



International Journal of Advanced Research in Education and Technology (IJARETY)

Volume 13, Issue 4, July – August 2026

Impact Factor: 9.971



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



Impact of Life Insurance as an Investment Strategy in Financial Planning

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ABSTRACT: This study examines the role of Life Insurance Corporation of India (LIC) policies as an investment strategy in the financial planning of retail investors. The primary objective is to analyze how demographic factors such as gender, educational qualification, and annual income influence investors' perceptions of insurance as a financial planning tool. Primary data were collected through a structured questionnaire and analyzed using the Multivariate Analysis of Variance (MANOVA) General Linear Model. The findings reveal that gender and educational qualification significantly influence investors' perceptions of insurance as an investment strategy, whereas annual income exhibits a comparatively limited effect across most financial planning dimensions. Female respondents showed stronger preferences for insurance as a means of saving for children, old-age pensions, future contingencies, and death benefits, while male respondents viewed insurance more favorably for retirement planning, liability reduction, and investment growth. Undergraduate respondents demonstrated higher preference for insurance across most financial planning objectives. The study concludes that LIC should design and promote customized insurance products tailored to different demographic segments to strengthen financial planning, encourage long-term savings, and enhance investment outcomes.

KEYWORDS: Life Insurance, Life Insurance Corporation of India (LIC), Financial Planning, Investment Strategy, Retail Investors, MANOVA, Demographic Factors, Investment Behaviour, Retirement Planning, Asset Allocation.

I. INTRODUCTION

The Life Insurance Corporation of India (LIC) remains a cornerstone of household financial management, commanding roughly 57% of the national life insurance market. While insurance is fundamentally designed for risk management and contingency protection, retail investors across both organized and unorganized sectors increasingly leverage insurance policies as an active investment strategy for long-term wealth preservation and goal-oriented asset allocation.

II. REVIEW OF LITERATURE

1. Graves (2009) Graves had explained about the recession has added many changes to the already full plate faced by insurance executives. There is no question changes are coming in the regulation of insurers. Even before the recession, the SEC proposed regulating indexed immunities as securities.

2. Gatzert et.al(2009)Gatzert says that the life insurance obtain claim that the life settlement industry reduces their surrender profits and leads to an adverse shift in their portfolio of secured risks, this is, high risks remain in the portfolio instead of surrendering. In this article, we aim to quantify the effect of altered surrender behaviour – subject to the health status of insured in a portfolio of life insurance

3. Geetanjali Melhlwal (2006)In her article describes the insurance market as it exists to the day, its growth potential and the incentive to private insurers from world over. The study suggests that after liberalisation of insurance industry in march 2000, there has been consistent growth and the current potential premium income of the country is estimated \$80 billion. India is seen as 6th largest market in the world.

III. OBJECTIVES OF THE STUDY AND RESEARCH METHODOLOGY

This study evaluates retail investors' perceptions of life insurance as a primary investment tool in personal financial planning by examining whether demographic factors such as gender, educational qualification, and annual income significantly influence the use of life insurance for achieving financial objectives, including child savings, old-age pensions, contingency funding, retirement security, and investment growth. The study is based on the premise that life insurance has evolved beyond risk protection to become an important component of long-term financial planning. With the rapid expansion of the insurance industry and the entry of several new market players, understanding investors' awareness and perceptions has become increasingly relevant. The research aims to assess the effectiveness of life insurance as an investment strategy and its role in supporting financial planning decisions. Primary data were collected through a structured questionnaire and analyzed using the Multivariate Analysis of Variance (MANOVA) General Linear Model to evaluate differences in perceptions across demographic groups. The proposed hypotheses were tested to determine the statistical significance of demographic factors on investors' perceptions of life insurance as an investment strategy.

Statement of the Problem

LIC India provides different insurance schemes for the peoples in organized and unorganized sector. Policies for unorganized sector like national policy on skill development, policies related with ensuring safety, health and environment at work place, national policy on HIV AIDS, national child labor policy and also common insurance policies for organized sector. Therefore, the study will help to answer certain valuable questions about the effectiveness of insurance as an investment strategy in the financial planning of the investors. The **Life Insurance Corporation of India (LIC)** continues to be a cornerstone of financial planning for Indian households, maintaining a dominant market share of roughly **57% of the life insurance sector**. Its historical and ongoing influence shapes how retail investors view asset allocation, risk mitigation, and wealth preservation. The influence of LIC on retail investor financial planning manifests through several key dimensions, balancing deeply ingrained trust with a modern shift toward optimized asset management.

INSURANCE AS AN INVESTMENT STRATEGY

Insurance means a protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.

An entity which provides insurance is known as insurer, insurance company, insurance carrier or underwriter. A person or entity who buys insurance is known as insured as a policy holder. The insurance transaction involves the insured assuming guaranteed and known relatively small loss in the form of payment to the insurer promise to compensate the insured in the event of covered loss. The loss may or may not be financial but it must be reducible to financial terms, and usually involves something in which the insured has an insurable interest established by ownership. Possession or pre-existing relationship. The insured receives a contract, called insurance policy, which details the conditions and circumstances under which the insurer will compensate the insured. The amount of money charged by the insurer to the insured for the coverage set for the in the insurance policy is called insurance premium. If the insured experiences a loss which potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by claims adjuster. The insurer may hedge its own risk by taking out re-insurance; where by another insurance company agrees to carry some of the risk, especially, if the primary insurer deems the risk too large for it to carry.

IV. DATA INTERPRETATION AND ANALYSIS

Impact of insurance as an investment strategy

Perception of respondents towards impact of insurance as an investment strategy on different financial plans. The perception of respondents towards the impact of insurance as an investment strategy on different financial plans are analysed on the basis of different demographic factors such as gender, education and annual income. It is very important to identify the strategy of investment among respondents. Every individual has different level of perception and attitude towards investment behaviour. It may vary in accordance with gender, education and occupation. The below illustration shows that whether “there is any significant difference between respondents perception towards impact of insurance as an investment strategy and gender, education and annual income of respondents”. The factors listed above the three aspects like gender, education and annual income are analysed with **MANOVA** to explain the possible variations in the mean scores of these factors across the three tools under study, and a **MANOVA** has been used. Here the seven variables taken together, believing that the variables are more meaningful if taken together than where considered separately.

MANOVA is used here to consider the following hypothesis:

H₀: There is no significant variation in the mean scores of set of variables describing perception on impact of insurance as an investment strategy based on different demographic factors under study.

H₁: There is significant variation in the mean scores of set of variables describing perception on impact of insurance as an investment strategy based on different demographic factors under study

MANOVA General Linear Model

Effect		Value	F	Hypothesis df	Error df	Sig.
Gender	Pillai's Trace	1.031	8.815	14.000	116.000	.000*
	Wilks' Lambda	.013	63.330 ^b	14.000	114.000	.000*
	Hotelling's Trace	72.656	290.625	14.000	112.000	.000*
	Roy's Largest Root	72.610	601.622 ^c	7.000	58.000	.000*
Education	Pillai's Trace	.526	2.957	14.000	116.000	.001*
	Wilks' Lambda	.515	3.207 ^b	14.000	114.000	.000*
	Hotelling's Trace	.864	3.455	14.000	112.000	.000*
	Roy's Largest Root	.759	6.293 ^c	7.000	58.000	.000*
Annual income	Pillai's Trace	.476	1.591	21.000	177.000	.056
	Wilks' Lambda	.550	1.810	21.000	164.223	.021*
	Hotelling's Trace	.771	2.042	21.000	167.000	.007*
	Roy's Largest Root	.706	5.948 ^c	7.000	59.000	.000*

Source: Primary data

Estimated Marginal Means of Grand Mean

Dependent Variable	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
Saving for children	11.972	.546	10.881	13.063
Savings for old age pension	10.825	.491	9.843	11.807
Providing loans for future contingencies	4.771	.283	4.206	5.337
Ensure comfortable retirement	3.478	.206	3.067	3.889
Reduce credit card facility and personal liability	3.280	.193	2.894	3.666
Provide income at the time of death and retirement	3.553	.187	3.179	3.928
Achieve growth in investment	3.595	.215	3.164	4.025

Test of Between Subject Effect

Source		Type I Sum of Squares	Df	Mean Square	F	Sig.
Gender	Saving for children	10116.939	2	5058.470	811.338	.000
	Savings for old age pension	8992.758	2	4496.379	889.866	.000

	Providing loans for future contingencies	1624.185	2	812.092	484.949	.000
	Ensure comfortable retirement	829.772	2	414.886	468.615	.000
	Reduce credit card facility and personal liability	756.475	2	378.238	484.400	.000
	Provide income at the time of death and retirement	858.811	2	429.406	585.458	.000
	Achieve growth in investment	857.646	2	428.823	442.405	.000
Education	Saving for children	69.847	2	34.924	5.601	.006
	Savings for old age pension	10.329	2	5.164	1.022	.366
	Providing loans for future contingencies	19.758	2	9.879	5.899	.004
	Ensure comfortable retirement	1.115	2	.558	.630	.536
	Reduce credit card facility and personal liability	1.132	2	.566	.725	.488
	Provide income at the time of death and retirement	16.729	2	8.364	11.404	.000
	Achieve growth in investment	9.036	2	4.518	4.661	.013
Annual income	Saving for children	9.926	3	3.309	.531	.663
	Savings for old age pension	5.145	3	1.715	.339	.797
	Providing loans for future contingencies	6.558	3	2.186	1.305	.281
	Ensure comfortable retirement	.336	3	.112	.127	.944
	Reduce credit card facility and personal liability	5.200	3	1.733	2.220	.095
	Provide income at the time of death and retirement	1.252	3	.417	.569	.637
	Achieve growth in investment	3.252	3	1.084	1.118	.348

Gender wise estimated marginal mean

Dependent Variable		Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
Saving for children.	Male	11.901	.706	10.489	13.312
	Female	12.044	.597	10.850	13.237
Savings for old age pension.	Male	10.731	.636	9.460	12.002
	Female	10.919	.538	9.844	11.993

Providing loans for future contingencies	Male	4.570	.366	3.838	5.301
	Female	4.973	.310	4.355	5.592
Ensure comfortable retirement.	Male	3.517	.266	2.985	4.049
	Female	3.438	.225	2.989	3.888
Reduce credit card facility and personal liability.	Male	3.374	.250	2.874	3.874
	Female	3.186	.211	2.763	3.608
Provide income at the time of death and retirement.	Male	3.492	.242	3.008	3.977
	Female	3.614	.205	3.205	4.024
Achieve growth in investment.	Male	3.623	.279	3.066	4.180
	Female	3.566	.235	3.096	4.037

Education wise Estimated Marginal mean

Dependent Variable		Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
Saving for children.	School education	10.472	.794	8.885	12.060
	Under graduate	13.346	.822	11.705	14.988
	Post graduate	12.098	.656	10.788	13.408
Savings for old age pension	School education	10.251	.715	8.822	11.680
	Under graduate	10.887	.740	9.409	12.365
	Post graduate	11.337	.590	10.158	12.517
Providing loans for future contingencies	School education	3.848	.412	3.026	4.671
	Under graduate	5.813	.426	4.962	6.664
	Post graduate	4.652	.340	3.973	5.331
Ensure comfortable retirement	School education	3.307	.299	2.709	3.905
	Under graduate	3.612	.310	2.993	4.230
	Post graduate	3.514	.247	3.021	4.008
Reduce credit card facility and personal liability	School education	3.060	.281	2.498	3.622
	Under graduate	3.525	.291	2.944	4.106
	Post graduate	3.255	.232	2.791	3.718
Provide income at the time of death and retirement	School education	2.845	.272	2.300	3.389
	Under graduate	4.053	.282	3.490	4.616
	Post graduate	3.762	.225	3.312	4.211
Achieve growth in investment	School education	2.958	.313	2.332	3.584
	Under graduate	4.052	.324	3.405	4.699
	Post graduate	3.774	.259	3.257	4.291

Annual income wise estimated marginal mean.

Dependent Variable		Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
Saving for children	Below 60000	11.878	.435	11.008	12.748
	60001-120000	12.399	.699	11.003	13.795
	120001-180000	10.928	1.814	7.304	14.553
	180001-240000	12.683	.730	11.225	14.141
Savings for old age pension	Below 60000	11.325	.392	10.542	12.109
	60001-120000	11.167	.629	9.911	12.424
	120001-180000	9.994	1.633	6.731	13.257
	180001-240000	10.813	.657	9.501	12.126
Providing loans for future contingencies	Below 60000	5.147	.226	4.697	5.598
	60001-120000	4.323	.362	3.599	5.046
	120001-180000	4.837	.940	2.958	6.715
	180001-240000	4.779	.378	4.023	5.534
Ensure comfortable retirement	Below 60000	3.421	.164	3.093	3.749
	60001-120000	3.604	.263	3.078	4.131
	120001-180000	3.454	.684	2.088	4.820
	180001-240000	3.431	.275	2.882	3.981
Reduce credit card facility and personal liability	Below 60000	3.573	.154	3.265	3.880
	60001-120000	3.203	.247	2.709	3.697
	120001-180000	3.484	.642	2.201	4.767
	180001-240000	2.860	.258	2.344	3.376
Provide income at the time of death and retirement	Below 60000	3.354	.149	3.055	3.652
	60001-120000	3.685	.240	3.206	4.164
	120001-180000	3.585	.622	2.342	4.828
	180001-240000	3.590	.250	3.090	4.090
Achieve growth in investment	Below 60000	3.646	.172	3.303	3.989
	60001-120000	3.308	.275	2.757	3.858
	120001-180000	4.210	.715	2.781	5.639
	180001-240000	3.215	.288	2.640	3.790

The estimated marginal means of MANOVA table indicates that the mean score variation of the seven variables of perception on the impact of insurance as a investment strategy taken together vary over various demographic factors such as gender, education, and annual income. The female respondents considered, the investment in saving for children, saving for old age pensions, provide loans for future contingencies, death and retirement benefits have shown positive impact of insurance an investment strategy. **(12.044, 10.919, 4.973, 3.614)** . While considering the male respondents ensuring comfortable retirement, reduce credit card facility, achieve growth in investments have good impact. **(3.517, 3.374, 3.623)** as the mean value are high. The respondents having under graduation prefer above financial plans except savings for old age pensions to invest as the mean value are high **(13.46 5.813, 3.612, 3.525, 4.053, 4.052)**. The statistical significance of the variation of the mean confirms this. The respondents belong to the category of annual income below 60000 consider investment in savings for old age pension, provide loan for future contingencies, reduce credit card facility have more impact on insurance in their financial planning **(5.147, 3.573, 11.325)**. as the mean values are higher in the category **60001-120000** think invest to ensure comfortable retirement, provide income at the death and retirement are influenced the most **(3.604, 3.685)** as the mean values are higher. And of the category belongs to 120001-180000 have good impact on achieve growth in investments **(4.210)** as the mean value is high. And of the category belongs to **180001- 240000** have a good impact in saving for children **(12.683)** as the mean value is high.

V. FINDINGS AND CONCLUSION

The study concludes that insurance plays a significant role in the financial planning of investors. Female respondents showed a stronger preference for using insurance for child savings, old-age pensions, and future contingencies, while male respondents viewed insurance as an effective tool for retirement planning, investment growth, and reducing financial liabilities. Respondents with annual incomes below ₹60,000 primarily preferred insurance for old-age pensions and contingency needs. The findings suggest that LIC should design customized insurance products and strategies tailored to different demographic and income groups to enhance financial planning and long-term financial security.

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International Journal of Advanced Research in Education and Technology

ISSN: 2394-2975

Impact Factor: 9.971