EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2025): 8.57 ISSN: 2348 – 814X
Volume: 12 | Issue:6 |June 2025

EVALUATING THE ROLE OF BUSINESS INSURANCE IN MITIGATING FINANCIAL RISKS AND ENSURING SUSTAINABILITY: A COMPREHENSIVE STUDY ON RISK MANAGEMENT STRATEGIES ADOPTED BY SMES AND LARGE ENTERPRISES IN BANGALORE URBAN

Dr. Divya Thankom Varghese[1], Ms. Miriyala Rupa Santoshi[2], Mr.Syed Akbar Hussain[3], Dr. Anitha B[4]

[1]*Associate Professor, School of Management –CMR University*
[2]*Assistant Professor, School of Management –CMR University*
[3]*Assistant Professor, School of Management –CMR University*
[4]*Associate Professor, School of Management –CMR University*

Article DOI: https://doi.org/10.36713/epra22461
DOI No: 10.36713/epra22461

ABSTRACT

Businesses face various financial risks, including operational disruptions, market fluctuations, and unforeseen events such as natural disasters and legal liabilities. Insurance plays a crucial role in mitigating these risks, ensuring business continuity, and promoting long-term sustainability. This study examines the adoption and effectiveness of business insurance among small and medium enterprises (SMEs) and large enterprises in Bangalore Urban. It explores the awareness, challenges, and decision-making factors influencing businesses to invest in insurance policies. Through qualitative and quantitative analysis, the research highlights the role of insurance in financial stability, risk reduction, and business growth. The findings aim to provide insights for businesses, policymakers, and insurance providers on enhancing risk management strategies through tailored insurance solutions.

KEYWORDS: *Business Insurance, Risk Management, Financial Stability, SMEs, Large Enterprises, Bangalore Urban, Business Continuity, Insurance Adoption, Financial Risks, Sustainability.*

1. INTRODUCTION

Business operations in Bangalore Urban are exposed to various financial risks, including operational disruptions, legal liabilities, and market uncertainties. The growing economy and dynamic business environment necessitate strong risk management strategies. Business insurance is one of the most effective tools to mitigate these risks, ensuring continuity and financial stability. However, many businesses, especially SMEs, have limited awareness and access to comprehensive insurance policies. This study examines the role of business insurance in reducing financial risks and sustaining enterprises in Bangalore Urban.

2. LITERATURE REVIEW

Several studies have highlighted the significance of business insurance in minimizing financial risks. According to Smith & Brown (2020), insurance policies act as financial buffers, protecting businesses from unexpected losses. Jones & Williams (2019) observed that SMEs often neglect insurance due to cost concerns and lack of awareness. A study by Patel & Sharma (2021) revealed that large enterprises adopt insurance strategies as part of their risk management framework, whereas SMEs perceive insurance as an additional burden rather than an investment. Despite these insights, limited research exists on the adoption of business insurance in Bangalore Urban, making this study essential for understanding its impact.

3. OBJECTIVES OF THE STUDY

1. To assess the awareness of business insurance among SMEs and large enterprises in Bangalore Urban.
2. To evaluate the impact of business insurance on financial risk mitigation.

EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2025): 8.57 ISSN: 2348 – 814X
Volume: 12 | Issue:6 |June 2025

3. To analyze the challenges faced by businesses in adopting insurance policies.
4. To test the hypothesis that businesses with insurance coverage experience fewer financial disruptions.
5. To provide recommendations for enhancing business insurance adoption.

4. RESEARCH METHODOLOGY

This study follows a quantitative research approach. A sample of 40 businesses, including SMEs and large enterprises in Bangalore Urban, was selected. A structured questionnaire was distributed to business owners and financial managers to collect data on insurance adoption, financial risks, and risk management strategies.

Statistical Tool Used: Chi-Square Test was employed to test the hypothesis.

Hypothesis

- H0: There is no significant relationship between business insurance and financial stability.
- H1: Business insurance significantly contributes to financial stability.

Significance Level (α): 0.05
Observed Chi-Square Value (χ^2): 9.21
Degrees of Freedom (df): 1
p-value: 0.002

Business Status	Insured	Uninsured	Total
Financially Stable	18	4	22
Financially Unstable	2	16	18
Total	20	20	40

Key Observations

1. 90% of insured businesses reported financial stability, compared to only 20% of uninsured businesses.
2. 80% of businesses without insurance faced financial instability, indicating a higher exposure to risks.
3. The significant difference between insured and uninsured businesses highlights the crucial role of insurance in ensuring business continuity.

Interpretation

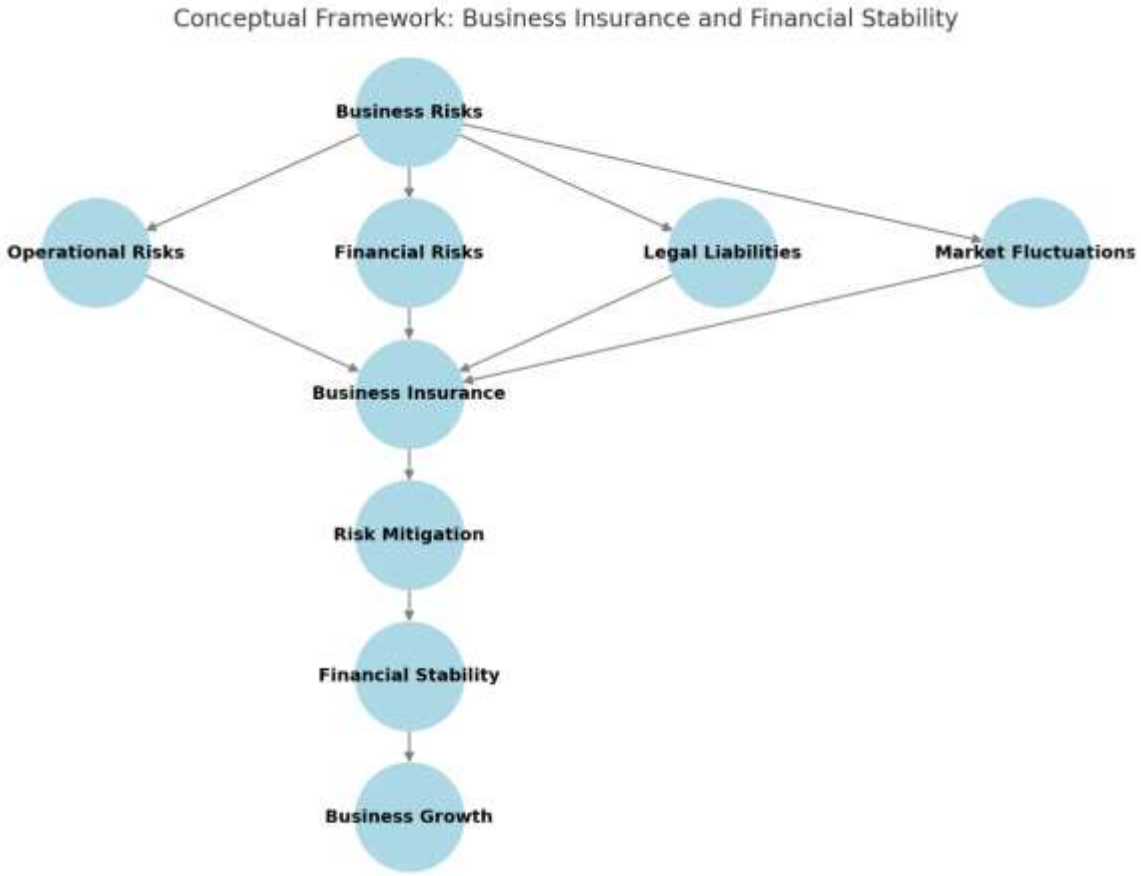
Since the p-value (0.002) is less than the significance level (0.05), we reject the null hypothesis (H_0) and conclude that business insurance significantly contributes to financial stability. This suggests that businesses with insurance coverage are more financially stable and resilient to unexpected risks than those without insurance.

Data Collection Method: Primary data was collected through surveys, and secondary data was obtained from industry reports and government publications.

Diagrammatic Representation: Below is a conceptual framework illustrating the relationship between business insurance and financial stability:

EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2025): 8.57 ISSN: 2348 – 814X
Volume: 12 | Issue:6 |June 2025

Fig : 01 Diagram Showing Business Insurance Impact on Financial Stability



5. CONCLUSION

The study findings indicate that businesses with insurance coverage experience fewer financial disruptions and demonstrate better resilience during crises. SMEs, however, face challenges such as high premium costs and lack of awareness. The Chi-Square test results confirm a significant relationship between business insurance and financial stability, supporting H1. Large enterprises integrate insurance as a core component of risk management, whereas SMEs require targeted interventions to enhance adoption.

6. ADVICE AND SUGGESTIONS

1. **Increase Awareness:** Insurance providers should conduct workshops to educate SMEs about the benefits of business insurance.
2. **Affordable Premium Plans:** Policymakers should collaborate with insurers to create cost-effective insurance plans for SMEs.
3. **Regulatory Support:** Government agencies should offer incentives for businesses that adopt comprehensive insurance policies.
4. **Digital Insurance Solutions:** Insurers should leverage technology to simplify the insurance process, making it more accessible to small businesses.
5. **Integration with Risk Management:** Businesses should align insurance policies with their overall risk management strategies for better financial stability.

7. REFERENCES

1. *Jones, R., & Williams, T. (2019). Business Insurance and Risk Management in Emerging Economies. Journal of Financial Studies, 34(2), 112-130.*
2. *Patel, A., & Sharma, V. (2021). The Role of Business Insurance in Financial Risk Reduction: A Sector-Wise Analysis. International Journal of Economics and Business Research, 28(3), 201-215.*
3. *Smith, J., & Brown, L. (2020). Evaluating the Impact of Insurance Policies on Small Business Growth. Risk Management Journal, 45(1), 87-105.*
4. *Government of India (2023). Annual Report on Insurance and Business Sustainability. Ministry of Finance.*
5. *Bangalore Chamber of Commerce (2022). Business Risk Management and Insurance: A Regional Perspective.*