

Psychological Determinants Influencing Funeral Insurance Avoidance Among Indian Consumers

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Abstract

In India, the funeral insurance is one of the least used financial products, even though the country has a developing insurance market. This paper examines the psychological factors that can help determine the avoidance of funeral insurance amongst the Indian consumers. Primary data collection was done through the application of the quantitative research design on 206 respondents through a structured Likert-scale questionnaire. The research used Multiple Linear Regression (MLR) to investigate the effect of five independent variables on Funeral Insurance Avoidance (FIA) which were Death Anxiety (DA), Cultural Norms (CN), Financial Literacy (FL), Risk Perception (RP), and Attitude toward Insurance (AT). The general regression equation was statistically significant, ($F = 23.989$, $p < 0.001$) with a variance of 37.5% in the avoidance behavior ($R^2 = 0.375$). There was support of all the five hypotheses with Death Anxiety coming out the best predictor ($\beta = 0.240$, $p < 0.001$). The results indicate that avoidance of funeral insurance is a multi-dimensional phenomenon, which is caused by emotional, cultural, and cognitive causes, but not simply by financial reasons. Insurance, financial educators and policymakers are discussed as having practical implications.

Keywords: funeral insurance, death anxiety, cultural norms, financial literacy, risk perception, insurance avoidance, India

INTRODUCTION

Indian insurance market has significantly expanded in the last 20 years due to increased financial awareness, increased disposable incomes, and the penetration of new insurance companies in the market. Life, health, and motor insurance has become a popular tool of financial risk management. Some specialized products however, especially the funeral insurance or the final expense insurance have been left almost forgotten by the Indian consumer.

The funeral insurance is meant to meet the expenses of the burial or cremation services, transportation, and other rites after death. It has been incorporated in most developed countries as part of standard financial planning as a tool to take the financial load off the families when they are suddenly hit with a financial obligation in the middle of grief. In India, cultural taboos on discussing death, and

the lack of product awareness and psychological unease have been an impediment to its adoption.

Not a mere issue of affordability or accessibility is the avoidance of funeral insurance. Finally, those consumers who have other insurance products and are financially able to purchase them often forget about funeral coverage. The tendency would indicate that behavioral and psychological determinants come into play. Theories of Terror Management Theory (Greenberg et al., 1986), Behavioral Finance (Kahneman and Tversky, 1979), and Social Norms Theory are especially applicable in the explanation of such avoidance.

This paper considers five behavioural and psychological factors of funeral insurance avoidance among Indian consumers, including: Death Anxiety (DA), Cultural Norms (CN), Financial Literacy (FL), Risk Perception (RP), and Attitude

toward Insurance (AT). The study is an addition to the limited body of existing empirical evidence on the end-of-life financial planning behavior in the Indian setting and provides practical implications to insurance companies, policy makers, and financial educators.

LITERATURE REVIEW

Death Anxiety and Insurance Avoidance

Terror Management Theory (TMT) is a theory advanced by Greenberg et al. (1986) that states that the recognition of mortality results in existential anxiety, which causes people to apply psychological defense mechanisms, such as avoiding death-related stimuli. This framework was used to the consumer behavior, where Kopp and Janda (2003) showed that consumers who have high death anxiety procrastinate or avoid using insurance products that are related to mortality. Arndt et al. (2008) also demonstrated that the salience of mortality may either cause protective financial planning or avoidance, though it depends on the manner products information is presented.

Cultural Norms

The cultural beliefs influence the personal and social reactions to the death-related planning. According to Chattopadhyay and Simon (2008), death is still a taboo topic in most of the Asian societies, and it is not socially acceptable to openly discuss the funeral arrangements. Jain et al. (2017) and Taufique and Vaithianathan (2018) supported the idea that subjective norms and cultural values are strong influencers of decisions related to insurance, and family expectations and community practices often take precedence over personal financial rationality. The barriers to the Indian Gen Z population were also similar, as reported by Shivaprasad and Ravindra Babu (2023).

Financial Literacy

Lusardi and Mitchell (2014) defined the premise of sound financial decision making, such as usage of insurance, as can be based on financial literacy. The study by Mahdzan and Victorian (2013) associated financial literacy with the demand of insurance, and the research by Barnes et al. (2015) demonstrated that the complexity of insurance decisions overwhelms a consumer with insufficient financial literacy. As Mishra et al. (2024) emphasized, financial literacy is a significant determinant of intent to purchase health insurance in the Indian setting, and a comparable trend could be observed with the case of funeral insurance.

Risk Perception

Slovic (1987) revealed that people evaluate risks in a subjective way and underestimate risks in the long run or low-probability of risks, like the cost of a future funeral. The Prospect Theory by Kahneman and Tversky (1979) also indicates an asymmetry of perception of losses- people can avoid noticing the risk of financial loss linked to death to reduce the amount of psychological pain. Tiwari and Patro (2018) established that risk aversion has a role in the insurance uptake in the emerging markets, but the relationship was mediated by the cultural and institutional trust elements.

Attitude toward Insurance

According to Ajzen (1991), attitude is one of the key predictors for behavioral intentions as per the Theory of Planned Behavior (TPB). Raina and Roebuck (2016) showed that insurance provider trust influences consumer decisions on purchase, and Lim et al. (2020) validated that perceived insurance complexity and unnecessary nature influence consumers'

intention to adopt the insurance products. The Indian insurance market can be studied using TPB, which clearly indicates that behavioral control and subjective norms are essential factors for adopting the financial products.

RESEARCH METHODOLOGY

Research Design

This study follows a quantitative research approach that involves descriptive and analytical methods. First-hand information was gathered using a well-designed questionnaire distributed through Google Forms in the year range 2025–2026. The questionnaire used a five-point Likert scale, from Strongly Disagree to Strongly Agree, to measure six constructs. The sample size was conveniently chosen, producing 206 respondents with varied demographics in India.

Measures and Variables

The questionnaire contained two parts. Part A consisted of demographic variables, including age, gender, educational background, employment status, and monthly income. On the other hand, Part B involved six constructs: Death Anxiety (4 items), Cultural Norms (4 items), Risk Perception (3 items), Financial Literacy (3 items), Attitude towards Insurance (4 items), and Funeral Insurance Avoidance (4 items), comprising 22 items in total.

The regression model is formulated as follows:

$$FIA = \beta_0 + \beta_1(DA) + \beta_2(CN) + \beta_3(FL) + \beta_4(RP) + \beta_5(AT) + \varepsilon$$

Data Analysis

The data was analyzed using SPSS software. Description Statistics was used to provide demographic information about the study sample. The reliability of measures was established using

Cronbach's Alpha coefficient. MLR analysis was used to test the five research hypotheses. Significance level is set at $p < 0.05$. The variance inflation factor was used to identify multicollinearity.

RESULTS

Sample Profile

The final sample profile comprised a diverse population in terms of demographics. Respondents belonging to the age group 18-25 years formed the highest proportion (24.3%), followed by 36-45 years (23.8%), 46-55 years (21.4%), and 26-35 years (19.4%). The male respondents comprised 62.6% of total respondents, while the female respondents constituted 37.4%. In terms of educational qualifications, the undergraduate (UG) respondents (25.2%) and higher secondary (HS) respondents (24.8%) accounted for the highest share. A high proportion (50.5%) of the respondents belonged to the income range of ₹50,001 - ₹1,00,000. These middle-income respondents have been found to be highly concerned about making financial planning decisions.

Reliability Analysis

Cronbach's Alpha for all 22 variables (six constructs) was 0.703 which is higher than the minimum value of 0.70 as per Nunnally (1978). This indicates internal consistency and hence the scale can be used for conducting regression analysis.

Hypothesis Testing – Multiple Linear Regression

Multiple linear regression was conducted using the independent variables. The result shows high statistical significance of the overall regression equation ($F=23.98$)

DISCUSSION

Death Anxiety (H1)

The strongest factor predicting funeral insurance avoidance turned out to be Death Anxiety ($\beta = 0.240$, $p < 0.001$). According to the Terror Management Theory (Greenberg et al., 1986), individuals experiencing psychological distress while pondering their mortality tend to adopt avoidance as a protective strategy, which takes precedence over practical calculations related to money and prevents consumers from considering funeral insurance.

Cultural Norms (H2)

The influence of Cultural Norms on avoidance was significant ($\beta = 0.154$, $p = 0.011$). Considering that Indians view discussions about death as inauspicious and prefer community-based solutions for covering funeral costs (as shown by Chattopadhyay and Simon, 2008, and Jain et al., 2017), such cultural scripts prevent individuals from considering funeral insurance relevant and justify its avoidance.

Financial Literacy (H3)

Financial Literacy had a positive impact on avoidance ($\beta = 0.192$, $p = 0.002$). Contrary to the classical assumption implying a positive effect of financial knowledge on behavior and the results presented by Lusardi & Mitchell (2014), the current study indicates that increased financial awareness can cause individuals to critically evaluate funeral insurance and find it useless.

Risk Perception (H4)

Perceived risk of death was a significant predictor ($\beta = 0.172$, $p = 0.006$). Although high perceived risk might mean a stronger awareness of the need to prepare financially, research by Slovic (1987) indicates that distant and uncertain dangers are systematically undervalued. As per the results, increased risk

awareness did not lead to funeral insurance adoption.

Attitude toward Insurance (H5)

One of the top predictors of behavior was consumer attitude towards insurance products ($\beta = 0.194$, $p = 0.001$), as expected from the Theory of Planned Behavior by Ajzen (1991). Those consumers who had unfavorable attitudes toward insurance due to the belief that it is too complicated, unnecessary, and untrustworthy were likely to reject funeral insurance plans.

CONCLUSION AND IMPLICATIONS

The current study provides conclusive evidence that the practice of funeral insurance avoidance in India is a multidimensional behavioral phenomenon based on emotional, cultural, cognitive, and perceptual determinants. All five independent variables – namely Death Anxiety, Cultural Norms, Financial Literacy, Risk Perception, and Attitude were statistically significant predictors of the avoidance behavior. Together, these independent variables accounted for 37.5% of the total variation in the dependent variable.

Implications of the study are numerous. Firstly, insurance companies have to change their approach to marketing by stressing family security, comfort, and dignity. Secondly, financial education programs should be focused on overcoming emotional and cultural obstacles besides teaching the financial knowledge per se. Thirdly, a culturally sensitive marketing strategy involving cooperation with community organizations to foster acceptance of funeral planning is required. Finally, the concept of behavioral finance should be incorporated into financial inclusion policies.

The current study has several limitations. First, due to the cross-sectional nature of the research, causality cannot be established. Second, since a convenient sample of the population was used, generalization of results to other areas of India is not possible. Third, self-reported measures may be distorted by the social desirability effect. Further research should utilize a longitudinal design and SEM techniques; new independent variables should be considered including religion and trust in the provider.

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Table 1: Model Summary and ANOVA

R	R²	Adjusted R²	Std. Error	F	Sig.
0.612	0.375	0.359	0.418	23.989	< 0.001

Table 2: Regression Coefficients

Predictor	B	Std. Error	β (Beta)	t-value	p-value	Decision
Death Anxiety (DA)	0.280	0.074	0.240	3.763	< 0.001	H ₁ Accepted
Cultural Norms (CN)	0.199	0.078	0.154	2.564	0.011	H ₂ Accepted
Financial Literacy (FL)	0.185	0.058	0.192	3.170	0.002	H ₃ Accepted
Risk Perception (RP)	0.171	0.061	0.172	2.786	0.006	H ₄ Accepted
Attitude (AT)	0.221	0.068	0.194	3.242	0.001	H ₅ Accepted