$ )  
 Pearson Correlation (to examine relationship between awareness and decision-making)  
 One-Way ANOVA (to test differences across education groups)  
**Level of Significance:** 5% (0.05).  
**Data Analysis Software:** SPSS was used for statistical analysis.

**DATA ANALYSIS AND INTERPRETATION**

$H_0$  (Null Hypothesis): The mean insurance awareness score of consumers is equal to the neutral level ( $\mu = 3$ ), indicating no significant awareness regarding insurance policy features, benefits, and claim procedures.

$H_1$  (Alternative Hypothesis): The mean insurance awareness score of consumers is significantly higher than the neutral level ( $\mu > 3$ ), indicating a significant level of awareness regarding insurance policy features, benefits, and claim procedures.

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Insurance Awareness Level	70	3.5143	.71263	.08518

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Insurance Awareness Level	6.038	69	.000	.51429	.3444	.6842

To establish whether the level of awareness of the insurance to consumers is different significantly to the neutral level of insurance awareness that is regarded as 3. The findings have revealed that the average awareness score is 3.5143 with a standard deviation of 0.71263, which is moderately positive awareness level. The t-value has been calculated to be 6.038 with 69 degrees of freedom and the level of significance is 0.000 that is below the standard level of significance (0.05). The average difference of 0.51429 and the 95% confidence interval (0.3444 to 0.6842) also prove that the level of awareness is much greater than the neutral value. Hence, the null hypothesis is rejected and the alternative hypothesis accepted meaning that consumers have statistically significant amount of awareness about insurance policies features, benefits, and claim procedures.

$H_0$  (Null Hypothesis): There is no significant relationship between insurance awareness and consumer decision-making in the purchase of insurance policies.

$H_1$  (Alternative Hypothesis): There is a significant relationship between insurance awareness and consumer decision-making in the purchase of insurance policies.

Correlations			
		Insurance Awareness Level	Consumer Decision-Making Index
Insurance Awareness Level	Pearson Correlation	1	-.222
	Sig. (2-tailed)		.064
	N	70	70
Consumer Decision-Making Index	Pearson Correlation	-.222	1
	Sig. (2-tailed)	.064	
	N	70	70

A Pearson correlation was done to find out the association between insurance awareness and consumer decision-making. The findings show that there is a negative value of the coefficient of correlation ( $r = -0.222$ ) between insurance awareness and consumer decision-making index. Nevertheless, the value of significance ( $p = 0.064$ ) is more than 0.05 level of significance. This implies that the weak negative correlation between the awareness and the decision making is not statistically significant. Thus, it accepts the null hypothesis and rejects the alternative one. Due to these findings, one can conclude that insurance awareness does not exert a statistically significant effect on the decision-making of consumer when purchasing insurance policy in the chosen sample.

$H_0$  (Null Hypothesis): There is no significant difference in insurance-related decision-making among consumers across different educational qualification groups.

$H_1$  (Alternative Hypothesis): There is a significant difference in insurance-related decision-making among consumers across different educational qualification groups.

ANOVA					
Consumer Decision-Making Index					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.401	3	.467	1.636	.189
Within Groups	18.831	66	.285		
Total	20.231	69			

One-Way ANOVA test was employed to establish whether the decision-making process of consumers towards insurance policies is different among the different levels of education qualification. The outcome has an F-value of 1.636 with a significance level ( $p$ -value) of 0.189 that is above the standard level of significance, 0.05. This implies that the decision made by consumers on issues concerning insurance is not significantly different based on their education level. As the  $p$ -value value is greater than 0.05 the null hypothesis is accepted and the alternative hypothesis is rejected. Hence, the position of educational qualification does not play a major role in the consumer decision making when obtaining insurance policies are concerned in the chosen sample.

## CONCLUSION

The current research has looked into the rate of insurance awareness among the consumers and its effect with the decision making behavior and how the educational qualification affects the decision related to the insurance. The results show that consumers are statistically significant in terms of awareness about features of insurance policies, benefits and process of claims. The average score of the awareness (3.5143) was much greater than the neutral benchmark value (3), and the one-sample t-test provided support the idea that they are different at the level of significance of 5 percent. This proves that there is a fairly positive but not very positive insurance awareness among consumers in the sample chosen.

Nevertheless, even with this high degree of awareness, the researchers conducted a study and established no statistically significant correlation between insurance knowledge and consumer decision-making behaviour in insurance policy buying. Pearson correlation coefficient indicated that the two variables had a weak negative relationship ( $r = -0.222$ ), although the p-value (0.064) was greater than the 0.05 value, and thus the null hypothesis was accepted. This implies that effective decision making behaviour may not be the direct result of being aware. Purchasing decisions may be affected by other psychological, social or financial forces other than awareness.

Moreover, the analysis of variance (ANOVA) did not have any important difference between various educational qualification groups regarding insurance-related decision-making. The F-value (1.636) at 0.189 has a p-value that no significant difference between the educational attainment and the choice of consumers in relation to the insurance choice in the chosen sample. This means that there are comparatively similar trends in making decisions regardless of the level of education.

Comprehensively, consumers are characterized by a reasonably good awareness but this awareness fails to have any substantial impact on consumer purchase behavior, whereas the level of education does not cause significant difference in consumer behavior in terms of decision-making. These results demonstrate that the consumer behavior in the insurance market is rather complex and indicate that the awareness in itself cannot lead to purchase.

## RECOMMENDATIONS

Insurance companies must consider spreading awareness, as well as building trust, simplifying the policy information, and developing individual advisory services. The efficient decision-making could appear through interactive campaigns, financial literacy programs, and online materials on the claim process described using straightforward language. Emotional reassurance and transparency also should be highlighted as companies cannot expect to attain purchase intention through awareness only. The level of education is not a significant determinant in the context of the decisions that can be made; therefore, it is possible to design marketing strategies that can be applicable across the educational groups. Enhanced customer interactions, post sales services, and redressal of grievances can also be used to promote enhanced and informed insurance buying processes among the consumers.

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