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Financial Literacy - A Determinant of Investment in Health Insurance

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Abstract

The financial set-up of a rustic plays a key role in economic development. Since independence Asian nation leaders area unit is going to eradicate impoverishment and switch India into a spirited, self –reliant global economy and embedded financial literacy needs in every citizen's life. India is historically a rustic of avid savers. Indians are suffering from financial stress like under insurance, debt trap, insufficient retirement fund, and low return on investment due to weak financial literacy, which shows an impact on health and wellness. For financial inclusion and inclusive growth: Financial literacy and financial inclusion are twin pillars where fiscal inclusion act as the supply side of proving financial services and financial literacy act as demand facet creating public familiar that what they must obtain. The literature confirms that there is a strong link between financial literacy, the use of financial services, and consumer welfare. Life-insurance and pension funds, especially in developing societies, in contrast to that of short-term bank loans, long-term funding to provide important contributions to the country's economy. These conditions are that the presence of a good insurance system to fulfill all of the expectations, and create a competitive insurance market, citizens-rights and protect the interests, increase the confidence in their system. The creation of welfare awareness and demand will solely be achieved with a healthy legal infrastructure.

Keywords: Financial literacy, Financial inclusion. Financial stress, Economy, Health, Wellness and Insurance

Introduction

Due to rapid climb in the Indian economy over the last decade and enlargement of economic markets through liberalization, privatization and globalization have given way to an overabundance of commercial merchandise in banking, investment, and loan products. A low-level of money skill thwart people from making veracious decisions and financial selections. The route to perpetuate the business goals of an individual is in the right investment decision. India demographically covers 2.4% of the world's land and 17.5% of the World's population. So, for the economic development of the country, the financial system plays a vital role. The financial system plays a critical role in the economic development of any country since independence prominent leaders of the nation were going on putting efforts to eradicate poverty and transform India into a self-reliant economy and entrenched financial literacy needs in every common man's life. Life. India is historically a rustic of avid savers (K N Narendra-2015). Indians are suffering from financial stress like under insurance, debt trap, insufficient retirement fund, and low return on investment due to weak financial literacy, which shows an impact on health and Wellness. Financial inclusion and financial literacy are interrelated, where financial literacy act as a demand-side of financial inclusion.

On the other hand, financial inclusion act as a supply-side. The aim of financial inclusion, like providing essential financial services to all, can only be achieved through the enhancement of financial literacy.

According to the Organization for Economic Cooperation and Development (OECD), “financial literacy as a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual wellbeing” 2. Based on OECD recommendations, India created a top-level institutional structure in 2011 under the aegis of the Financial Stability and Development Council (FSDC). Group of Financial inclusion and Financial Literacy headed by Deputy governor RBI and National center for Financial Education are set up to enhance the financial ability of 500 million adults.

Objectives of the Study

1. To study the level of financial literacy in India by using literature-based analysis.
2. To contemplate the need for Financial Literacy.
3. To summarize the impact of Financial Stress on Health and Wellness.
4. To explore financial literacy as a determinant of investment in health insurance.

Methodology

The study is qualitative and literature-based exploration. Data composed of secondary sources, which comprise research articles, websites, newspaper articles, reports, and Journal articles.

Literature-Based Review

Kamal Gupta et al. (2014), appraise the level of economic literacy amongst 87 small entrepreneurs of Kangra district of Himalaya Pradesh supported book keeping, various financial awareness, savings, investment plans, financial management, and various loan products. It was found that the majority of respondents are responsive to bank loans, less awareness about other financial institutions. Overall possess low financial skills, which reflected in deficient record-keeping, poor cash management, improper savings habits, less awareness of financial products. The research suggested that to form more

knowledge and economic alternatives for the well-being of small entrepreneurs.

Lavanya Rekha Bahadur (2015), analyzed two stakes of the economy: Financial literacy and financial inclusion and its present milieu as a lineage view about business tools. Data collected from 202 Mumbai and thane district individuals. It's found that level of economic literacy is incredibly low and suggested to encourage financial literacy from school level, national-level programs, and seep effort to the grass-root level. K N Narendra (2014), discussed the role of economic Planner within the era of overloaded information. The study suggested that the persistent and prolonged efforts by all stakeholders to teach and produce a down revolution in India. Sumit Agarwal et al. (2010) examined investment behavior, liability choice, risk tolerance, and insurance usage of 1,694 Hyderabad respondents who have an interest in personal finance. As per data analysis presented by Investment Yogi Financial Advisory services, most of the respondents correctly answered the numeracy, inflation, and diversification questions. This study found that the majority of males with educational activity level and aggressive investors are more literate than females and fewer educated.

Ratna Achuta Paluri (2016) examined determinants of financial attitudes of Indian women and identified nine variables: anxiety, interest in economic issues, intuitive decisions, precautionary savings, free-spending, materialistic and fatalistic attitude, the propensity to plan for long and short term financial goals. The study used confirmatory correlational analysis to cluster the ladies of Nashik city. Supported cluster analysis classified customers into judicious consumers, conservative consumers, acquisitive consumers, and unsure consumers. It's found that just one-third of respondents didn't buy any financial products; most preferred products were fixed deposit and insurance. And also found that cluster 1, followed by bunch 3, seems to be attractive for marketers, group 4 is unattractive. V Mathavathani et al. (2014) focused on the financial literacy of rural women in Tamilnadu supported three factors: knowledge, behavior, and attitude. It's found that very low financial literacy among rural women.

Puneet Bhushan et al. (2013) surveyed 516 salaried individuals of Himachal Pradesh using multistage sampling to test the financial literacy level. It's found that the overall literacy level is low, and the financial literacy level of males is quite females. Level of education, income, nature of employment, and place of labor influence financial literacy, whereas the realm doesn't influence on financial-literacy.

Harsha V Jariwala (2014) measured the level of financial literacy among individual investors of Gujarat and the impact of 44 variables on their investment decision. The study found that nearly 40% of 285 respondents have economic literacy and located that financial literacy at a high level, which have a statistically significant effect on investment decision. Priyanka Agarwal, et al. (2015), emphasis on financial literacy importance for managing finances and investment pattern of both teaching and non-teaching female staff (20 lessons and 20 non-teaching female staff) in the education sector of Jhansi District. It's found that the majority of working women are conscious of Investment Avenue and invest their savings in bank and post office fixed deposit. Visa Financial Literacy Survey (2014), depicts Indians are least financially literate people across the world with youngsters and ladies struggling most with their financial knowledge. Only 25% of the total population in India is economically literate and ranked 23rd among 28 countries.

The Need for Financial Literacy

To enhance Financial Knowledge and Skills

In the present competitive world, there exist a wide variety of financial products and services, which makes it complicated in choosing the best product by the investor. Improving financial literacy skills among individuals make stronger in manage their finance and handle the uncertainty is more wisely. Financial literacy among Indians will promote them to overcome such serious contingency through the Awareness of various facilities and government support in the form of schemes available to them.

Freedom from debt-trap: Financial literacy throws light on various financial tools. This will help them to save themselves from the vicious trap of moneylenders who charge them high-interest rates.

Financial literacy will help them to overcome such serious issues by making aware of various facilities and government schemes available to them.

Excessive debts will be reduced: Financial literacy helps individuals to make informed and wise financial decisions, so this over-indebtedness will decrease, and quality of services will also be improved. They are now overburdened with high debts, and knowledge of financial tools will help them to do better financial planning. The conscious of financial tools make them frame a better financial plan, which results in reducing the overburden of excessive debts.

Entrepreneurship Empowerment: Financial literacy promote entrepreneurship and helps to be a small entrepreneur to generate business, as it gives knowledge and also develops skills in an individual. It helps in an effective understanding of finance and creating effective selections for business. It is dire would like the hour to boost money skills, particularly in business.

Collective Impacts: In a country's' economy, financial education can initiate a cornucopia effect. A financially literate family knows various financial products so they will promote savings and even channelize these savings into investments, ultimately leading to the welfare of society.

Acts as a Catalyst of Behavior: The knowledge of financial products acts as an agent to do the behavioral change in an individual. Various campaigns, programs, and other initiatives will lead to behavioral changes and improved financial items.

Ultimate encroachment in financial markets: There is an emergent need for channelizing Savings, and secluded savers into investors can only be done through financial literacy. The demand for financial literacy is created by different options available in the market for savings and investments. So if money skills will increase, participation in money markets also will increase, resulting in the preponderating success of the economy.

The Impact of economic Stress on Your Health and wellness

From so many previous researches, a strong link between financial literacy, use of financial services, and consumer welfare can be confirmed.

We all are through the money stress section. Voice communication that we regularly expertise money stress wouldn't be wrong. One of the American Psychological Association took a survey in 2007 within which it had been ascertained that sixty-one percent of citizens face stress because of money problems. Hence, finance has become the biggest reason for fear among the public.

One will go under money stress when one doesn't have enough money to pay loans or bills, which shows the impact on health and wellness. It will cause subsequent severe health and wellness problems.

1. **Sleep disorder** - Insomnia, we all have experienced this at least once in our lives. Sleep disorder, i.e., Insomnia, causes improper sleep, early wake-up, insufficient sleeping hours for several days. Also, eternal stress results in chronic stress, which incorporates sleep disorders.
2. **Encounters Severe Headaches** – Experience of severe headaches all the time due to money stress. The brain experiences tube-shaped structure changes that area unit caused by catecholamine (epinephrine) and Cortef that results in a headache. Apart from that, stress conjointly tenses muscles that build the headache pain even worse.
3. **Peripheral Heart Attacks** – Despite advance medical sciences, one should understand the connection between stress and coronary failure. However, a recent study helped the North American nation perceive this mystery a small amount. A survey of 200,000 European employees was taken. According to the study, 23% of people are more likely to experience the first heart attack than those who don't stress about jobs and financial issues.
4. **Memory Loss** – Another health issue that stress causes memory loss. Hydrocortone internal secretion interferes and weakens the flexibility to form new recollections because of an excessive amount of weight. A brain consists of millions of neurotransmitters. When an excessive amount of stress happens, the hormone interferes with neurotransmitters, which make it difficult to think straight or remember things.

5. **Excessive hair Loss** – too much stress causes too much hair loss! When you think more about paying bills and loans, hair damage also occurs loss due to stress is known as Alopecia Areata. Another drawback is Trichotillomania is a condition; a person doesn't want to pull out the hair from the scalp, which also causes hair damage.
6. **Brain Tissues degrades** – A brain consists of various elements. When an individual suffers from financial stress, the quantity of tissues decreases within a part of the brain that regulates self-control and emotions. This damage makes future tensions even more difficult.
7. **Lowers intercourse drive** – Stress even affects your sexual life. When you square measure stressed, however square measure you speculated to fancy this factor? Moreover, it results in sexual dysfunctions like low drive, impotence, etc. When you aren't ready to satisfy your partner, it ultimately causes relationship issues.
8. **Poor Skin Health** – it's been proved that stress causes skin connected problems. According to research, individuals get additional pimples and skin problems throughout exams than a less nerve-racking part. It may even cause Psoriasis – a disease during which red and scaly patches square measure shaped on the skin, notably scalp, knees, and elbows. This can be improved by mistreatment gelatin. Gelatin maintains gut health and digestion, protects joints and lowers joint pain, helps improve sleep quality, lifts mood and ignites psychological feature talents, mends skin health, helps uphold heart health, preserves sturdy bones, and helps you are feeling complete.

Financial Literacy a Determinant of Investment in Health Insurance

From the above discussion, it was proved that financial stress results in health problems. A financially literate person can handle financial stress with his/her financial ability skills, investment decisions, savings, and insurance. So this paper tried to forth-pushing of health insurance importance in life.

Today's insurance trade providing the foremost essential contribution to the economic and social development of contemporary society, the money sector is taken into account united of the three pillars. Member of the state of the financial system to meet the increasing security requirements with the impact of globalization has been promoting the use of insurance as a risk transfer techniques. The insurance sector in the development of capital markets in developed countries plays a key role in the growth of a healthy and stable manner. Therefore, counting on insurance risk solely sudden, the loss of the broken unit, settled within the pool won't be as straightforward as a risk transfer mechanism to envision it spread to other individuals. The insurance trade, not solely to mobilize resources, largely by transferring the risk to the efficient allocation of resources and contribute to economic growth. Additionally, reducing transaction costs, creating liquidity, and increasing the efficiency of the financial system by creating the effect of economies of scale in investments.

A strong insurance sector, creating alternative products to the social security system, will alleviate the pressure on the state budget. Life insurance and personal pension funds, especially in developing societies, in contrast to that of short-term bank loans, long-term funding to provide important contributions to the country's economy. This condition is the presence of a good insurance system to fulfill all of the expectations. An effective insurance system, however, square measure certain by law and rules, needs the creation of a scientific infrastructure well drawn. The creation of welfare awareness and demand will solely be achieved with a healthy legal infrastructure.

Limitations of the Study

1. The study focuses on observing the association of financial literacy and health insurance investments.
2. The study is limited to only financial literacy as a determinant of health insurance, and other determinants are ignored.
3. The scope of the study is limited to only those health problems arise due to financial stress and other chronic health issues are not discussed.
4. The study is limited to theoretical based and

analytical study on this topic can be carried out for further study.

Conclusion

The bottom line is money stress causes each physical and mental health problem. To handle the stress of financial problems, one has to keep a check on payment and maintains the credit score. When your bills are paid and there are no loans, you can enjoy a stress-free and healthy life, which can be achieved through financial literacy. The financially literate individual helps to focus on future preparedness for emergencies, major life-threatening events, and retirement. As economically literate, have a better awareness of the policies of insurance and are therefore deal properly with health crises. So in this paper, the author draws attention to the association of financial literacy with the choice of health insurance and the impact of financial stress on health. If an individual understands the facet of financial literacy and health well-being, then he/she can handle even worse situations with their business knowledge. At last but not least, I just want to remind the phrasal verb that everyone knows in common – "HEALTH IS WEALTH." So, let everyone focus on the importance of health with proper wealth maximization through financial literacy.

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