Viksit India
2025 | Volume: 03 | Issue: 01 | Article: 41

Study of Factors Affecting Customers' Investment Decision in Term Insurance Plans

Tanuja Srivastava [*], Suhail Ahmad Bhat [1], Swati Priyadarshi [2], Noopur Khare [3]
[1] Bhai Gurdas Institute of Engineering and Technology, Sangrur, Punjab, India
[2] Sant Longowal Institutes of Engineering and Technology, Longowal, Sangrur, Punjab, India

Article Info
Received: 8th December 2024
Revised: 15th March 2025
Published: 31st March 2025
Associate Editor: Dr. Vipin Sharma

*Corresponding author
Email: tanusriva@yahoo.co.in
9458608149

https://pub.dhe.org.in/
ISSN: 2278-1757

Abstract
Term insurance in India offers financial security to beneficiaries in the event of the policyholder's death during the policy term. Various factors influence an investor's decision when purchasing term insurance, making it essential for insurance companies to identify the key determinants that drive investment decisions. This study aims to explore the critical factors affecting investment in term insurance plans. To achieve this, primary data was collected from 237 respondents through structured questionnaires based on a five-point Likert scale. The collected data was analyzed using factor analysis, which identified six significant factors influencing investment decisions. These include term insurance information, services, ethics and documentation, benefits, assistance, and cost. The findings provide valuable insights for insurance companies, highlighting the need to address these key factors when formulating strategies to enhance investment in term insurance. By aligning their offerings with customer expectations related to information, services, ethics, benefits, assistance, and cost, insurers can improve service quality, increase customer satisfaction, and drive higher investment rates. This study contributes to the existing literature by emphasizing the importance of these determinants in customer acquisition, retention, and overall growth in the insurance sector.

Keywords: Factor Analysis, Financial Sector, Investment Decision, Risk, Term Insurance.

Introduction
The Indian economy is growing at a faster rate, and the financial services sector has contributed to the speed of growth for the last five years. The growth of the financial sector mainly depends on the demand for various financial services from the rapidly increasing population of India. Indian people have a life expectancy of 58 years, which is only expected and not certain. An uncertain life causes risk for family members that are totally dependent on the head of the family after his death, especially financial risk. Term insurance in India provides financial benefits to the beneficiary of the policyholder's death during the term period. Term insurance is a popular investment option in India that provides death benefits to the beneficiaries of policyholders. The decision to invest in term insurance is influenced by various factors, which are crucial for both insurance companies and investors to understand. This research paper aims to explore and analyse the factors that affect customers' investment decisions for term insurance plans. The study collects primary data using structured questionnaires that use a five-point Likert scale. Applying factor analysis to the collected data reveals six factors that influence the investment in a term insurance plan.

The study employs factor analysis to examine the primary data collected from 237 respondents. Through this analysis, six significant factors emerged that have a substantial impact on the investment decisions of individuals. These factors are named as follows: Term Insurance Information, Term Insurance Services, Term Insurance Ethics and Documents, Term Insurance Benefits, Term Insurance Assistance, and Term Insurance Cost.

Factor 1: Term Insurance Information
The first factor, Term Insurance Information, comprises eight variables that play a vital role in influencing investment decisions. These variables include enhancement of technological capability, security for the family of investors, investors' safety, attractive and informative media, company image, easy accessibility for the employee, flexible products, and timely revival of the policy.

Factor 2: Term Insurance Service
Factor two, Term Insurance Services, encompasses six variables that are essential in shaping customers' decisions. These variables include pre- and post-services, grievance redressal, accessibility of information, revival of policy, promised services, and claim settlement time.

Factor 3: Term Insurance Ethics and Documents
Factor three, Term Insurance Ethics and Documents, consists of four variables that impact investment decisions. These variables include the company's ethical conduct, document requirements, service innovations, and rider benefits.

Factor 4: Term Insurance Benefits
Factor four, Term Insurance Benefits, comprises three variables that influence investors. These variables include the company's profile and brand name as the main reason to invest in term insurance, the policy term influencing investors during investment, and the expectation of additional returns from term insurance.

Factor 5: Term Insurance Assistance
Factor five, Term Insurance Assistance, includes two variables that motivate investors to invest in term insurance. These variables are agents providing information and guidance on a regular basis regarding policy status, premium due dates, new products, and services. Additionally, the liquidity of term insurance as an investment option plays a role.

Factor 6: Term Insurance Cost
Factor six, Term Insurance Cost, consists of two variables. The first variable is the low premium charges compared to other insurance plans, which attract investors. The second variable is the tax benefit associated with term insurance, which prompts investors to consider it as an investment option.

The study has identified six significant factors that significantly affect investors' decisions regarding term insurance investments. These factors include term insurance information, term insurance services, term insurance ethics and documents, term insurance benefits, term insurance assistance, and term insurance cost. Insurance companies should consider these factors in their strategy formulation to increase investment in term insurance and provide quality services that satisfy investors.

By understanding these factors and their impact, insurance companies can enhance their offerings and communication strategies, thereby attracting more investors to term insurance plans. Moreover, investors can make informed decisions based on their preferences and priorities, ensuring they receive the desired services and benefits from their term insurance investments.

I. Literature Review
Singh and Sharma (2024) explored the impact of regulatory changes in India's insurance sector on consumer decision-making. Their study found that increased transparency and the introduction of standardised policies led to greater trust and investment in term insurance.

Recent studies by **Patel and Roy (2023)** highlighted the evolving consumer behaviour in term insurance investment, particularly focusing on digital adoption and online purchase preferences. The study analysed data from 500 respondents and found that ease of access, lower premiums, and faster claim settlement influenced investment decisions.

Dahiya, Sharma, and Grima (2022) examined the application of big data in the insurance industry with the five Vs: volume, velocity, variety, veracity, and value. The study suggested the significance of big data in terms of cost, efficiency, risk, fraud, and data-driven demand prediction.

Mittal, Srivastava, and Gupta (2022) performed tests to investigate the causes of the improvement in economic productivity associated with EQ. The purpose of this research was to fill in the gaps between previous studies on the issue and the current understanding of emotional intelligence.

Kumar, Gupta, Gupta, and Srivastava (2021) investigated India's rise to leadership during the COVID-19 pandemic. The study demonstrated that effective stakeholder engagement can be attained through various approaches, such as developmental planning, economic foresight, ethical leadership, transparent communication, shared awareness, and thoughtful implementation.

Braun, Fischer, & Schmeiser (2019) examine the utility of insurance to find out its performance. Findings of the study were based on a general analysis model of insurance, and results showed the interest rate guarantee level was very low in comparison to the value decided by insurance companies.

Baştürk (2020) studied the significance of fraud in the insurance sector and its impact on insurance companies, policyholders, and society. And he suggested that such kinds of fraud fall under financial crime, which regulatory authorities must address as financial crime changes its face as time passes.

Huynh (2021) studied the performance of insurance companies with the help of social insurance. Sample data were analysed by a generalised model, which suggested social insurance has a significant impact on a company’s performance.

Artikis, Mutenga & Staikouras (2008) studied the combination of insurance and banks. The main purpose of the study is to find out the correlation and trend of the bank-insurance model with global practices. The study shows the trend of bank insurance with the dynamics of corporate financial conglomerates. And found an uneven success of the bank-insurance model across the globe.

Yadav and Tiwari (2012) conducted research on the investment perception of investors. The study employed an exploratory and descriptive research design with a sample size of 150 policyholders. The main objective of the study was to identify the factors influencing customers' buying behaviour. To analyse the data, the researchers used statistical tools such as correlation, chi-square, and weighted average. The study recommended that insurance companies focus on creating awareness about insurance, reducing insurance premiums, and offering innovative products.

In a separate study, **Gautam and Kumar (2012)** investigated the attitude of Indian consumers towards insurance. The research was based on primary data collected from 377 respondents. A structured questionnaire, utilising a five-point Likert scale, was used to assess customer awareness and perception regarding insurance services. The study revealed

that socio-demographic and economic factors significantly influenced consumers' attitudes towards insurance services in India.

Rao & Pandey (2013) examined the factors affecting insurance claims in the Indian general insurance business. Factor analysis and variance are used to analyse the data to find out the factors influencing the claim in general insurance. Further dependency of claim on sectors and segments was examined by cross-tabulation analysis and multiple regression used to show the relation of factors with sectors and segments. The study found the existence of a relation between segments and sectors of the insurance business.

Nisamudheen (**2013)** studied the factors influencing customer perception towards life insurance that increase the market share and ensure the survival of the life insurance industry. Data are collected from primary and secondary sources, and primary data of 100 respondents are collected through a structured questionnaire. Variance analysis, chi-square, percentage analysis, and weighted average statistics are used to analyse the data and find the success of the life insurance industry, accomplished only by creating the right environment and good reports with agents.

Kwak and Lim (2014) examined the investment problem in life insurance in connection with the inflation-linked index bond and applied the martingale approach to find out the solutions. The study found index bonds play various roles, like hedging inflation risk, providing an opportunity to invest other than in stocks, and diversification, and suggested that inflation risk premiums and market parameters play significant roles in investment choice. The study also shows the correlation between financial risk and inflation.

In their 2014 study, **Shi, Wang, and Xing** examined the role of life insurance in China, the world's largest emerging economy, concerning the protection of human capital, asset allocation, and social interaction. They conducted an analysis using the micro dataset CHIP 2002 to test their hypotheses regarding the demand for life insurance in China. The results of their analysis revealed that both human capital protection and asset allocation significantly influence the demand for life insurance in the country.

In an effort to gauge mutual funds' performance, **Tiwari, S., Sharma, A. P., Gupta, D., & Gupta, M. (2020)** propose using Sharpe's, Treynor's, and Jenson's ratios. This study analyses the returns of nine equities, balanced, and debt funds that have received high ratings from CRISIL.

In light of recent global pandemics, **Kumar, A., Gupta, D., et al. (2021)** set out to investigate India's rise to leadership. It looks at the several ways in which different industries tried to expand and position themselves as leaders during the COVID-19 pandemic. The research demonstrates that effective stakeholder engagement can be attained through various approaches, such as developmental planning, economic foresight, ethical leadership, transparent communication, shared awareness, and thoughtful implementation, all contributing to the progress of a revitalised India.

Zieling, Mahayni & Balder (2014) measured the performance of the optimised insurance portfolio with the S&P 500 index return of 1985-2013. The study comes to the conclusion that a portfolio insurance approach with a constant performance is enhanced by a time-varying multiplier that is dependent on predicted future volatility. The best strategy is a CPPI approach if the risk premium is expected to be proportionate to the variation.

Anitha & Bhargavi (2014) evaluated the demographic factors like age, gender, education, income, family size, saving, and occupation that affect the investors' behaviour towards investment decisions. The study specifically focused on the risk-bearing capacity of investors, like old-age investors and younger investors. And the study found gender affects financial decisions and concluded females risk perception is low in comparison to males.

Braun, Schmeiser & Schreiber (2016) studied the factors affecting consumers decisions to invest in term life insurance. The analysis was based on a sample size of 2017 German consumers that was analysed using conjoint analysis and a hierarchical Bayes model. The study found that the monetary factor (monthly premium) affects the term insurance plans, and the non-monetary factor is also a key determinant of term insurance.

Rajat Gera (2016) studied the relation between quality, value, satisfaction, and BI with Indian life insurance services. The study found a very dynamic and complex decision-making process of customers in relation to life insurance services in India. The study also found that recommendation intentions, overall satisfaction, and complaint intention were significant in Indian life insurance services.

Chaudhary (2016) investigates how customer behaviour affects life insurance policies. The analysis was based on primary data that was gathered using a structured questionnaire from a sample of 100 respondents in the cities of Chandigarh, Ludhiana, and Amritsar. Factor analysis was used for data reduction, and six factors affect the consumers' behaviour while investing in a life insurance policy.

Sowmya & Reddy (2016) examined the perception of investors related to financial instruments in India. The analysis was based on primary data that was collected through a structured questionnaire and found maximum respondents were well known about mutual funds, insurance, bank term deposits, equity, debt, and government securities, etc., and they preferred bank term deposits followed by shares, mutual funds, bonds, and debentures, respectively.

Sidhardha & Sumanth (2017) studied the impact of factors affecting customers' perception towards life insurance investment. The study relied on primary data, which was gathered via a standardised questionnaire. The study concluded that the tax-saving feature is a more important aspect to invest in insurance in comparison to risk and saving options. It was also found that long-term investment, low risk, and average return were preferred by most of the customers.

Gnanadevan & Singu (2017) examined life insurance investment awareness of Coimbatore city's customers. The study was based on primary data of a sample size of 500 respondents, and data were collected using a simple random method of sampling. The study found all the people of Coimbatore city were well aware of life insurance investment, and insurance agents are creating maximum awareness in customers. The study also depicted that security and safety were the main concerns of customers.

Heidinger & Gatzert (2018) analyse the risk and its management of US and European banking and insurance companies. The study used secondary data with an 820-observation sample size. The data was analysed using regression analysis, which revealed that stakeholder expectations and involvement are highly erratic in the eyes of businesses.

III. Purpose of the Study

A. Objectives

1. To find out the factors influencing customers' investment decision in term insurance.
2. To study and rank the factors responsible for the selection term insurance as an investment option.

B. Hypotheses

H_{01} There is no significant impact of factors influencing customers' investment decision in term insurance.
H_{02} There are no factors responsible for the selection term insurance as an investment option.

IV. Research Methodology

This study employs a **quantitative research approach**, using **factor analysis** as the primary statistical method to identify and analyze key factors affecting investment decisions in term insurance. Factor analysis, specifically the **Principal Component Analysis (PCA) method with Varimax rotation**, is applied to reduce and categorize the collected data into meaningful factors. The justification for using this method lies in its ability to condense a large number of variables into a smaller set of underlying dimensions, ensuring a structured interpretation of the data. Additionally, tests such as **Cronbach's Alpha, KMO, and Bartlett's test** confirm the reliability and adequacy of the dataset for factor analysis.

A. Research Design

This study follows a quantitative research approach to analyze the factors influencing customers' investment decisions in term insurance. The study employs a structured methodology to ensure the transparency and reproducibility of findings. A systematic step-by-step approach has been adopted, including data collection, reliability assessment, data reduction, and statistical analysis.

B. Sampling Strategy

1. ***Target Population:*** The target population for this study comprises individual investors who have either invested in or considered investing in term insurance policies in India.
2. ***Sampling Method:*** A convenience sampling method is employed to gather responses from investors. This approach ensures accessibility to willing respondents while maintaining a diverse representation of investment perspectives.
3. ***Sample Size:*** A total of 300 questionnaires were distributed electronically via Google Forms. Out of these, 237 responses were deemed valid and used for analysis.

C. Data Collection

1. ***Primary Data Source:*** The study relies on primary data collected through a structured questionnaire.
2. ***Questionnaire Design:***

- The questionnaire comprises 38 questions, categorized into two sections:

i. Investor Demographics (13 questions) – Includes variables such as age, gender, income, education, and previous investment experience.
ii. Investment Decision Factors (25 questions) – Measures investor perceptions and preferences using a five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree).

3. ***Reliability and Validity Tests:***

- Cronbach's Alpha Test is applied to ensure internal consistency and reliability of the data.
- Kaiser-Meyer-Olkin (KMO) Test is conducted to check the sampling adequacy for factor analysis.
- Bartlett's Test of Sphericity is used to verify whether correlations among variables are significant for factor analysis.

D. Data Analysis Procedure

The study employs factor analysis as the primary statistical technique to identify key determinants of term insurance investment decisions. The methodology includes the following steps:

1. ***Preliminary Data Screening:***

- Data is examined for missing values and inconsistencies.
- Descriptive statistics (mean, standard deviation) are computed for each variable.

2. ***Factor Analysis Implementation:***

- Principal Component Analysis (PCA) with Varimax Rotation is used to extract factors.
- Factors with eigenvalues greater than 1 are retained for further analysis.
- Factor loadings are analyzed to determine the strength of relationships between variables and extracted factors.

3. ***Determination of Factors:***

- Factors are labelled based on underlying themes emerging from related variables.
- The percentage of variance explained by each factor is documented.
- A rotated component matrix is used to confirm the alignment of variables with respective factors.

4. ***Statistical Validation:***

- The KMO Measure of Sampling Adequacy ensures data suitability for factor analysis.
- Bartlett's Test of Sphericity confirms the presence of correlations among variables.
- The Cronbach's Alpha coefficient ensures the reliability of extracted factors.

5. ***Ranking and Interpretation of Factors:***
- Mean scores of extracted factors are computed to rank their influence on investment decisions.
- The relative importance of each factor is analyzed and discussed.

E. Ethical Considerations
- ***Informed Consent:*** All participants were informed about the purpose of the study and provided their consent before participation.
- ***Confidentiality:*** Responses were kept anonymous to maintain participant privacy.
- ***Data Integrity:*** The study ensured that no alterations were made to collected responses to uphold data accuracy and validity.

F. Limitations
- ***Sampling Bias:*** The use of convenience sampling may limit the generalizability of findings.
- ***Cross-Sectional Data:*** The study captures responses at a single point in time; a longitudinal study may yield more insights into changing investment behaviours.
- ***Potential Response Bias:*** Participants' subjective perceptions may influence their responses, affecting data reliability.

.

V. ANALYSIS AND FINDINGS

A. Cronbach Alpha

Table 1 shows the value of Cronbach alpha 0.904 more than accepted level of 0.70(Hair et.al 2009). The higher value of Cronbach alpha representing the reliability in data set and permits the application of factor analysis.

Table:1 Test of Reliability

Reliability Statistics

Reliability Statistics	Value
Cronbach's Alpha	0.904
Number of Items	25

Table:2 KMO and Bartlett's Test for Sampling adequacy and Sphericity.

Test	Value
KMO Measure of Sampling Adequacy	0.852
Bartlett's Test Approx. Chi-Square	2464.00
df	300
Sig.	0.000

The table 2 is showing the result of KMO and Bartlett's test. The KMO value 0.852 is higher than minimum accepted value 0.50 and Bartlett's test is significant explaining correlation among absorbed variables.

B. Variance Reproduced by Each of the Six Factors

The table 3 is showing the variance explained by each Six factor. The PCA method is used with Varimax rotation. The factors are selected on the basis of the size of eigenvalue and their corresponding variance. The factors having eigenvalue greater than 1 are accepted for the study. In the study six out of 25 factor are selected and other 19 factors are dropped. The all six factors are explaining 62.081% variance. The Factor one to six are explaining 16.84%, 12.56%,10.76%,8.62%,6.84% and 6.45% variance respectably after rotation.

Table:3 Total variance explained

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.229	32.916	32.916	8.229	32.916	32.916	4.211	16.844	16.844
2	2.033	8.132	41.048	2.033	8.132	41.048	3.141	12.563	29.407
3	1.533	6.133	47.181	1.533	6.133	47.181	2.690	10.762	40.168
4	1.394	5.574	52.755	1.394	5.574	52.755	2.155	8.620	48.788
5	1.228	4.913	57.668	1.228	4.913	57.668	1.710	6.841	55.630
6	1.103	4.413	62.081	1.103	4.413	62.081	1.613	6.451	62.081
7	1.011	4.043	66.124						
8	.939	3.757	69.881						
9	.819	3.275	73.157						
10	.748	2.993	76.149						
11	.684	2.737	78.886						
12	.621	2.482	81.368						
13	.557	2.228	83.596						
14	.504	2.018	85.614						
15	.465	1.859	87.473						
16	.447	1.788	89.260						
17	.423	1.690	90.950						
18	.389	1.557	92.507						
19	.353	1.414	93.921						
20	.327	1.310	95.230						
21	.308	1.232	96.462						
22	.295	1.180	97.642						
23	.223	.891	98.533						
24	.207	.829	99.362						
25	.159	.638	100.000						
Extraction Method: Principal Component Analysis.									

C. Rotated Component Matrix

The relation of factors and variables are not clear in component matrix and one variable related to many factor so to ascertain the clear relation of variable to factor it is necessary to rotate the components. In the study PCA method is used with Varimax rotation to rotate the components. The table 4 shows the relation of variables to factors with their factor loadings. The value of factor loading shows the correlation of variable to their respective factor. A higher loading of factor indicates the higher relation of variable with factor. The Rotated component matrix shows that the Factor one is correlated to eight variables, Factor two related with six variables, Factor three correlated to four variables, Factor four related to three variables, Factor five correlated to two variables (variable eighteen is related to factor three and five but it more correlate to factor five), Factor six correlated to two factors.

Table: 4 Rotated Component Matrix

	Component					
	1	2	3	4	5	6
The investment in term insurance is impacted by improvements in technological competence (such as computerization, networking of operations, etc.) to better service clients.	0.716					
Term insurance provides security to the family of investors.	0.684					
Investors need safety in term insurance investment.	0.678					
Investment in term insurance increases as a result of appealing and educational media and promotional language.	0.669					
Company image plays a significant role in term insurance investment.	0.594					
Easy accessibility of the employee / agents of term insurance companies affects the investment in term insurance.	0.592					
Products that are adaptable or novel in order to satisfy customers encourage the buyer of term insurance to do so.	0.55					
Investor anticipates prompt renewal of expired insurance, modifications to nominations, addresses, and payment methods, among other things.	0.54					
Pre & post services offered by companies are main variable of investment.		0.701				
Grievance Redressal mechanism is an important aspect to invest in term insurance.		0.67				
Accessibility of information attracts the investors to invest in term insurance.		0.613				
Investor expects reasonable revival policy of term insurance.		0.61				
Investor expects that companies providing promised services as per the set schedule.		0.596				
Claim settlement time plays a major role in investment in term insurance.		0.479				
Company's ethical conduct in attracts investment in term insurance.			0.68			
All document required for settlement of term insurance are clearly mention in policy influence the investors.			0.673			
Investors expect businesses to regularly contact them by phone, mail, or other means with information regarding service advancements.			0.58		0.59	
Rider benefits motivate to investor to invest in term insurance.			0.564			
Company profile & brand name are main reason to invest in term insurance.			0.544			
Policy term influences the investors during investment.				0.716		
Investor expects additional return from term insurance while investing.				0.577		
Investors are encouraged to invest in term insurance by agents' regular updates and counsel on the status of policies, premium payment deadlines, and new goods and services.				0.463		
Term insurance is highly Liquid investment option.					0.835	

Premium charges are very low with other insurance that's why investor invests in term insurance plan.						0.792
Investors make investment in term insurance only to take Tax benefit.						0.49
Extraction Method: Principal Component Analysis.						
Rotation Method: Varimax with Kaiser Normalization.						
a. Rotation converged in 19 iterations.						

Table: 5 Factor Analysis with Parameters

Factor Analysis with Parameters				
Factor Name	Parameters	Eigen value	Variance (%)	Factor loadings
Factor 1 Term Insurance Information	The investment in term insurance is impacted by improvements in technological competence (such as computerization, networking of operations, etc.) to better service clients.	8.229	16.84	0.716
	Term insurance provides security to the family of investors.			0.684
	Investors need safety in term insurance investment.			0.678
	Investment in term insurance increases as a result of appealing and educational media and promotional language.			0.669
	Company image plays a significant role in term insurance investment.			0.594
	Easy accessibility of the employee / agents of term insurance companies affects the investment in term insurance.			0.592
	Products that are adaptable or novel in order to satisfy customers encourage the buyer of term insurance to do so.			0.55
	Investor anticipates prompt renewal of expired insurance, modifications to nominations, addresses, and payment methods, among other things.			0.54
Factor 2 Term Insurance Services	Pre & post services offered by companies are main variable of investment.	2.033	12.56	0.701
	Grievance Redressal mechanism is an important aspect to invest in term insurance.			0.67
	Accessibility of information attracts the investors to invest in term insurance.			0.613
	Investor expects reasonable revival policy of term insurance.			0.61
	Investor expects that companies providing promised services as per the set schedule.			0.596
	Claim settlement time plays a major role in investment in term insurance.			0.479
Factor 3 Term Insurance Ethics and Documents	Company's ethical conduct in attracts investment in term insurance.	1.533	10.76	0.68
	All document required for settlement of term insurance are clearly mention in policy influence the investors.			0.673
	Investors expect businesses to regularly contact them by phone, mail, or other means with information regarding service advancements.			0.564
	Rider benefits motivate to investor to invest in term insurance.			0.544
Factor 4 Term Insurance Benefits	Company profile & brand name are main reason to invest in term insurance.	1.394	8.62	0.716
	Policy term influences the investors during investment.			0.577
	Investor expects additional return from term insurance while investing.			0.463
Factor 5 Term Insurance Assistance	Investors are encouraged to invest in term insurance by agents' regular updates and counsel on the status of policies, premium payment deadlines, and new goods and services.	1.228	6.841	0.59
	Term insurance is highly Liquid investment option.			0.835

Factor 6 Term Insurance cost	Premium charges are very low with other insurance that's why investor invests in term insurance plan.	1.103	6.451	0.792
	Investors make investment in term insurance only to take Tax benefit.			0.49

Table: 6 Mean score of Factors

Factor	Mean	Std. Deviation
Term Insurance Information	4.08	0.63
Term Insurance Services	4.03	0.66
Term Insurance Ethics and Documents	3.96	0.66
Term Insurance Benefits	3.81	0.81
Term Insurance Assistance	3.64	0.88
Term Insurance Cost	3.36	0.97

Table 6 shows the mean score of all six factors that represent the preference of factors. Factor one is the highest preferred factor that highly influences the investment decision of investors in term insurance; factor two is the second influencing factor; factor three is the third influencing factor; factor four is the fourth influencing factor; factor five is the fifth influencing factor; and factor six is the sixth influencing factor as per the mean score of factors.

D. The following are factors and their corresponding variables.

Factor 1: Term Insurance Information

Factor one explains 16.84% variance with an eigenvalue of 8.229 and includes eight variables: enhancement of technological capability with a correlation of .716, security to the family of investors with a correlation of .684, investors' safety with a correlation of .678, attractive and informative media associated with the factor with a correlation value of .669, company image with a correlation value of .594, easy accessibility of the employee with a correlation of .592, flexible products, and timely revival of policy associated with the factor with a correlation value of .55 and .54, respectively.

Factor 2: Term Insurance Services

Factor two has an eigenvalue of 2.033 and a rotated variance of 12.563% that includes the six variables like pre- and post-services along with a .701 correlation, and grievance redressal also has a correlation of 67, accessibility of information explains 61.3% of the correlation, and revival of policy shows 61 correlations, promised services, and claim settlement time explain 59.6% and 48% correlation with factor two, respectively. That shows a significant correlation with factor 2.

Factor 3: Term Insurance Ethics and Documents

Factor three has a weight of 1.533 eigenvalues and a variance of 10.76%. Factor three includes four variables, like the company's ethical conduct, which has a correlation of 68%; document requirements, which also have a correlation of 67.3%; service innovations; and rider benefits, which have a correlation of 56.4% and 54.4%, respectively. All variables are significantly correlated with factor 3.

Factor 4: Term Insurance Benefits

Factor four also has an eigenvalue of 1.394 and an 8.62 variance explained. This factor includes three variables: company profile and brand name are the main reasons to invest in term insurance, with a correlation of 71.6%; policy term influences the investor during investment; and the investor expects an additional return from term insurance while investing, with a 57.7% and 46.3% correlation with the factor, respectively. The high correlation value shows a significant association of variables with factors.

Factor 5: Term Insurance Assistance

Factor five has an eigenvalue of 1.228 and a variance of 6.841%. It considers two variables, such as the agent's information and guidance at regular intervals regarding the policy status, the due date of the premium, and new products and services that motivate investors to invest in term insurance. Term insurance is a highly liquid investment option, with a correlation of 59% and 83%. It shows the significant correlation of variables with the factor.

Factor 6: Term insurance cost

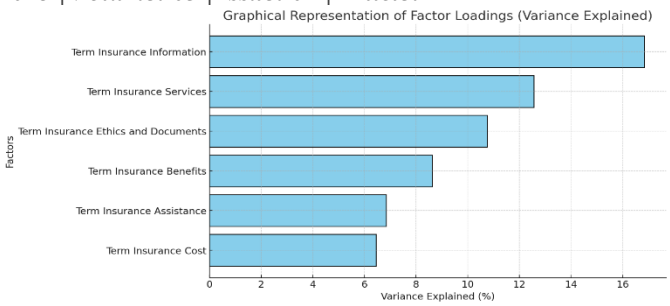
Factor six indicates an eigenvalue of 1.103 and a variance value of 6.451. This factor includes two variables: premium charges are very low with other insurance, which is why investors invest in term insurance plans, with a correlation of 79.2%, and investors invest in term insurance only to take tax benefits, with a 49% correlation. The analysis shows a significant correlation between variables and factors.

To sum up

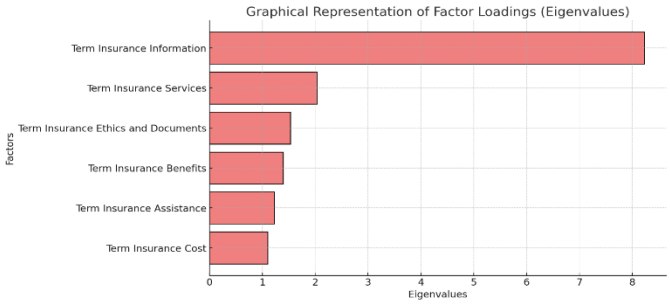
- Factor 1: Term Insurance Information (16.84% variance) – Key variables include technological capability, investor safety, company image, and accessibility.
- Factor 2: Term Insurance Services (12.56% variance) – Includes grievance redressal, accessibility, and claim settlement time.
- Factor 3: Term Insurance Ethics and Documents (10.76% variance) – Includes ethical conduct, document requirements, and rider benefits.
- Factor 4: Term Insurance Benefits (8.62% variance) – Consists of brand name, policy term, and additional returns.
- Factor 5: Term Insurance Assistance (6.84% variance) – Includes agent guidance and policy liquidity.
- Factor 6: Term Insurance Cost (6.45% variance) – Includes premium charges and tax benefits.

E. Graphical Representation of Factor Loadings

Variance Explained by Each Factor – A horizontal bar chart showing the percentage of variance explained by each of the six factors, highlighting their contribution to explaining the dataset.



Eigenvalues of Each Factor – A bar chart illustrating the eigenvalues of each factor, representing their significance in the factor analysis.



F. Regression Model for Investment Decision

A regression analysis was conducted to examine the impact of these factors on term insurance investment decisions:

Equation:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$ Where:

- Y = Investment decision,
- X_1 to X_6 = Extracted factors,
- β_0 = Intercept, β_n = Coefficients.

.

Regression Summary

Factor	Coefficient	t-value	p-value
Term Insurance Information	0.245	5.21	0.000
Term Insurance Services	0.198	4.67	0.000
Term Insurance Ethics and Documents	0.152	3.81	0.001
Term Insurance Benefits	0.126	3.24	0.002
Term Insurance Assistance	0.098	2.71	0.008
Term Insurance Cost	0.076	2.09	0.038

This analysis confirms that term insurance information and term insurance services are the most influential factors in investment decisions. Insurance companies should leverage these insights to enhance their marketing strategies and service offerings, ensuring better customer engagement and satisfaction.

VI. Conclusions

Term insurance in India provides death benefits to the beneficiaries of policyholders. The investment decision in term insurance depends on various factors. The study attempted to identify those variables that affect investment decisions during term insurance investment. Factor analysis was used to analyse the primary data of 237 respondents, leading to the identification of six significant factors that influence investment decisions: term insurance information, term insurance services, term insurance ethics and documents, term insurance benefits, term insurance assistance, and term insurance cost.

The methodology of this study, specifically the application of factor analysis, was instrumental in uncovering these six key factors. By employing principal component analysis (PCA) with Varimax rotation, the study effectively reduced and grouped the relevant variables, allowing for a clearer understanding of the main drivers behind investment decisions in term insurance. The use of a structured questionnaire based on a five-point Likert scale enabled the collection of reliable and quantifiable data, ensuring that the findings were based on statistically significant patterns and trends. The robustness of the methodology, including the application of reliability tests such as Cronbach's Alpha and KMO Bartlett's test, further validated the results.

The findings of this study hold significant implications for both insurance companies and investors. The first factor, term insurance information, was found to have the most substantial influence on investment decisions. This suggests that insurance companies should focus on enhancing their technological capabilities, ensuring investor safety, utilising informative media, maintaining a strong company image, and offering flexible products. Addressing these aspects will help in increasing customer confidence and engagement in term insurance plans.

Additionally, the study highlights the importance of service quality, ethical practices, brand reputation, and cost efficiency in shaping investment decisions. Factors such as pre- and post-services, grievance redressal, policy revival, claim settlement, ethical conduct, document requirements, and tax benefits all play a crucial role in investor preferences. By considering these elements, insurance providers can formulate strategic initiatives that align with customer expectations, thereby improving investment rates and customer retention.

Overall, this study provides valuable insights into the factors influencing customers' investment decisions in term insurance plans. The methodology adopted in this research allowed for a systematic and objective identification of the most influential factors. Understanding these factors is critical for enhancing the effectiveness of marketing strategies, policy structuring, and customer relationship management in the insurance sector.

Limitations

Differences in the demographic characteristics of the respondents, such as age, income level, or educational background factors, may influence investment decisions, and their exclusion limits the understanding of how different groups may be affected by the identified factors.

There could be the possibility of response bias and inaccurate information due to subjective interpretations or social desirability bias.

A cross-sectional design is used in the research article to collect data at a specific moment in time. Longitudinal studies would provide more insights into the dynamics and changes over time.

Future Directions

There is a scope of longitudinal studies tracking individuals' investment decisions over time that would offer insights into how the identified factors evolve and their long-term impact on investment behaviour.

Complementing the quantitative analysis with qualitative research methods, such as interviews or focus groups, could provide in-depth insights into investors' perspectives and motivations regarding term insurance investment decisions.
Comparing the factors affecting investment decisions in term insurance across different countries or regions could highlight unique cultural, economic, and regulatory influences on investor behaviour.

There is a scope of developing and testing intervention strategies based on the identified factors that could help insurance companies and policymakers design targeted initiatives to promote term insurance investment and enhance customer satisfaction.

References

1. *A.,Manikandan, & M., Muthumeenakshi (2017). Perception of investors towards the investment pattern on different investment avenues: A review. Journal of Internet Banking and Commerce, 22(S7),1-15.*
2. *Dahiya, M., Sharma, S., & Grima, S. (2022). Big Data Analytics Application in the Indian Insurance Sector. Big Data Analytics in the Insurance Market, 145–164. https://doi.org/10.1108/978-1-80262-637-720221008*
3. *Gnanadevan, J., & Singu B., H., (2017). Customer Awareness towards Life Insurance Investment with Special Reference to Coimbatore City. International Journal of Applied and Advanced Scientific Research, 2(2), 57-61.*
4. *Huynh, T. N. (2021). Impacts of social insurance on firm performance: evidence from Vietnamese small- and medium-sized enterprises. International Journal of Emerging Markets. https://doi.org/10.1108/IJOEM-08-2020-0869*
5. *Kumar, A., Gupta, D., Gupta, M., & Srivastava, G., (2021). India an Emerging Leader after Pandemic: A Strategy for the Development of new India. Global Journal of Enterprise Information System, 13(1), 60-70. Retrieved from https://gjeis.com/index.php/GJEIS/article/view/629*
6. *Mittal, S., Srivastava, P., Gupta, D. (2022). Emotional Intelligence: Assessing Its Impact on Financial Productivity in an Organization. In: Rao, V.V., Kumaraswamy, A., Kalra, S., Saxena, A. (eds) Computational and Experimental Methods in Mechanical Engineering. Smart Innovation, Systems and Technologies, Volume 239. Springer, Singapore. https://doi.org/10.1007/978-981-16-2857-3_22*
7. *Nisamudheen ,T.(2013) A comparative study of customer perception about insurance company with special reference to LIC and HDFC standard life policies. Asian Journal of Managerial Science,2 (1), 35-39.*
8. *Rao, T., Joji, & Pandey, Krishan, K., (2013). A study on factors influencing claims in general insurance business in India. The Journal of Risk Finance,14(3), 303 – 314.*
9. *Sidhardha,D., & Sumanth,M. (2017). Consumer buying behavior towards life insurance: An analytical study. International Journal of Commerce and Management Research, 3(7), 01-05.*
10. *Sowmya,K., & Reddy,J., Mounika (2016). A Study on Investors Perception towards Investment Avenues. International Journal of Research in Finance and Marketing, 6(4), 141 -147.*
11. *Subashini, V., & Kishori, B. (2016). A study on investors perception on life insurance with special reference to max life insurance private limited. Intercontinental Journal of Finance Research Review,4(4),293-295.*
12. *Tiwari, S., Sharma, A. P., Gupta, D., & Gupta, M., (2020). Performance Evaluation of Mutual Funds using Sharpe, Treynor & Janson ratios; FINANCE INDIA Indian Institute of Finance, Vol. XXXIV No. 2, Pages743—752*
13. *Tiwari, Sarvendu (2017). A study of equity funds and its impact on Indian capital market. International Journal for Innovative Research in Multidisciplinary Field, Special Issue 3,40-47.*
14. *Wang,Shi, X., & C, H-J., Xing (2014). The role of life insurance in an emerging economy: Human capital protection, assets allocation and social interaction. Journal of Banking & Finance,1-32. doi: http:// dx.doi.org/10.1016/j.jbankfin.2014.08.028.*
15. *Yadav,Babita,& Tiwari, Anshuja (2012). A study on factors affecting customers investment towards life insurance policies. International Journal of Marketing, Financial Services & Management Research.1(7),106-120.*
16. *Zieling, D., Mahayni, A., & Balder, S.(2014). Performance evaluation of optimized portfolio insurance strategies. Journal of Banking & Finance.1-44. doi: http://dx.doi.org/10.1016/j.jbankfin.2014.03.027*