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Original Research Article

RISK COVERAGE AND FINANCIAL PROTECTION: AN ANALYTICAL STUDY WITH SPECIAL REFERENCE TO NEW ENTRANTS IN KDMC AREA

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Abstract:

Startups and MSMEs are very important for local economy because they create jobs and help areas develop, especially growing urban regions like KDMC area. However new business generally faces many problems in the beginning. They work in uncertain conditions and deal with different type of risk such as financial problem, operational issue and government regulations. If they do not have proper risk protection it can affect their stability and long-term growth. This research helps in understanding how financial protection methods especially insurance and risk management practices help startups in KDMC region. This research will use both primary data (like survey) and secondary data like (reports & article). This study aims to measure the level of awareness of insurance product among new startups, identify their challenges and determine how coverage against risk helps business continuity. The findings of study will show why proper risk management is important for startups and how it helps them grow in stable and sustainable way.

Key Words: *Startups, MSMES, Financial protection, Risk Management, Insurance.*

Introduction:

An analytical study on the risk coverage and financial protection is important in today's life mainly in the developing areas like Kalyan - Dombivli Municipal Corporation (KDMC). This study focuses on the businesses on new startups who faces financial risks in the urban areas. So, the risk coverage can help the individuals and startups to deal with the situations like fire theft accidents financial stability and natural calamities. However, it helps to reduce the financial burden and also provides security and financial protection. The main objective of this study is to provide correct insurance policies and simple solutions to the startups so they can succeed. For instance, if an entrepreneur in a Dombivli is facing losses due to fire or accidents the insurance coverage will help him to recover his financial losses and also to restart the business.

An entrepreneur is one who plans work organize manages company and assumes the risk of business or enterprises. Entrepreneur uses risk coverage and financial protection to safeguard business profit and growth. That helps the startups to survive during difficult times. As a result, more individuals have recognized the importance of financial planning than depending on savings and informal borrowings.

This study aims to understand the importance of risk coverage and financial protection with special reference to new entrants in the KDMC area. And also shows the impact on financial awareness accessibility and overall financial security for the new entrants.

Statement of Problem:

In the present time, many insurance and financial protection instruments are available in the market. However, new startups and entrepreneurs do not use these risk coverage policies effectively. The main reason for this is not the lack of availability, but the lack of awareness, understanding, and accessibility.

New entrants often ignore potential and unexpected risks that may arise at the initial stage of their business. If any uncertain situation occurs, the safety and stability of the business may be at risk, leading to financial losses. Beginners also face additional challenges such as low financial literacy, affordability issues, and procedural difficulties while adopting insurance policies.

Thus, the problem focuses on the gap between the availability of risk coverage instruments and their actual awareness, accessibility, and usage among new entrants and startups.

Significance of Study:

In today's world the startups and new entrants are growing and increasing in numbers. Protecting them financially is very important. Government schemes and various programmes related to startup or business initiatives are available to protect startups and covering the risk. Insurance is one of the most important keys that helps startup and new entrants. Thus, it shows the need to study insurance with reference to startups and new entrants.

The Research Paper is needed -

To know the level of understanding and awareness amongst the new entrants about the insurance policy.

Examine or recognize difficulties that a new entrant might face while understanding procedure, terms and conditions of the risk coverage policy.

Identify need of education & training programme.

Assist in improving the existing insurance policies in which are available today.

Limitations of Study: This research study is based on risk coverage and financial protection with special reference to new entrants in KDMC area. At the time of research, the researcher faced certain limitations:

(1) The present study is restricted to Kalyan Dombivli Municipal Corporation Region & if the same research would have been carried in another city the results would vary.

(2) The perceptions of respondents towards the study may differ according to their personal experiences and achievements.

(3) As a student, the present study is constrained by time, physical limitation and academic balance.

(4) Economic conditions and insurance policy may change frequently, which may affect the relevance of findings in study of research.

(5) This study highlights only new entrants not established business class.

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Rational of Study:

Starting a business is exciting for new entrants but it is also risky. that's why risk coverage and insurance policies introduced for startups. They provide financial security and support during difficult situation. The insurance company give entrepreneur the confidence to focus on growth while building trust with investor, customer and partner. However, many new entrants are not aware of insurance policies and they also find it difficult to understand and use the policy properly which limit their ability to manage financial risk effectively. So, observing, the gap & lack of guidance for unexperienced entrepreneur this study helps to analyse risk and challenges & to provide better financial protection strategies.

For the research area specifically in KDMC, it is important to understand how new entrants manages risk and whether they use proper financial protection methods. This study focuses on analysing the available risk coverage instrument insurance policies & methods to understand the new entrants & entrepreneur to grow & develop with covered risk policy.

Objectives of Study:

1. To analyse various risk coverage instruments accessible for new entrants & startup.
2. To examine the level of awareness about insurance policies among the new entrants.
3. To study the risk exposure faced by new entrants in the absence of insurance coverage.
4. To assess the challenges faced by women and new entrants using insurance policies.

Research Methodology:

The nature of this research is analytical research.

The study papers involve both primary and secondary data.

Primary data for the research paper is collected through structured questionnaires. The respondents were students, teachers, practicing CAs, employees and business class. The sample size was of (110) responses as the data was collected from the group of people.

Secondary data is also been used for detailed study. Secondary data is collected from journals, online books, e-articles, research papers, and website.

Simple random sampling method had been used here to collect the data from the sample of individuals. For hypothesis the method of analysis is z test.

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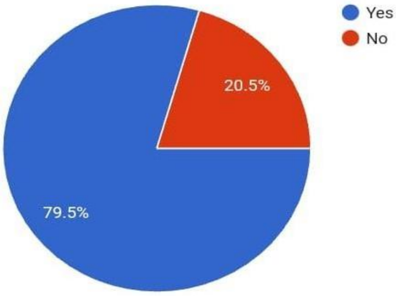
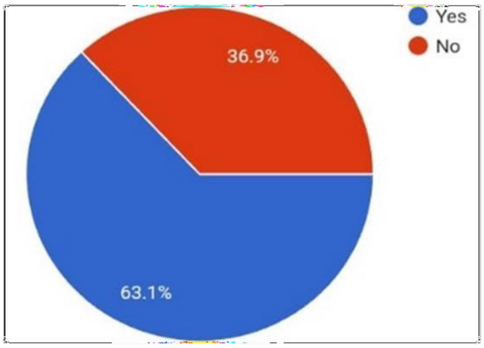
Data Interpretation and Presentation:

1. Are you aware that insurance policies are available for startup's/new business entrants?



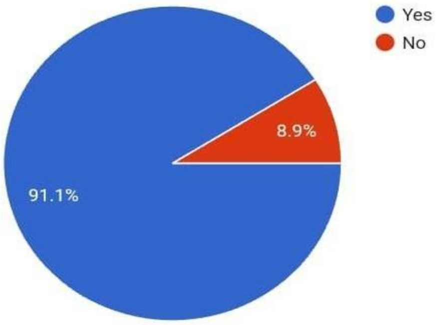
From a total of 110 respondents, 79.5% agreed that they are aware of the insurance policies available for startups while 20.5% disagreed. This show that the most of the respondents are aware about insurance policies that's why alternative hypothesis is accepted and null hypothesis is rejected.

2. Do you know that some insurance policies are specifically designed for startups?



The most of the responses 63.1% are aware of insurance policies specifically created for startups while 36.9%% are unaware of such policies. This show that majority of respondents are aware of Special Insurance Policies for startups that's why alternative hypothesis is accepted and null hypothesis is rejected

3. Do you agree that having financial protection through insurance reduces business risk for new entrants?



A large majority of 91.1% agree that having financial protection through insurance reduce business risk for startups. At the same time 8.9% disagree. It is unnecessary. This study shows that most of the people believe that having financial protection reduce risk that's why alternative hypothesis is accepted and null hypothesis is rejected.

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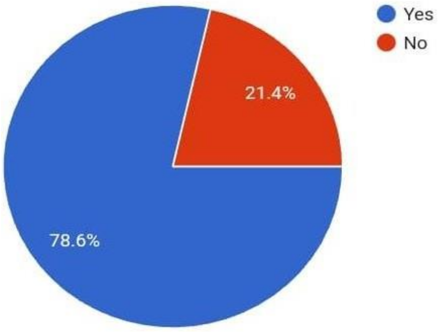
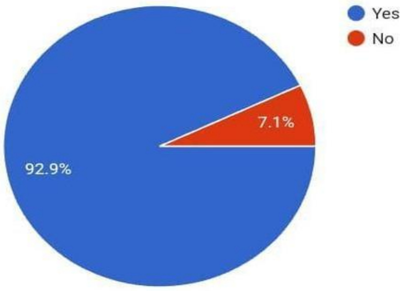
4. Do you think that insurance terms and conditions are difficult to understand?



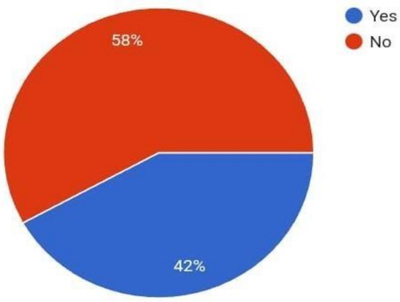
Out of 110 respondent 78.6% agree that insurance terms and conditions are difficult to understand while 21.4% respondents disagree the same. This shows that insurance terms and conditions should be clear, transparent and easy to understand that's why alternative hypothesis is accepted and null hypothesis is rejected.

5. Do you believe that education and training programme on insurance coverage schemes for new entrants is important?



Major respondents 92.2% believe that education and training programs on insurance coverage schemes for new entrants is important while only 7.8% deny to accept the same. This shows the need for education and training programs that's why alternative hypothesis is accepted and null hypothesis is rejected.

6. Are you aware of procedure and process to obtain insurance coverage as new entrant startup?



The majority of respondent 70.3% respondent are aware of special insurance policies for women entrepreneurs are available. As the second most response 29.7% Disagree as the second most frequent response with 29.7%. This study reveals that there is a more awareness is needed that's why alternative hypothesis is rejected and null hypothesis is accepted.

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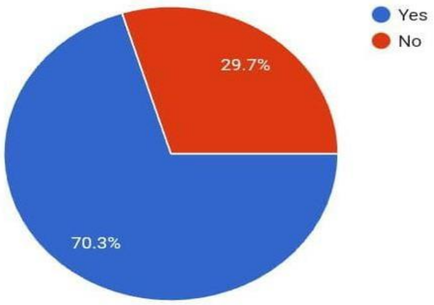
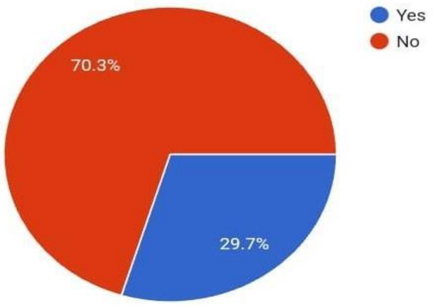
7. ***Are there any special insurance coverage options available specifically for women entrepreneur?***



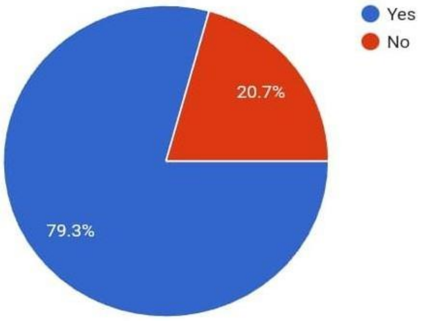
The majority of respondent 70.3% respondent are aware of special insurance policies for women entrepreneurs are available. As the second most response 29.7% Disagree as the second most frequent response with 29.7%. This study reveals that there is awareness of special insurance policies for women entrepreneur that's why alternative hypothesis is accepted and null hypothesis is rejected.

8. ***Does your business currently have any insurance or financial protection?***



It is found that 29.7% of respondent have financial Protection for their Startups. At the same time, a Significant 70.3% of respondents have not obtained financial protection for their startups. This confirm that the respondents are aware of Policy financial Protection however they are don't meet utilize the financial Protection for their Startups that's why alternative hypothesis is accepted and null hypothesis is rejected.

9. ***Does insurance protect startups from unexpected liabilities?***



Most respondents 79.3% believe that unexpected liabilities that arise in startups can be avoided through insurance coverage while 20.7% deny to accept the same. This shows startups can be protected from unexpected liabilities using insurance that's why alternative hypothesis is accepted and null hypothesis is rejected.

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Z-Test

Question	Sample Size (N)	Yes Count	Sample Proportion (p̂)	Z-value	P-value	Result
Q1 Awareness of policies	110	88	0.8	6.293	0	Significant
Q2 Knowledge of startup policies	110	69	0.627	2.67	0.00759	Significant
Q3 Insurance reduces risk	110	101	0.918	8.772	0	Significant
Q4 Terms difficult	110	86	0.782	5.911	0	Significant
Q5 Need training programs	110	102	0.927	8.963	0	Significant
Q6 Aware of procedures	110	45	0.409	-1.907	0.05653	Not Significant
Q7 Women entrepreneur policies	110	77	0.7	4.195	0.00003	Significant
Q8 Business has protection	110	33	0.3	-4.195	0.00003	Significant
Q9 Insurance protects startups	110	87	0.791	6.102	0	Significant

Hypothesis:

H01- There is no significant level of awareness about insurance policies among startups

H1- There is significant level of awareness about insurance policies among startups

H02- Insurance policy does not significantly reduce risk exposure face by startups

H2- Insurance policy significantly reduce risk exposure face by startups

H03- Startups facing uncertainties have no significant relation with absence of risk coverage policies

H3- Startups facing uncertainties have significant relation with absence of risk coverage policies.

Literature Review:

Subashini (2016) in the journal (International Journal of Recent Advances in Multidisciplinary Research) has studied on startups and MSMEs and highlighted that there is moderate to low awareness of insurance product among startups. The authors explained that awareness was not the main issue but acceptance of it was the main problem.

Van Meeteren, Rubin and Waston (2020) Observed that startups make insurance information simpler & easier to understand & their study show that clear accessible communication increase custom er awareness & understanding of diff insurance product.

Ryszard Pukala (2017) The author states that startups often face high operational risk due to irregular cash flow and uncertainties. the traditional method of financing startups is not sufficient to cover operational risk. He also states that insurance instrument can serve as a financial risk management tool from startups suffering from operational risk. Insurance company who provides properly structured insurance can improve creditworthiness and financial stability of new startups.

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As study conducted by Deniz Güney Akkor and Suna Ozyuksel (2020) its shows that there is a gap between the skills that employees have and the expertise needed for future performance in insurance industry mainly in underwriting the author mentioned in order to increase efficiency and maintain competitiveness insurance professionals must undergo training and retraining. They come to the conclusion that for long-term growth and risk assessment insurance companies must focus on developing skilled human resources.

Mikhakli Gennadevich Rustskly (2018) stated that insurance plays an important role in protecting businesses from financial losses and ensuring safety, but its performance depends upon how well the insurance system is developed and implemented. The authors highlighted that if there is poorly developed insurance market its protective function is limited, and hence enhancing insurance system is necessary to enhance business stability and risk protection.

Research findings:

The research findings are based on the analysis of data collected through structured questionnaires, articles and online websites. The study was to understand the importance, awareness and difficulty that startups have faced among them in relation to risk coverage and financial protection. The result based on z-test, address 3 key hypothesis regarding the relation between insurance policy and startups, its economic application among startups.

1. **Awareness regarding insurance policies**

   Most of the respondents are aware about the insurance policies. many respondents are aware that there are special insurance policies for startups. there is good awareness of insurance policy available for women entrepreneurs among many respondents.

2. **Risk coverage is helpful for startups**

   Most of the people believe that having financial protection reduces risk. many people are aware of insurance policy but not everyone makes use of insurance policies for their protecting their startup or business. major respondents believe that insurance policies can protect startups from financial liabilities.

3. **Some difficulties faced by startups and individuals**

   Significance number of people accept that understanding insurance terms and conditions are difficult for first-time users. majority respondents find education and training program on insurance coverage important. most of the respondents are unaware about procedures required for applying insurance policy.

Challenges of Study:

1. The findings reveal that although the people are aware about the available insurance policy for the startup, still only some people really have taken insurance policy for their business showing that awareness is not enough because trust also matters while taking insurance policy. Thus, Awareness should come with trust.
2. Lack of guidance, procedural difficulties, complex terms and condition make insurance policy seem more challenging to the people or the first-time users. The respondents might fear from hidden charges and claim settlement issues.

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3. The findings also make clear recommendation for increasing education and training program specially based on insurance policy and risk coverage for students, common people and emerging entrepreneurs. Lack of financial literacy is main component because of which insurance policy is getting less attention.

Remedies:

1. **Increase insurance awareness program**
   The government as well as private insurance companies must regularly conduct awareness program in various colleges, startups and local area to spread awareness among the general public and business class regarding the importance of Insurance Scheme
2. **Improve financial literacy**
   Financial literacy must be incorporated into school and college curriculum to educate students, emerging entrepreneurs and startups regarding the importance of Insurance Scheme savings investment planning etc
3. **Simplifying Insurance Policy**
   The insurance policy must be explained in simple manner so that the common people as well as owners of new startup can easily understand policy terms and condition
4. **Build trust through transparency**
   The insurance company must explain premium claim as well as the benefit of the policy to the new entrants which will help in building trust among the customer
5. **Digital awareness and online platform-about**
   Social media startups must be made aware of the correct facts regarding Insurance Scheme and their benefit
6. **Affordable insurance plan for startups**
   Low-cost insurance schemes must be designed for new startups. Customer support and proper guidance must be given to startups by experienced professionals, which will assist them in choosing their required insurance policy.
7. **Workshops and seminars -** Organizing Workshops, education and training session for common people, startups and new entrants.

Conclusion:

This study is conducted to understand how startup's view insurance, their awareness regarding insurance policies and different challenges faced by startup's while assessing risk coverage. Based on the response collected from questioner and supported by secondary source, it has been cleared that insurance is important for protecting startups from unexpected financial losses, but there's still a gap in understanding and practical usage

Z-test was conducted to test hypothesis The results indicate that startups have a significant level of awareness regarding insurance policies and that insurance coverage plays an important role in reducing financial risk The results indicate that startups have a significant level of awareness regarding insurance policies and that insurance coverage plays an important role in reducing financial and operational risks.

Overall, the findings suggest that insurance has become an essential risk management tool that supports the financial stability and long-term sustainability of startups.

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