

From Financial Protection to Wealth Creation: The Impact of Insurance Protection Adequacy on Stock Market Investment Behaviour through Perceived Financial Security, Investment Confidence, and Risk Tolerance

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Abstract

Insurance and stock market investment represent two complementary dimensions of household financial planning, yet the behavioural link between them remains insufficiently understood. This study investigates whether Insurance Protection Adequacy (IPA) influences Stock Market Investment Behaviour (SMIB) through the sequential effects of Perceived Financial Security (PFS), Investment Confidence (IC), and Risk Tolerance (RT). Integrating Household Finance Theory and Prospect Theory, the proposed framework explains how financial protection facilitates long-term wealth creation through investor psychology.

The analysis draws on survey data from 487 insured investors in India and applies Covariance-Based Structural Equation Modelling (CB-SEM) using AMOS 29. The results show that adequate insurance protection strengthens financial security, which subsequently builds investment confidence, increases willingness to accept investment risk, and encourages participation in equity markets. Bootstrap estimates further confirm the proposed sequential mediation.

The study broadens household finance and behavioural finance research by demonstrating that insurance contributes to investment decisions beyond its conventional role in risk management. By identifying the psychological pathways linking financial protection with equity participation, the findings offer practical insights for insurers, financial advisors, and policymakers seeking to strengthen household financial resilience and support long-term wealth creation.

Keywords: Insurance protection adequacy; Household finance; Stock market investment behaviour; Perceived financial security; Investment confidence; Risk tolerance; Behavioural finance; CB-SEM.

Introduction

Household financial well-being is shaped by decisions that balance protection against financial risks with opportunities for long-term wealth creation. Insurance cushions households from unexpected financial shocks, whereas equity investments provide a pathway to

capital appreciation and wealth accumulation. Although these decisions are inherently interconnected, research has generally examined insurance and investment behaviour as separate domains, leaving limited understanding of how financial protection influences participation in equity markets (Campbell, 2006).

The relationship has become increasingly important as financial systems evolve. Rising insurance penetration, digital financial services, and expanding retail participation have widened access to investment opportunities, particularly in emerging economies such as India. At the same time, policymakers continue to advocate integrated financial planning that combines adequate risk protection with long-term investment to strengthen household resilience (OECD, 2023). Yet many households remain reluctant to invest in equities, preferring conventional savings instruments despite broader financial access. This suggests that investment decisions are shaped not only by economic conditions but also by behavioural factors.

Existing evidence identifies financial literacy, income, education, demographic characteristics, and risk tolerance as important determinants of stock market participation (Campbell, 2006; Van Rooij et al., 2011). Behavioural finance further demonstrates that confidence and perceptions of risk influence investment decisions beyond objective financial resources (Kahneman & Tversky, 1979; Barber & Odean, 2001). By comparison, the behavioural role of insurance has received far less attention. Most studies focus on insurance ownership or demand, offering limited insight into whether perceived adequacy of insurance protection shapes subsequent investment behaviour.

Insurance may influence investment decisions by reducing background financial risk before any investment choice is made. Individuals who perceive their insurance coverage as adequate are likely to feel more financially secure, develop greater confidence in evaluating investment opportunities, and become more willing to accept investment risk. Although Shi et al. (2021) showed that insurance can encourage household portfolio allocation by lowering financial uncertainty, the psychological mechanisms connecting financial protection with stock market

participation remain insufficiently understood.

This study addresses that gap by proposing a sequential mediation model in which Insurance Protection Adequacy (IPA) influences Stock Market Investment Behaviour (SMIB) through Perceived Financial Security (PFS), Investment Confidence (IC), and Risk Tolerance (RT). The framework integrates Household Finance Theory (Campbell, 2006), Behavioral Portfolio Theory (Shefrin & Statman, 2000), and Prospect Theory (Kahneman & Tversky, 1979). Together, these perspectives explain how effective financial protection can alter investor psychology and ultimately influence participation in equity markets.

The contribution of this research is threefold. It first broadens household finance literature by positioning insurance protection adequacy as a behavioural antecedent of stock market investment rather than viewing insurance solely as a mechanism for transferring risk. It also explains how perceived financial security, investment confidence, and risk tolerance operate as sequential psychological mechanisms linking financial protection with investment behaviour. Finally, evidence from insured investors in India extends the limited empirical literature from emerging markets and offers practical guidance for insurers, financial advisors, and policymakers seeking to strengthen household financial resilience while encouraging broader participation in capital markets.

Literature Review

Insurance Protection Adequacy

Insurance is a fundamental component of household financial planning because it protects individuals against financial shocks while supporting long-term financial resilience. Household Finance Theory views insurance, savings, and investment as complementary resource-allocation decisions rather than independent financial choices (Campbell, 2006). Recent policy discussions similarly emphasise adequate insurance protection as a foundation of sustainable financial planning (OECD, 2023).

Insurance ownership merely confirms the existence of a policy, whereas Insurance Protection Adequacy reflects an individual's perception that available coverage is sufficient to meet future financial obligations. Since this perception

depends on income, liabilities, family responsibilities, and financial expectations, it is likely to influence financial behaviour more strongly than ownership alone.

Evidence suggests that adequate insurance reduces background financial risk and encourages participation in equity markets (Shi et al., 2021). However, previous studies have focused largely on objective measures of insurance coverage, leaving limited understanding of how perceived insurance adequacy shapes subsequent investment behaviour. This study therefore conceptualises Insurance Protection Adequacy as a perception-driven behavioural construct.

Perceived Financial Security

Perceived Financial Security represents an individual's confidence in remaining financially stable despite future uncertainty (Netemeyer et al., 2018). Unlike objective measures of income or wealth, it reflects perceived financial resilience and is widely recognised as an important determinant of financial well-being and long-term planning (CFPB, 2017).

Adequate insurance protection enhances financial security by reducing uncertainty associated with unexpected losses. Individuals who perceive themselves as financially protected generally report lower financial stress and greater confidence in achieving future financial goals (Kempson & Poppe, 2018). Despite its importance, limited research has examined perceived financial security as the behavioural pathway linking insurance protection with investment behaviour.

Investment Confidence

Investment Confidence refers to an individual's belief in the ability to evaluate investment opportunities and make effective financial decisions. Unlike financial literacy, it reflects perceived capability rather than objective knowledge (Barber & Odean, 2001).

Confident investors are more likely to participate in equity markets and pursue long-term investment strategies. Fernandes et al. (2014) and Van Rooij et al. (2011) similarly found that confidence is an important driver of investment behaviour. By reducing concerns about unexpected financial losses, adequate insurance protection may strengthen investment confidence, although this

relationship has received limited empirical attention.

Risk Tolerance

Risk Tolerance refers to an individual's willingness to accept financial uncertainty in pursuit of higher returns (Grable & Lytton, 1999). According to Prospect Theory, lower perceptions of downside risk increase the willingness to undertake investment risk (Kahneman & Tversky, 1979).

Previous research demonstrates that financial confidence and perceived security positively influence risk-taking behaviour (Weber et al., 2002; Grable, 2016). Although risk tolerance is widely recognised as a determinant of investment behaviour, its relationship with insurance protection remains underexplored.

Stock Market Investment Behaviour

Stock Market Investment Behaviour reflects participation in equity markets through regular investing, portfolio diversification, and long-term wealth accumulation. Earlier studies identify financial literacy, income, education, investment experience, trust, and behavioural factors as key determinants of market participation (Campbell, 2006; Van Rooij et al., 2011).

Behavioural finance suggests that investment decisions are shaped by both economic conditions and psychological factors. Despite their complementary roles in household finance, insurance and investment decisions have largely been studied separately. This study argues that insurance protection adequacy influences stock market participation indirectly by strengthening financial security, enhancing investment confidence, and increasing risk tolerance.

Research Gap

Existing research has largely examined insurance and investment decisions separately, with limited attention to their behavioural interrelationship. Most studies rely on objective measures such as insurance ownership rather than Insurance Protection Adequacy as a perception-based construct. Furthermore, although Perceived Financial Security, Investment Confidence, and Risk Tolerance are recognised as important drivers of investment behaviour, their sequential role in linking insurance protection with stock market participation remains underexplored, particularly in emerging economies such as India. This

study addresses these gaps by testing a sequential mediation model connecting Insurance Protection Adequacy (IPA), Perceived Financial Security (PFS), Investment Confidence (IC), Risk Tolerance (RT), and Stock Market Investment Behaviour (SMIB).

Theoretical Foundation and Hypothesis Development

Theoretical Foundation

The proposed framework integrates Household Finance Theory (Campbell, 2006), Behavioral Portfolio Theory (Shefrin & Statman, 2000), and Prospect Theory (Kahneman & Tversky, 1979) to explain how financial protection influences investment behaviour. Household Finance Theory views insurance and investment as complementary household financial decisions, while Behavioral Portfolio Theory suggests that adequate insurance reduces background financial risk, enabling greater allocation to growth-oriented assets. Prospect Theory further proposes that lower perceptions of downside risk increase individuals' willingness to undertake investment risk. Collectively, these perspectives suggest that Insurance Protection Adequacy enhances Perceived Financial Security, strengthens Investment Confidence, increases Risk Tolerance, and ultimately promotes Stock Market Investment Behaviour, providing the theoretical basis for the proposed sequential mediation model.

Hypothesis Development

Insurance Protection Adequacy and Perceived Financial Security

Adequate insurance coverage reduces financial uncertainty and strengthens individuals' perceptions of financial stability and resilience (Netemeyer et al., 2018; OECD, 2023). Households that perceive their insurance protection as sufficient are therefore expected to experience greater financial security.

H1: Insurance Protection Adequacy positively influences Perceived Financial Security.

Perceived Financial Security and Investment Confidence

Persons who perceive themselves as economically secure are more likely to make investment decisions with confidence because financial protection reduces anxiety associated with future uncertainty (CFPB, 2017; Netemeyer et al., 2018).

H2: Perceived Financial Security positively influences Investment Confidence.

Investment Confidence and Risk Tolerance

Behavioural finance suggests that confident investors perceive financial uncertainty as more manageable and therefore exhibit greater willingness to accept investment risk (Barber & Odean, 2001; Grable & Lytton, 1999).

H3: Investment Confidence positively influences Risk Tolerance.

Risk Tolerance and Stock Market Investment Behaviour

Risk tolerance is consistently identified as a key determinant of equity investment and portfolio allocation. Investors with higher risk tolerance are more likely to participate actively in stock markets and allocate resources toward growth-oriented assets (Grable & Lytton, 1999; Weber et al., 2002).

H4: Risk Tolerance positively influences Stock Market Investment Behaviour.

Sequential Mediation

H5: Perceived Financial Security mediates the relationship between Insurance Protection Adequacy and Investment Confidence.

H6: Perceived Financial Security and Investment Confidence sequentially mediate the relationship between Insurance Protection Adequacy and Risk Tolerance.

H7: Perceived Financial Security, Investment Confidence, and Risk Tolerance sequentially mediate the relationship between Insurance Protection Adequacy and Stock Market Investment Behaviour.

Methodology

Research Design

Table 1: Research Design Summary

Item	Description
Research approach	Quantitative
Research design	Cross-sectional survey
Population	Insured investors in India
Sampling technique	Purposive sampling
Final sample	487 respondents
Data collection	Online structured questionnaire
Scale	Seven-point Likert
Analysis software	IBM SPSS 29, AMOS 29
Statistical technique	CB-SEM with bootstrapping 5000
Ethical Considerations	Voluntary, Informed consent

Population and Sampling

The study targeted insured adult investors in India with at least one active insurance policy and prior investment experience. Purposive sampling was used to ensure that respondents met the predefined eligibility criteria. Of the 512 questionnaires received, 487 valid responses were retained for analysis.

Instrument Development and Measurement

Table 2. Measurement Constructs on 7 Point Scale

Construct	Items	Primary Sources
Insurance Protection Adequacy	5	Campbell (2006); OECD (2023); CFPB (2017)
Perceived Financial Security	5	Netemeyer et al. (2018); CFPB (2017)
Investment Confidence	5	Fernandes et al. (2014); Van Rooij et al. (2011)
Risk Tolerance	5	Grable & Lytton (1999); Weber et al. (2002)
Stock Market Investment Behaviour	6	Campbell (2006); Van Rooij et al. (2011)

Results

Respondent Profile

A total of 487 valid questionnaires were retained for analysis after data screening. The respondents comprised insured individuals with prior investment experience, consistent with the study's inclusion criteria.

Table 3. Demographic Profile of Respondents (N = 487)

Variable	Category	Frequency	Percentage (%)
Gender	Male	282	57.9
	Female	196	40.2
	Prefer not to say	9	1.9
	Total	487	100.0
Age Group	21–30 years	146	30.0
	31–40 years	154	31.6
	41–50 years	103	21.1
	51–60 years	63	12.9
	Above 60 years	21	4.3
	Total	487	100.0
Educational Qualification	Undergraduate	117	24.0
	Professional Qualification	96	19.7
	Postgraduate	219	45.0
	Doctorate	55	11.3
	Total	487	100.0

Variable	Category	Frequency	Percentage (%)
Occupation	Salaried Employee	181	37.2
	Government Employee	68	14.0
	Business Owner	84	17.2
	Self-employed Professional	74	15.2
	Retired	35	7.2
	Other	45	9.2
	Total	487	100.0
Annual Household Income	Below ₹ 5 lakh	74	15.2
	₹ 5–10 lakh	126	25.9
	₹ 10–20 lakh	163	33.5
	₹ 20–30 lakh	76	15.6
	Above ₹ 30 lakh	48	9.9
	Total	487	100.0
Investment Experience	Less than 1 year	71	14.6
	1–3 years	118	24.2
	4–7 years	131	26.9
	8–10 years	91	18.7
	More than 10 years	76	15.6
	Total	487	100.0

The respondents were predominantly male (57.9%) and largely between 21 and 40 years of age (61.6%). Nearly half (45.0%) were postgraduates, while salaried employees represented the largest occupational group (37.2%). Most

participants (59.4%) reported annual household incomes between ₹5 lakh and ₹20 lakh, and 61.2% had more than four years of investment experience, suggesting adequate familiarity with insurance and investment decisions.

Table 4. Insurance and Investment Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Number of Insurance Policies	2 Policies	82	16.8
	3 Policies	126	25.9
	4 Policies	201	41.3
	5 or more Policies	78	16.0
	Total	487	100.0
Coverage Duration	Less than 2 years	69	14.2
	2–5 years	161	33.1
	6–10 years	145	29.8
	More than 10 years	112	23.0
	Total	487	100.0
Annual Insurance Premium	Less than ₹ 20,000	119	24.4
	₹ 20,001–50,000	176	36.1
	₹ 50,001–1,00,000	137	28.1
	Above ₹ 1,00,000	55	11.3
	Total	487	100.0
Investment Experience	Less than 1 year	71	14.6
	1–3 years	118	24.2
	4–7 years	131	26.9
	8–10 years	91	18.7
	More than 10 years	76	15.6
	Total	487	100.0
Equity Allocation in Household Savings	Less than 10%	56	11.5
	10–25%	126	25.9
	26–50%	178	36.6
	51–75%	94	19.3
	Above 75%	33	6.8
	Total	487	100.0

The respondents exhibited active participation in both insurance and investment activities. Over half (57.3%) owned four or more insurance policies, and 52.8% had maintained insurance coverage for more than five years. Nearly two-fifths (39.4%) paid annual insurance premiums exceeding ₹50,000, while 61.9% allocated at least 26% of their household savings to equities. All respondents held

life and health insurance, with most also covered by term (75.8%) and motor insurance (65.9%), indicating diversified insurance portfolios.

Descriptive Statistics

Prior to hypothesis testing, descriptive statistics were examined to evaluate the distributional characteristics of the measurement items.

Table 5. Descriptive Statistics of Measurement Items

Construct	Mean Range	Standard Deviation Range	Skewness Range	Kurtosis Range
Insurance Protection Adequacy	4.40–4.58	1.73–1.76	- 0.295 to - 0.184	- 0.958 to - 0.809
Perceived Financial Security	4.46–4.55	1.67–1.81	- 0.278 to - 0.187	- 1.003 to - 0.670
Investment Confidence	4.42–4.56	1.73–1.76	- 0.271 to - 0.146	- 0.950 to - 0.852
Risk Tolerance	4.51–4.60	1.67–1.74	- 0.285 to - 0.248	- 0.894 to - 0.752
Stock Market Investment Behaviour	4.45–4.56	1.72–1.80	- 0.313 to - 0.113	- 0.963 to - 0.822

Mean scores ranged from 4.40 to 4.60, indicating generally favourable perceptions across all constructs. Standard deviations varied between 1.67 and 1.81, suggesting adequate variability among respondents. Skewness (- 0.313 to - 0.113) and kurtosis (- 1.003 to - 0.670) values were within acceptable limits, confirming approximate

normality and supporting the use of covariance-based structural equation modelling.

Reliability and Exploratory Factor Analysis

Internal consistency was first assessed using Cronbach's alpha.

Table 6. Reliability Analysis

Construct	No. of Items	Cronbach's Alpha
Insurance Protection Adequacy	5	0.893
Perceived Financial Security	5	0.884
Investment Confidence	5	0.903
Risk Tolerance	5	0.882
Stock Market Investment Behaviour	6	0.914

Table 7. Exploratory Factor Analysis Results

Assessment Criterion	Result	Recommended Value	Decision
KMO Measure	0.953	> 0.60	Excellent
Bartlett's Test (χ^2)	8013.709	Significant	Supported
Degrees of Freedom	325	—	—
Significance	< 0.001	$p < 0.05$	Supported
Number of Factors Extracted	5	Eigenvalue > 1	Supported
Total Variance Explained	69.996%	> 60%	Excellent
Communality Range	0.625–0.769	> 0.50	Supported
Factor Loading Range	0.710–0.805	> 0.70	Strong

The KMO value of 0.953 indicated excellent sampling adequacy, while Bartlett's Test was statistically significant ($\chi^2 = 8013.709$, $p < 0.001$), confirming the appropriateness of factor analysis. Principal Component Analysis with Varimax rotation extracted five factors with eigenvalues

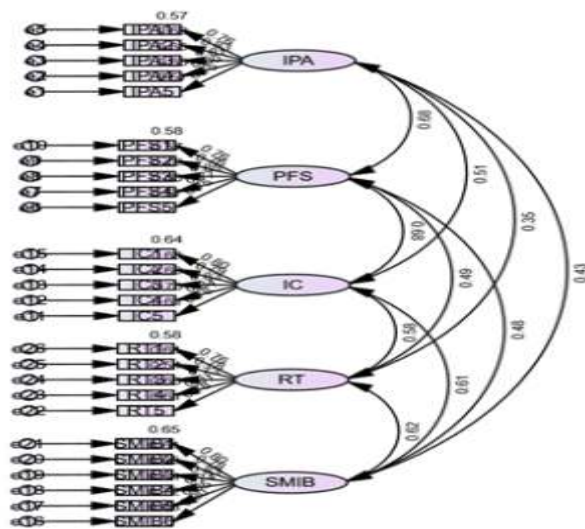
greater than one, jointly explaining 69.996% of the total variance. Communality values ranged from 0.625 to 0.769, indicating satisfactory representation of all observed variables.

Table 8. Rotated Factor Loadings

Construct	Items	Factor Loading
Insurance Protection Adequacy (IPA)	IPA1	0.773
	IPA2	0.805
	IPA3	0.759
	IPA4	0.789
	IPA5	0.772
Perceived Financial Security (PFS)	PFS1	0.710
	PFS2	0.723
	PFS3	0.744
	PFS4	0.744
	PFS5	0.729
Investment Confidence (IC)	IC1	0.752
	IC2	0.712
	IC3	0.787
	IC4	0.725
	IC5	0.738
Risk Tolerance (RT)	RT1	0.747
	RT2	0.790
	RT3	0.760
	RT4	0.769
	RT5	0.737
Stock Market Investment Behaviour (SMIB)	SMIB1	0.776
	SMIB2	0.769
	SMIB3	0.791
	SMIB4	0.730
	SMIB5	0.796
	SMIB6	0.756

These findings provide preliminary evidence of construct validity and support proceeding with confirmatory factor analysis.

Confirmatory Factor Analysis and Measurement Model Validation



The measurement model demonstrated an excellent fit to the observed data ($\chi^2/df = 1.075$, GFI = 0.954, AGFI = 0.944, NFI = 0.962, IFI = 0.997, TLI = 0.997, CFI = 0.997, RMSEA = 0.012), indicating that the proposed factor structure adequately represented the data

Table 9. Measurement Model Assessment

Construct	Loading Range	Cronbach's α	CR	AVE
Insurance Protection Adequacy (IPA)	0.757–0.832	0.893	0.893	0.626
Perceived Financial Security (PFS)	0.754–0.846	0.884	0.885	0.607
Investment Confidence (IC)	0.779–0.836	0.903	0.904	0.654
Risk Tolerance (RT)	0.734–0.812	0.882	0.883	0.601
Stock Market Investment Behaviour (SMIB)	0.737–0.850	0.914	0.914	0.642

All standardized factor loadings, C alpha, CR, AVE confirming satisfactory internal consistency and convergent validity..

Table 10. Overall Model Fit Indices

Fit Index	Obtained Value	Recommended	Assessment
χ^2/df	1.075	< 3.00	Excellent
GFI	0.954	> 0.90	Excellent
AGFI	0.944	> 0.90	Excellent
NFI	0.962	> 0.90	Excellent
IFI	0.997	> 0.95	Excellent
TLI	0.997	> 0.95	Excellent
CFI	0.997	> 0.95	Excellent
RMSEA	0.012	< 0.08	Excellent
RMR	0.078	< 0.08	Acceptable
PCLOSE	1.000	> 0.05	Excellent

The overall fit indices satisfied the recommended criteria for covariance-based structural equation modelling, confirming that the measurement model provided an adequate representation of the observed data.

Table 11. Fornell–Larcker Criterion

Construct	IPA	PFS	IC	RT	SMIB
IPA	0.791				
PFS	0.675	0.779			
IC	0.511	0.683	0.809		
RT	0.349	0.490	0.583	0.775	
SMIB	0.432	0.477	0.611	0.620	0.801

Discriminant validity is confirming that the constructs were analytically different. Collectively, these findings demonstrate that the measurement model possesses satisfactory reliability and validity for subsequent structural model analysis.

Structural Model Assessment

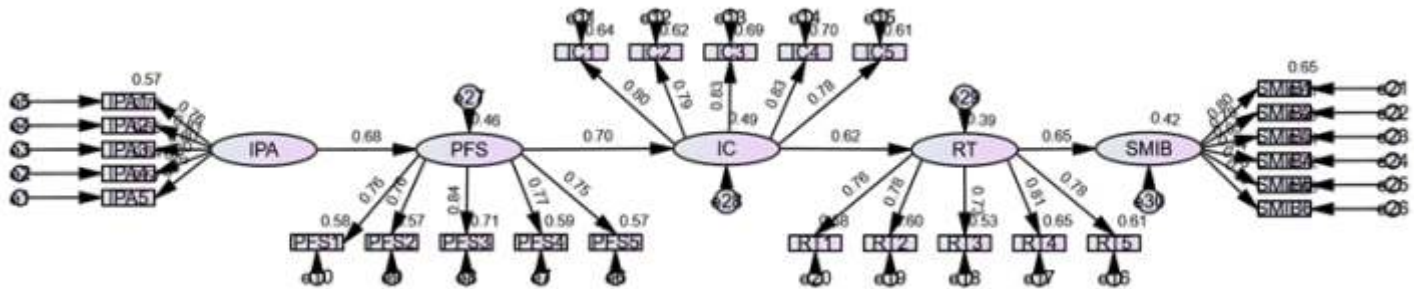


Table 12. Structural Path Estimates

Hypothesis	Structural Path	β	C.R.	p-value	Decision
H1	IPA $\rightarrow$ PFS	0.682	12.349	<0.001	Supported
H2	PFS $\rightarrow$ IC	0.697	13.087	<0.001	Supported
H3	IC $\rightarrow$ RT	0.624	12.060	<0.001	Supported
H4	RT $\rightarrow$ SMIB	0.648	12.566	<0.001	Supported

The structural model provided strong support for the proposed relationships

Table 13. Coefficient of Determination (R^2)

Endogenous Construct	R^2	Interpretation
Perceived Financial Security	0.465	Moderate
Investment Confidence	0.485	Moderate
Risk Tolerance	0.389	Moderate
Stock Market Investment Behaviour	0.420	Moderate

Overall, the structural model confirms the sequential relationship proposed in this study, whereby insurance protection enhances financial security, strengthens investment confidence, increases willingness to accept financial risk, and ultimately promotes stock market investment behaviour.

Mediation Analysis

The proposed mediating effects were examined using the bias-corrected bootstrap procedure with 5,000 resamples and 95% confidence intervals. Mediation was considered significant when the confidence interval excluded zero.

Table 14. Bootstrap Mediation Results

Hypothesis	Indirect Path	Standardized Effect	95% Bootstrap CI	Decision
H5	IPA $\rightarrow$ PFS $\rightarrow$ IC	0.475	Excludes zero	Supported
H6	IPA $\rightarrow$ PFS $\rightarrow$ IC $\rightarrow$ RT	0.296	Excludes zero	Supported
H7	IPA $\rightarrow$ PFS $\rightarrow$ IC $\rightarrow$ RT $\rightarrow$ SMIB	0.192	Excludes zero	Supported

These findings demonstrate that the influence of insurance protection on stock market investment behaviour is transmitted through a sequence of psychological mechanisms rather than operating solely through a direct effect. Specifically, adequate insurance protection

enhances perceptions of financial security, strengthens investment confidence, increases willingness to tolerate financial risk, and ultimately promotes greater participation in equity markets.

Summary of Hypothesis Testing

Instead of ending with mediation alone, most Q1 journals conclude the Results section with a concise hypothesis summary.

Table 15. Summary of Hypothesis Testing

Hypothesis	Relationship	Result
H1	IPA → PFS	Supported
H2	PFS → IC	Supported
H3	IC → RT	Supported
H4	RT → SMIB	Supported
H5	IPA → PFS → IC	Supported
H6	IPA → PFS → IC → RT	Supported
H7	IPA → PFS → IC → RT → SMIB	Supported

As shown in Table 15, all proposed hypotheses were empirically supported, providing evidence for the sequential mechanism through which insurance protection adequacy promotes stock market investment behaviour.

Discussion

This study demonstrates that Insurance Protection Adequacy (IPA) influences Stock Market Investment Behaviour (SMIB) through the sequential effects of Perceived Financial Security (PFS), Investment Confidence (IC), and Risk Tolerance (RT). Rather than directly driving investment decisions, adequate insurance encourages equity market participation by strengthening key psychological mechanisms.

The findings support Household Finance Theory (Campbell, 2006), suggesting that effective financial protection reduces uncertainty and enables households to allocate resources more confidently toward long-term wealth creation. Consistent with Shi et al. (2021), adequate insurance enhances perceptions of financial security, while extending prior research by showing that perceived insurance adequacy, rather than policy ownership alone, influences investment behaviour.

Perceived financial security was found to strengthen investment confidence, which subsequently increased risk tolerance. These findings align with Prospect Theory (Kahneman & Tversky, 1979) and previous behavioural finance research (Fernandes et al., 2014; Van Rooij et al., 2011; Grable, 2016), indicating that financially secure individuals are more willing to accept investment risk and participate in equity markets.

Overall, the study contributes to household and behavioural finance by demonstrating that insurance supports wealth creation through a sequence of psychological processes rather than solely through risk transfer. Integrating Household Finance Theory, Behavioral Portfolio Theory, and Prospect Theory, the proposed model offers a comprehensive explanation of how financial protection encourages long-term investment behaviour.

Theoretical and Practical Implications

Theoretical Implications

The study contributes to household finance and behavioural finance by integrating insurance protection and stock market investment behaviour within a unified behavioural framework. Unlike earlier research that examined insurance and investment decisions independently, the proposed model demonstrates that insurance protection influences investment behaviour through the sequential effects of perceived financial security, investment confidence, and risk tolerance. These findings extend Household Finance Theory, Behavioral Portfolio Theory, and Prospect Theory by showing that financial protection shapes investment decisions through interconnected psychological processes rather than direct economic effects alone.

Practical Implications

The findings have implications for insurers, financial advisors, and policymakers. Insurance providers should position adequate insurance coverage as a foundation for long-term financial planning rather than merely a risk-transfer product. Financial advisors can encourage

investment participation by integrating insurance planning with investment advisory services, thereby strengthening clients' financial security and confidence before recommending higher-risk assets. Policymakers should promote financial literacy initiatives that present insurance protection and capital market participation as complementary components of household financial resilience and long-term wealth creation.

Conclusion

This study examined the relationship between Insurance Protection Adequacy and Stock Market Investment Behaviour through the sequential mediating roles of Perceived Financial Security, Investment Confidence, and Risk Tolerance. The findings demonstrate that adequate insurance coverage strengthens financial security, builds investment confidence, increases willingness to accept financial risk, and ultimately promotes greater participation in equity markets.

By identifying these sequential behavioural mechanisms, the study extends household finance and behavioural finance literature while highlighting insurance as more than a risk management instrument. Adequate financial protection also creates conditions that encourage long-term investment and wealth creation. These findings provide useful guidance for insurers, financial advisors, and policymakers seeking to strengthen household financial resilience and broaden participation in capital markets.

Limitations and Future Research

This study has several limitations. First, the cross-sectional design restricts causal inference despite the theoretical basis of the proposed model. Second, the sample comprised insured investors in India, which may limit the generalisability of the findings to other institutional and cultural settings. Third, although the model explains a substantial proportion of variation in stock market investment behaviour, additional factors such as financial literacy, digital financial inclusion, behavioural biases, and market sentiment may further improve its explanatory power.

Future research could employ longitudinal, cross-country, or multi-group research designs to examine the stability of

the proposed framework across different financial environments. Extending the model by incorporating additional behavioural or institutional variables may also provide a more comprehensive understanding of household investment decisions. Researchers may also investigate possible moderating variables, with age, income, financial literacy, and investment experience, to better comprehend the conditions under which insurance protection translates into greater participation in equity markets.

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