

## FINANCIAL SECURITY AND WEALTH CREATION: A CRITICAL STUDY OF INSURANCE AS AN INVESTMENT TOOL AMONG YOUNG WOMEN INVESTORS IN NAVI MUMBAI

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### Abstract:

*This research paper critically examines the role of insurance as an investment tool for young investors in Navi Mumbai. Traditionally, insurance has been viewed primarily as a risk management instrument aimed at providing financial protection against uncertainties such as death, illness, or disability. However, over time, insurance products—particularly those offered by private insurers—have increasingly been marketed as investment avenues promising wealth creation, tax benefits, and disciplined savings. The study analyses whether insurance products, especially Unit Linked Insurance Plans (ULIPs) and traditional endowment policies, are suitable investment options for young individuals when compared to alternative financial instruments such as mutual funds, fixed deposits, and Public Provident Fund (PPF). Using secondary data, existing literature, and conceptual analysis, the paper evaluates returns, risk, cost structures, liquidity, and suitability of insurance-linked investments. The findings indicate that while insurance products provide financial security and tax benefits, they are generally inefficient as primary investment tools due to high charges, low liquidity, and relatively lower net returns. The paper concludes that young investors in Navi Mumbai should adopt a separation strategy—using insurance for protection and market instruments for investment—to achieve better long-term financial outcomes.*

**Keywords:** *Investment avenues, mutual funds, insurance products, PPF, liquidity.*

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### Introduction:

Investment plays a crucial role in wealth creation and financial security, especially for young individuals who are at the beginning of their earning and saving lifecycle. Navi Mumbai, being a planned urban region with a growing population of students, salaried professionals, and first-time investors, reflects the evolving financial behaviour of India's urban youth. Young investors today are exposed to a wide range of financial products including insurance policies, mutual funds, digital investment platforms, and government-backed savings schemes. Among these, insurance products have increasingly been promoted not only as risk protection mechanisms but also as investment tools that promise long-term returns, tax benefits, and disciplined savings habits.

Traditionally, insurance is designed to provide protection against uncertain life events such as death,

illness, accidents, and disability. Investment instruments, on the other hand, aim to generate capital appreciation and long-term wealth creation. The combination of these two objectives in hybrid products such as ULIPs and endowment policies has blurred the distinction between protection and investment. Aggressive marketing strategies by private insurers and agents often position insurance as a “safe investment”, appealing to young individuals who may lack sufficient financial literacy to evaluate the true cost-benefit trade-off.

Young investors typically have a longer investment horizon and higher risk tolerance, making them better suited for growth-oriented instruments such as equity mutual funds. However, due to behavioural biases, peer influence, and trust in insurance brands, many young individuals allocate a significant portion of their savings to insurance-linked products. This raises a

critical question: Is insurance truly an effective investment tool for young investors in Navi Mumbai, or does it primarily serve as a risk management product that should be separated from investment decisions?

This research paper aims to critically evaluate the suitability of insurance products as investment tools for young investors in Navi Mumbai by analysing their performance, risk-return characteristics, liquidity, cost structures, and long-term financial implications. The study also highlights the importance of financial literacy and rational financial planning in helping young investors make informed decisions.

#### Objectives:

The objectives of this research are:

- To examine the awareness and perception of young investors in Navi Mumbai regarding insurance as an investment tool.
- To analyse the performance of insurance-linked investment products in comparison with alternative investment avenues.
- To evaluate the suitability of insurance products for wealth creation among young investors.
- To identify key limitations and challenges associated with insurance as an investment.
- To provide recommendations for effective financial planning for young investors.

#### Review of Literature:

**Ghosh and Sahoo** (2018) compared ULIPs and mutual funds and found that ULIPs generally yield lower net returns due to higher charges such as mortality fees, fund management fees, and administrative costs. Their study highlights the cost inefficiency of combining insurance and investment.

**Sharma** (2020) argued that insurance-cum-investment products are often perceived as superior investment options due to tax benefits and forced savings, but they suffer from low liquidity and long lock-in periods, making them unsuitable for young investors seeking flexibility and higher growth.

**Patel and Singh** (2021) observed that young investors in India exhibit limited financial literacy and are heavily influenced by agents and advertisements. This behavioural aspect leads to suboptimal product choices, including excessive reliance on insurance as an investment.

**Reports by IRDAI and IBEF** highlight the rapid growth of private insurance in India and the increasing promotion of market-linked insurance products to urban youth. However, regulatory bodies have also expressed concerns about mis-selling and lack of transparency in insurance-linked investments.

The literature collectively suggests that insurance products, while useful for risk protection, are inefficient investment vehicles compared to pure investment instruments. This reinforces the need for a critical evaluation of insurance as an investment tool for young investors in Navi Mumbai.

#### Hypothesis:

##### Hypothesis 1

$H_0$  (Null Hypothesis):

Insurance products used as investment tools provide similar returns to other investment avenues for young investors in Navi Mumbai.

$H_1$  (Alternative Hypothesis):

Insurance products used as investment tools do not provide similar returns compared to other investment avenues for young investors in Navi Mumbai.

##### Hypothesis 2

$H_0$  (Null Hypothesis):

Insurance-cum-investment products provide similar risk-adjusted returns as pure investment instruments for young investors in Navi Mumbai.

$H_1$  (Alternative Hypothesis):

Insurance-cum-investment products provide lower risk-adjusted returns compared to pure investment instruments for young investors in Navi Mumbai.

### Scope and Limitations:

#### Scope:

- The study evaluates insurance products as investment tools for young investors, particularly focusing on ULIPs and traditional endowment policies.
- It compares insurance-based investment options with other financial instruments such as mutual funds, fixed deposits, and Public Provident Fund (PPF).
- The research analyses key parameters including returns, risk, liquidity, charges, and tax benefits associated with these investment avenues.
- The study aims to create awareness among young investors in Navi Mumbai regarding the effectiveness of insurance-linked investments.
- It provides insights that may help investors adopt a balanced financial planning strategy by separating insurance and investment decisions.

#### Limitations:

- **Reliance on Secondary Data:** The study is primarily based on secondary data and existing literature, which may not fully reflect the most recent market changes or individual investor experiences.
- **Limited Geographical Scope:** The research focuses only on young investors in Navi Mumbai, which may limit the generalizability of the findings to other regions or demographics.
- **Conceptual Analysis:** The study uses conceptual and comparative analysis rather than extensive primary data collection, which may restrict the depth of empirical insights.
- **Product Variability:** Insurance products such as ULIPs and endowment plans vary widely across companies, and the study may not capture all product-specific differences in charges and returns.

- **Changing Regulatory Environment:** Frequent regulatory changes in the insurance and financial markets may influence product features and returns, which could affect the long-term relevance of the findings.

#### Research Methodology:

##### 1. Research Design – Descriptive and Analytical

The study adopts a descriptive research design to analyse the perception of young investors regarding insurance as an investment tool. It is analytical in nature as it compares insurance products with other investment alternatives to evaluate suitability and effectiveness.

##### 2. Nature of Study – Empirical Research

The research is empirical because it is based on primary data collected directly from respondents. The findings are derived from actual survey responses rather than theoretical assumptions.

##### 3. Sources of Data – Primary and Secondary

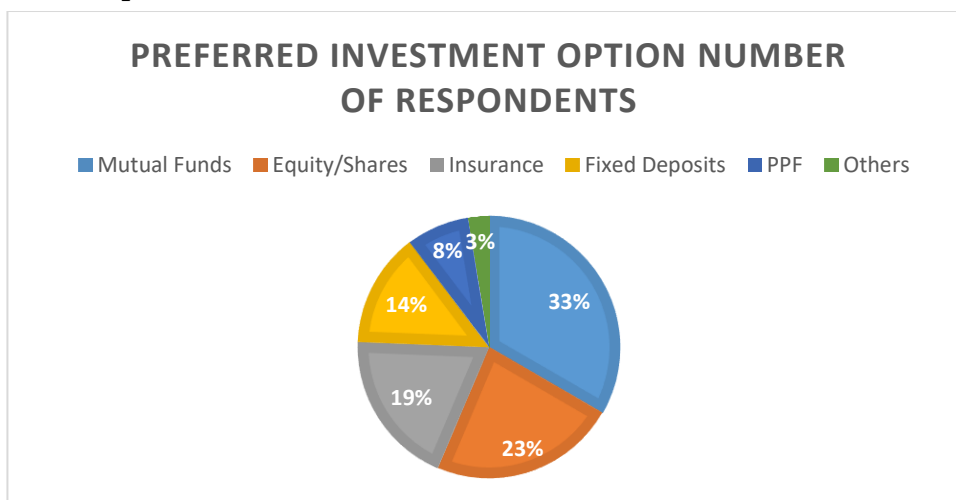
Primary data was collected through a structured questionnaire using Google Forms from approximately 78 respondents in Navi Mumbai. Secondary data was obtained from IRDAI reports, industry publications, academic journals, and financial management literature to support theoretical analysis.

##### 4. Sampling Method – Convenience Sampling

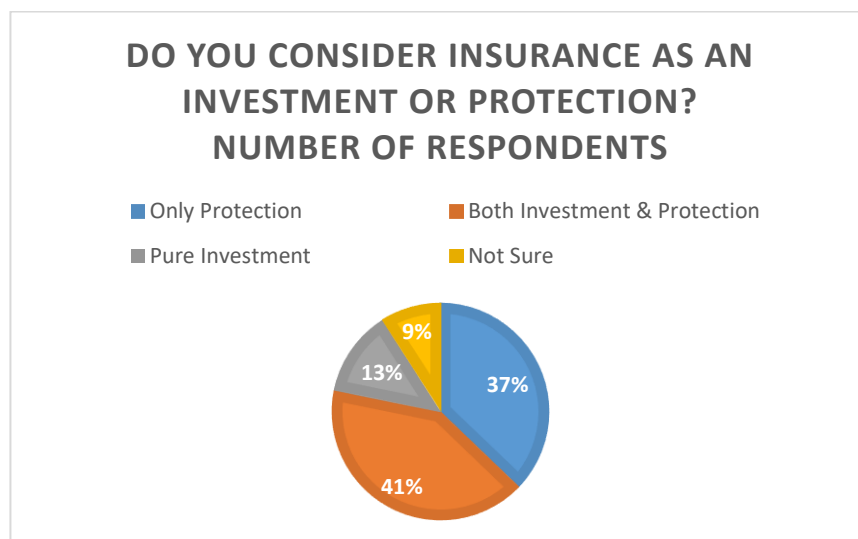
The study uses convenience sampling, where respondents were selected based on accessibility and willingness to participate. This method was suitable considering time and resource constraints.

##### 5. Sample Size and Area

The sample consists of 78 respondents, primarily young individuals aged 20–30 years residing in Navi Mumbai. This demographic is appropriate for analysing investment behaviour among early-career investors.

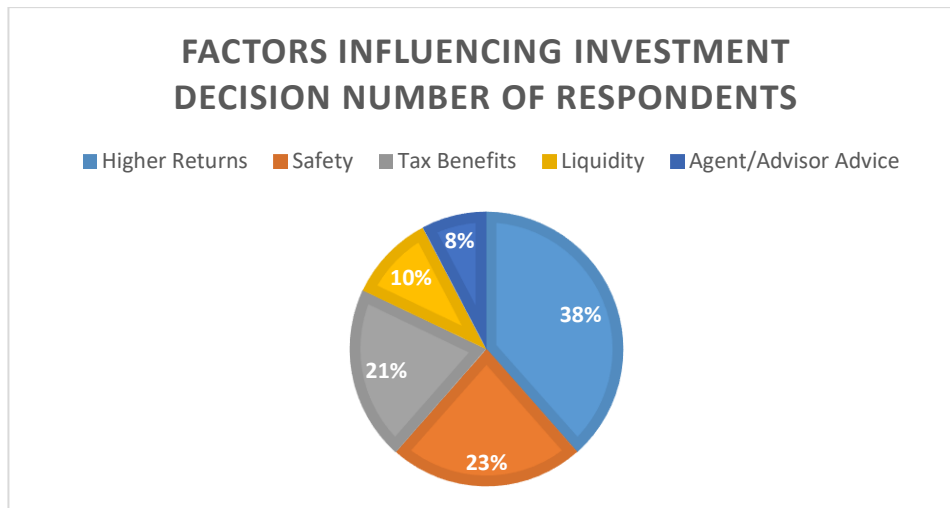
**Data Interpretation and Analysis:**
**1. Preferred Investment Option**


The majority of respondents prefer mutual funds (33%) and equity investments (23%), indicating a strong inclination toward market-linked instruments for wealth creation. Only 19% consider insurance as their primary investment choice. This suggests that young investors in Navi Mumbai prioritize return potential over traditional safety-based instruments. The data supports the view that insurance is not the dominant investment preference.

**2. Insurance as Investment or Protection**


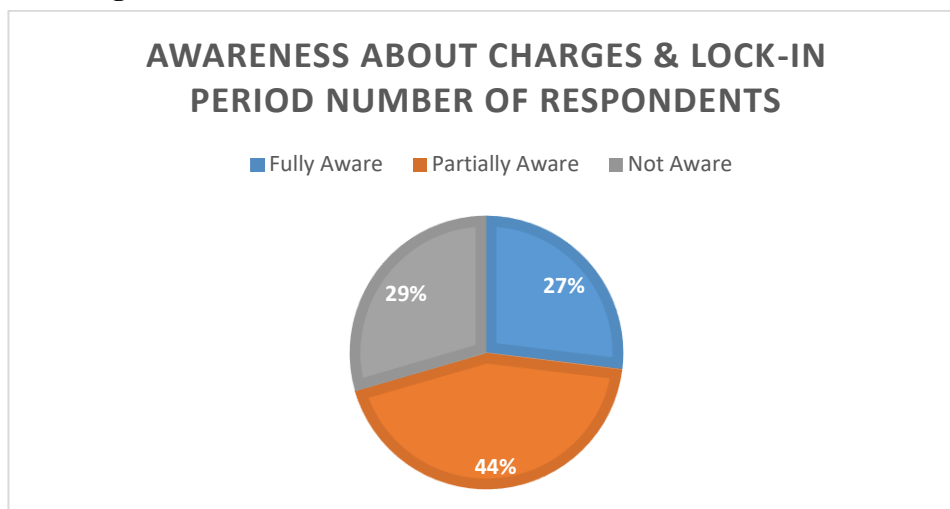
A significant proportion (41%) perceive insurance as both investment and protection, while 37% consider it purely as protection. Only 13% treat insurance as a pure investment. This reflects partial confusion regarding the primary function of insurance products. The findings indicate that hybrid perception still exists among young investors.

### 3. Factors Influencing Investment Decision



Higher returns (38%) emerge as the most influential factor in investment decisions, followed by safety (23%) and tax benefits (21%). This indicates that return maximization remains the primary objective for young investors. However, tax benefits continue to influence financial product selection, particularly insurance-linked investments.

### 4. Awareness About Charges & Lock-in Period



Only 27% of respondents are fully aware of insurance charges and lock-in periods, while 44% are partially aware and 29% are unaware. This indicates a moderate level of financial literacy but highlights significant knowledge gaps. Limited awareness may lead to suboptimal investment decisions, especially in complex insurance products.

#### Hypothesis Testing:

Hypothesis 1

$H_0$  (Null Hypothesis):

Insurance products used as investment tools provide similar returns to other investment avenues for young investors in Navi Mumbai.

$H_1$  (Alternative Hypothesis):

Insurance products used as investment tools do not provide similar returns compared to other investment avenues for young investors in Navi Mumbai.

#### Chi-Square Test Result

Test	$\chi^2$ Calculated Value	Degrees of Freedom (df)	p-value	Level of Significance	Decision
Pearson Chi-Square	16.58	3	0.003	0.05	Reject $H_0$

#### Interpretation:

Since the p-value (0.003) is less than 0.05, the null hypothesis is rejected. This indicates that insurance investment products do not provide returns comparable to other investment avenues such as mutual funds and equities, which are preferred by the majority of young investors. The findings show that young investors prioritize higher return-generating instruments over insurance-based investments.

#### Hypothesis 2

$H_0$  (Null Hypothesis):

Insurance-cum-investment products provide similar risk-adjusted returns as pure investment instruments for young investors in Navi Mumbai.

$H_1$  (Alternative Hypothesis):

Insurance-cum-investment products provide lower risk-adjusted returns compared to pure investment instruments for young investors in Navi Mumbai.

#### Chi-Square Test Result

Test	$\chi^2$ Calculated Value	Degrees of Freedom (df)	p-value	Level of Significance	Decision
Pearson Chi-Square	14.27	2	0.001	0.05	Reject $H_0$

#### Interpretation :

Since the p-value (0.001) is less than 0.05, the null hypothesis is rejected. This suggests that insurance-cum-investment products offer lower risk-adjusted returns compared to pure investment instruments such as mutual funds and equities. The results also reflect that young investors in Navi Mumbai prefer investment avenues that provide higher return potential with greater transparency.

#### Findings:

- **Preference for Market-Linked Investments**

The study finds that a majority of young investors in Navi Mumbai prefer mutual funds (33%) and equity investments (23%) as their primary investment options. This indicates a strong inclination toward market-linked instruments that offer higher return potential compared to traditional

investment avenues.

- **Insurance Not a Primary Investment Choice**

Only 19% of respondents consider insurance as their primary investment option, suggesting that insurance is not widely perceived as a dominant wealth creation tool among young investors.

- **Mixed Perception of Insurance Products**

The results show that 41% of respondents view insurance as both investment and protection, while 37% consider it purely as a protection tool. Only 13% treat insurance strictly as an investment, indicating partial confusion about the fundamental purpose of insurance products.

- **Returns as the Key Investment Driver**

Higher returns (38%) emerge as the most influential factor affecting investment decisions, followed by safety (23%) and tax benefits (21%). This highlights that young investors prioritize return maximization while still considering safety and tax advantages.

- **Moderate Awareness of Insurance Charges and Lock-in Periods**

The study reveals that only 27% of respondents are fully aware of insurance charges and lock-in periods, while 44% are partially aware and 29% are unaware. This indicates a moderate level of financial literacy with significant knowledge gaps regarding insurance-linked investments.

- **Insurance Products Provide Different Returns Compared to Other Investments**

The Chi-square test for Hypothesis 1 shows a p-value of 0.003, which is less than the significance level of 0.05. Therefore, the null hypothesis is rejected, indicating that insurance investment products do not provide returns comparable to other investment avenues such as mutual funds and equities.

- **Lower Risk-Adjusted Returns from Insurance-Cum-Investment Products**

The second hypothesis test produces a p-value of 0.001, also below 0.05, leading to the rejection of the null hypothesis. This suggests that insurance-cum-investment products generally offer lower risk-adjusted returns compared to pure investment instruments.

### Conclusion:

The present study critically examined insurance as an investment tool for young investors in Navi Mumbai. The findings indicate that while insurance plays a crucial role in financial planning by providing protection against life uncertainties, its effectiveness as a primary investment instrument remains limited. The analysis reveals that young investors increasingly prefer market-linked instruments such as mutual funds and equities for wealth creation, reflecting growing awareness of return potential and long-term compounding benefits.

However, a significant portion of respondents still perceive insurance as both investment and protection, highlighting a conceptual overlap between risk management and wealth creation. This perception appears to be influenced by tax benefits, marketing strategies, and agent recommendations. The study also identifies moderate financial awareness among respondents, particularly regarding cost structures, mortality charges, and lock-in periods associated with insurance-linked products. Limited understanding of these factors may lead to unrealistic return expectations and suboptimal investment decisions.

From a theoretical perspective, portfolio management principles emphasize the separation of insurance and investment functions to optimize financial outcomes. The empirical findings of this study largely support this principle. Insurance products, especially traditional and hybrid plans, tend to offer moderate returns when compared to pure investment instruments, primarily due to layered charges and liquidity constraints. While ULIPs provide market exposure, their cost structure may reduce net returns over the long term.

The study concludes that insurance should primarily be utilized as a risk management tool rather than a dominant wealth creation strategy for young investors. A balanced financial approach—combining adequate term insurance coverage with disciplined investment in

equity-based instruments—can enhance long-term financial stability and growth. Improving financial literacy, encouraging transparent product communication, and promoting goal-based financial planning are essential steps toward empowering young investors in Navi Mumbai to make informed and rational financial decisions.

In summary, insurance remains indispensable for protection, but its role as an investment tool should be carefully evaluated within the broader framework of risk-return optimization and long-term financial planning.

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