



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

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## A STUDY ON CUSTOMER SATISFACTION TOWARDS INSURANCE AS A FINANCIAL INVESTMENT IN MADURAI CITY

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### Abstract

Financial planning is essential for achieving long-term financial stability and security. While budgeting, saving, and investing are commonly recognized as important components of financial planning, insurance is often underestimated. This study examines the role of insurance as a central element of comprehensive financial planning. It traces the development of insurance from early risk-sharing practices to its modern role as a financial tool. The research addresses the gap in understanding how insurance contributes not only to risk protection but also to wealth preservation, accumulation, and estate planning. By analysing various types of insurance and their integration with other

financial products, the study demonstrates that insurance is a cornerstone of holistic financial planning. The findings highlight the importance of including insurance in long-term financial strategies to ensure financial security and sustainable economic well-being.

**Keywords:** Financial Planning, Insurance, Risk Management, Wealth Preservation, Financial Security, Long-Term Planning, Estate Planning, Economic Stability.

### Introduction

Financial planning is a fundamental process in modern life that enables individuals and businesses to achieve long-term financial stability, security, and economic well-being. It involves the



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Systematic management of financial resources through budgeting, saving, investing, and preparing for significant life events such as retirement, home ownership, and education. In an increasingly uncertain economic environment, effective financial planning has become essential for safeguarding future financial goals and ensuring resilience against unexpected challenges. Among the various components of financial planning, insurance plays a critical yet often underestimated role. Insurance functions as a financial safety net by protecting individuals, families, and businesses from unforeseen risks such as illness, accidents, natural disasters, property damage, or death. By transferring financial risk to an insurer, individuals can avoid bearing the full economic burden of unexpected events that might otherwise deplete savings, create debt, or derail long-term financial plans. As such, insurance contributes not only to risk management but also to financial stability and wealth preservation. Historically, insurance originated as a basic risk-sharing mechanism within early communities, where losses were collectively distributed to reduce individual hardship. Over time, it evolved into a sophisticated financial instrument supported by actuarial science, regulatory frameworks, and diversified product offerings tailored to different financial needs. Today, insurance serves a dual purpose: providing immediate

financial protection and supporting long-term financial planning objectives.

Despite its importance, there remains a significant gap in understanding how insurance integrates into financial planning beyond its traditional role in risk mitigation. Many studies focus on insurance as a standalone protective tool rather than examining its broader contribution to long-term financial security, wealth accumulation, and economic sustainability. This study addresses this gap by exploring the role of insurance as an essential component of comprehensive financial planning, emphasizing its impact on financial security, wealth preservation, and long-term economic well-being.

### Objectives

- To analyze customer satisfaction towards insurance as a financial investment in Madurai City.
- To identify the factors influencing customer satisfaction in insurance services.
- To evaluate the role of insurance in meeting customers' financial goals and security.
- To study the level of trust and confidence customers have in insurance companies.



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## Scope of the Study

Goal Setting and Financial Objectives  
Financial planning begins with identifying financial goals—whether short-term (e.g., saving for a vacation), medium-term (e.g., purchasing a home), or long-term (e.g., retirement savings). The scope of financial planning involves: Clarifying Objectives: Understanding and articulating both immediate and future financial needs. Prioritizing Goals: Deciding which goals take precedence based on importance and timeline. Budgeting and Cash Flow Management a core component of financial planning is budgeting, which involves tracking and managing income and expenses. Cash flow management ensures that individuals or businesses are not spending beyond their means. Expense Management: Identifying and controlling spending habits to ensure that living expenses do not exceed income. Savings Plan: Ensuring that a portion of income is allocated to savings to meet future needs and emergencies. Risk Management and Insurance Planning Risk management involves identifying potential financial risks and protecting against them through various types of insurance. The scope here includes: Insurance Coverage: Assessing the need for various types of insurance (e.g., health, life, disability, property) to mitigate risks associated with death, illness, accidents, and property damage. Emergency Fund: Creating a safety net that provides financial

protection in case of unexpected events (e.g., job loss, medical emergencies).

## Statement of the Problem

Insurance has become one of the key financial investment options in India, providing not only risk coverage but also long-term savings and financial security. However, customer satisfaction towards insurance policies often depends on factors such as service quality, claim settlement process, premium structure, transparency, and trust in the company. In Madurai City, where financial awareness is growing, it is important to analyze how customers perceive insurance as an investment tool and whether their expectations are being met.

## Reviews of Literature

- ❖ Shen Yap, Hui Shan Lee, and Ping (2024) explored how both life and non-life insurance affect financial inclusion across 72 countries (2015–2019). They utilized Principal Component Analysis to create a multidimensional Financial Inclusion Index. Their findings highlight that while life insurance only improved inclusion in some countries, non-life insurance had a broadly positive impact on financial inclusion globally.
- ❖ De Gruyter Handbook of Personal Finance (2022), a chapter titled “The Role of Insurance as a Household Financial Management Tool” is authored by John



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- E. Grable and Michelle Kruger. This chapter reviews commonly used insurance products from a household and personal finance viewpoint, and discusses future research opportunities – such as exploring moral hazard, adverse selection, and the interplay between insurance choices and financial risk tolerance.
- ❖ Markus Patrick Chan and Timson Kam Tim Sher (2024) co-authored the article “Insurance as the First Step in Financial Planning - A Review on [the] Developing World”. Published in the Dinkum Journal of Economics and Managerial Innovations, their review focuses on why insurance uptake remains limited in developing countries, despite rising access to other financial services. They argue that insurance – particularly in contexts vulnerable to environmental and socioeconomic shocks – is critical for long-term financial resilience.
  - ❖ Yuqi Li and Lihua Zhang (2022) published their paper “Achieving a Given Financial Goal with Optimal Deferred Term Insurance Purchasing Policy”. They model how deferred term insurance can be used strategically within stochastic settings to optimize the chance of reaching a financial or bequest goal.
  - ❖ A Chen, Giorgio Ferrari, and Shihao Zhu (2023), in the paper “Striking the Balance: Life Insurance Timing and Asset Allocation in Financial Planning”, analytically explore optimal life insurance purchase timing, considering different bequest targets and risk aversion parameters. They derive explicit decision rules in a financial planning framework.
  - ❖ Masahiko Egami and Hideki Iwaki (2007) investigated optimal insurance and consumption strategies under uncertainty in “An optimal life insurance policy in the investment-consumption problem in an incomplete market.” They determine optimal contract structures that maximize expected utility in a setting where markets are incomplete.
  - ❖ Erhan Bayraktar and Virginia R. Young (2012), in “Life Insurance Purchasing to Maximize Utility of Household Consumption”, analyze the ideal death benefit a household should carry under different payment schemes, balancing consumption utility against mortality risk.
  - ❖ Gianluca Sidoti (2024), writing for Forbes Finance Council, argues that insurance must retain its protective role, rather than being mischaracterized as an investment vehicle. Sedate emphasizes its true purpose: shielding individuals and families from unforeseen challenges.



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- ❖ Neil A. Doherty – Esteemed economist and emeritus professor at Wharton, known for books such as Corporate Risk Management, Integrated Risk Management, and The Known, the Unknown, and the Unknowable in Financial Risk Management.
- ❖ Olivia S. Mitchell – A recognized expert in pensions, financial literacy, and retirement security. Her work includes topics like annuities, behavior in Social Security claiming, and the intersection of family status and retirement planning.

## Findings

- ❖ The study reveals that insurance functions as a cornerstone of holistic financial planning by providing risk protection, wealth preservation, and long-term financial security to policyholders in Madurai City.
- ❖ Different types of insurance such as life, health, and general insurance play multifaceted roles, contributing not only to financial protection but also to savings, investment growth, and estate planning objectives.
- ❖ Integration of insurance products with other financial instruments like savings schemes, mutual funds, and retirement plans enhances overall financial stability and goal achievement.

- ❖ Customer satisfaction is strongly influenced by service quality, transparency, claim settlement efficiency, premium affordability, and trust in insurance companies.
- ❖ Insurance significantly supports long-term financial goals including retirement planning, children's education, wealth transfer, and emergency preparedness.

## Suggestions

- ❖ Insurance companies should strengthen awareness programs to educate customers about the broader financial planning benefits of insurance beyond risk coverage.
- ❖ Financial advisors should integrate insurance products strategically with other investment options to design comprehensive and goal-oriented financial plans.
- ❖ Insurers must improve transparency, simplify policy terms, and ensure faster claim settlement processes to enhance trust and customer satisfaction.
- ❖ Customized insurance products tailored to different income groups and life stages can improve financial inclusion and long-term economic resilience.



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- ❖ Continuous innovation in insurance services, digital platforms, and customer support systems will further strengthen confidence and sustainable financial well-being.

## Conclusion

The study concludes that insurance plays a vital role as a financial investment and an essential component of comprehensive financial planning in Madurai City. Beyond providing risk protection, insurance contributes significantly to wealth preservation, financial security, and long-term goal achievement. Customer satisfaction largely depends on service quality, transparency, premium affordability, and efficient claim settlement procedures. The integration of insurance with other financial instruments enhances overall financial stability and resilience against uncertainties. Therefore, strengthening awareness, improving service standards, and promoting trust are crucial for increasing customer confidence and ensuring sustainable financial well-being through insurance planning.

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