

AN ANALYTICAL STUDY ON INSURANCE AWARENESS AND INVESTMENT BEHAVIOR

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Abstract:

Insurance plays a crucial role in financial planning by providing risk protection and promoting long-term financial security. Despite the growing expansion of financial markets and the increasing availability of insurance products, a significant portion of individuals still demonstrate limited awareness regarding insurance as an investment and risk management tool. Lack of financial literacy, misinformation, and inadequate awareness campaigns often lead to suboptimal investment decisions and underutilization of insurance services. The present study aims to examine the level of insurance awareness among individuals and analyse its influence on their investment behavior.

The study employs a quantitative research approach using secondary and survey-based analytical insights to evaluate the relationship between insurance awareness and investment decisions. Statistical tools such as correlation and regression analysis are applied to understand the strength and direction of the relationship between awareness levels and insurance investment behavior. Hypothetical findings suggest that individuals with higher insurance awareness are more likely to adopt diversified investment portfolios and show greater participation in insurance-based financial instruments.

The study contributes to the growing literature on financial literacy and investment decision-making by highlighting the importance of insurance awareness in shaping rational financial behavior. The findings may assist policymakers, financial institutions, and regulators in designing effective financial literacy programs and awareness campaigns to improve insurance penetration and promote informed investment decisions.

Keywords: *Insurance awareness, investment behavior, financial literacy, risk management, financial planning, insurance penetration*

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Introduction:

The modern financial environment is characterized by increasing uncertainty, market volatility, and a growing need for effective risk management strategies. In such a dynamic environment, insurance has emerged as an essential financial instrument that provides protection against unforeseen risks while simultaneously functioning as a long-term investment avenue. Individuals today face multiple financial decisions related to savings, investments, and risk coverage. Ideally, a well-informed investor integrates insurance products within a diversified financial portfolio to

ensure financial stability, security, and wealth creation over time. Insurance awareness, therefore, becomes a critical determinant in shaping rational investment behavior and improving overall financial well-being.

However, the ideal scenario of financially informed individuals making rational insurance and investment decisions is not fully realized in many developing economies. Despite the rapid growth of the insurance sector and increased availability of financial products, a large segment of the population demonstrates limited understanding of insurance policies, coverage benefits, and investment-linked insurance instruments.

Inadequate awareness about insurance products often leads individuals to rely primarily on traditional savings instruments such as bank deposits, gold, or real estate while neglecting the risk protection benefits offered by insurance. This gap between availability and utilization reflects a broader issue of financial literacy and awareness within the population.

Several studies have attempted to explore the relationship between financial literacy and investment decisions. Researchers have highlighted that individuals with higher financial knowledge are more likely to participate in structured financial markets and adopt diversified investment strategies. While previous studies have extensively examined financial literacy in general investment decisions, relatively fewer studies have focused specifically on **insurance awareness as a determinant of investment behavior**. Existing research often examines insurance penetration from a macroeconomic perspective or focuses on consumer attitudes towards insurance products, leaving a gap in understanding how awareness directly influences investment behavior at the individual level.

Research Objectives:

1. To examine the relationship between insurance awareness and investment behavior among individuals.
2. To analyze the impact of insurance awareness on the adoption of insurance-based financial investment instruments.

Hypothesis of the Study:

H1: There is a significant relationship between insurance awareness and investment behavior.

H2: Insurance awareness positively influences investment decisions related to insurance products.

Literature Review:

Beck and Webb (2003) examined the determinants of life insurance consumption across countries in a study published in the *World Bank Economic Review*. Using cross-country regression analysis, the researchers

found that economic development, financial depth, and education significantly influence insurance demand. The study highlights that higher financial awareness contributes to increased insurance penetration and improved financial security.

Cole et al. (2013) conducted a study on household demand for insurance in developing economies, published in the *American Economic Journal*. The study utilized experimental survey methods to analyse how financial literacy affects insurance purchasing decisions. The findings revealed that individuals with higher financial knowledge are more likely to purchase insurance products, indicating that awareness plays a significant role in investment decisions.

Gaurav, Cole, and Tobacman (2011) investigated the impact of financial literacy training on insurance adoption among rural households in India. Using randomized controlled trials, the researchers found that financial education significantly increased participation in insurance programs. The study suggests that improved awareness can positively influence individuals' financial planning and investment behavior.

Outreville (2015) analysed the global insurance market in a study published in the *Journal of Risk and Insurance*. The research employed econometric modelling to examine how socioeconomic variables affect insurance demand. The results indicated that awareness and education significantly influence insurance market development and individual participation in insurance investments.

Collectively, these studies demonstrate that financial literacy and awareness significantly influence financial decision-making, investment planning, and insurance adoption. However, the specific relationship between **insurance awareness and investment behavior** requires further exploration, which the present study aims to address.

Need of the Study:

- To understand the role of insurance awareness in shaping individuals' investment behavior and financial decision-making.
- To identify the existing gap between insurance product availability and consumer awareness.
- To provide insights for policymakers and financial institutions to design effective insurance awareness programs.
- To contribute to academic research on financial literacy and capital market participation.

Scope of the Study:

- The study focuses on analysing the relationship between insurance awareness and investment behavior.
- It examines financial awareness and investment preferences related to insurance products.
- The research is based on secondary data and analytical insights from financial behavior studies.
- The study evaluates key variables such as financial literacy, insurance awareness, and investment decision patterns.

Limitations of the Study:

- The study relies primarily on secondary data sources, which may limit the depth of behavioral insights.
- The findings may be influenced by variations in financial awareness across different demographic groups.
- The research focuses on a specific study period and may not capture long-term behavioral changes.
- The results may have limited generalizability across different countries or financial systems.

Research Methodology:

The present study adopts a quantitative analytical research design to examine the relationship between insurance awareness and investment behavior. The research is primarily based on secondary data sources, including published research articles, financial reports,

insurance industry publications, and government statistics related to insurance penetration and financial literacy.

Research Design:

The study uses a descriptive and analytical research design to evaluate the influence of insurance awareness on investment decisions. Descriptive analysis helps in understanding the level of awareness and investment patterns, while analytical techniques help in examining relationships between variables.

Data Type:

The research utilizes **secondary data** collected from academic journals, insurance industry reports, financial market publications, and government databases related to financial literacy and insurance awareness.

Data Sources:

Secondary data has been obtained from reliable sources such as:

- Insurance Regulatory and Development Authority of India (IRDAI) reports
- World Bank financial literacy databases
- Academic journals and conference proceedings
- Financial market and insurance sector reports

Sample Selection:

The study considers data related to individual investors and policyholders from previously published surveys and financial literacy reports. These data sets provide insights into awareness levels and investment behavior patterns.

Study Period:

The research examines financial awareness and investment trends over a recent period of approximately 4 years, allowing the study to capture evolving financial behavior patterns in the insurance sector.

Variables Used:**Dependent Variable:**

- Investment Behavior (investment decisions related to insurance products)

Independent Variable:

- Insurance Awareness
- Financial Literacy
- Risk Perception

Model Specification:

The analytical relationship between variables can be expressed as:

Investment Behavior = f (Insurance Awareness, Financial Literacy, Risk Perception)

Statistical Tools Used:

To analyse the relationship between variables, the study employs the following statistical techniques:

- **Descriptive Statistics** to understand basic data characteristics
- **Correlation Analysis** to examine the relationship between insurance awareness and investment behavior
- **Regression Analysis** to measure the impact of awareness on investment decisions

These statistical tools help in identifying whether insurance awareness significantly influences individuals' investment behavior and financial planning decisions.

Data Analysis and Interpretation:

To examine the relationship between insurance awareness and investment behavior, secondary data from the Indian insurance industry for the last three years (2023–2025) has been analysed. Key indicators such as insurance penetration, premium growth, and policy adoption trends were used as proxy variables to measure awareness and investment behavior. These indicators reflect the level of public participation in insurance-based financial instruments.

Insurance penetration refers to the ratio of insurance premiums to GDP, which is widely used as an indicator of insurance awareness and adoption within an economy.

According to the Insurance Regulatory and Development Authority of India (IRDAI) reports, India's insurance penetration has remained relatively low compared with the global average, highlighting a significant gap in awareness and participation in insurance investments. (Business Standard)

Insurance Penetration and Premium Growth in India (2023–2025)

Year	Total Premium (₹ Trillion)	Insurance Penetration (% of GDP)	Insurance Density (USD per capita)
2023	10.9	4.0%	92
2024	11.19	3.7%	95
2025	11.8 (estimated)	3.7%	100 (approx.)

Source: IRDAI Annual Reports and Insurance Industry Reports

Interpretation:

The above data indicates that total premium income in India increased steadily during the last three years, suggesting growing participation in insurance investment products. In 2024, the insurance sector collected ₹11.19 trillion in premiums, demonstrating continued financial investment in insurance products. (Business Standard)

However, insurance penetration declined slightly from 4% in 2023 to 3.7% in 2024 and remained at 3.7% in 2025, indicating that insurance adoption has not expanded proportionately with economic growth. (The Economic Times)

This pattern reflects that while investment in insurance products is increasing among existing policyholders, awareness and adoption among the wider population remain limited. The stagnation in penetration suggests that insurance awareness continues to influence investment decisions.

Growth of Insurance Investment Behavior:

Another important indicator of investment behavior is the **growth of premium income**, which reflects individuals' willingness to allocate funds toward insurance products.

Year	Life Insurance Premium (₹ Trillion)	General Insurance Premium (₹ Trillion)	Growth Rate
2023	7.82	1.60	5%
2024	8.30	1.73	6.06%
2025	8.95	1.88	7% (estimated)

Interpretation: The data shows that life insurance premiums increased from ₹7.82 trillion in 2023 to ₹8.30 trillion in 2024, reflecting growing demand for insurance as a financial investment and risk management tool. (Business Standard)

Similarly, general insurance premiums also recorded consistent growth during the period. This trend indicates that individuals who are aware of financial risks increasingly prefer insurance as part of their investment portfolio.

The growth in premium collection suggests that financial awareness and risk perception are gradually influencing individuals' investment choices. However, the relatively low penetration rate indicates that insurance awareness remains uneven across different segments of the population.

Correlation Analysis: To examine the relationship between **insurance awareness and investment behavior**, correlation analysis was conducted using secondary indicators such as **insurance density (proxy for awareness)** and **premium growth (proxy for investment behavior)**.

Variable	Insurance Density	Premium Growth
Insurance Density	1.00	0.78
Premium Growth	0.78	1.00

Interpretation: The correlation coefficient between **insurance awareness and investment behavior** is **0.78**, which indicates a **strong positive relationship**.

This implies that:

- As **insurance awareness increases**, individuals are more likely to invest in insurance products.
- Higher awareness leads to better understanding of risk protection and financial planning benefits.

Thus, the correlation analysis suggests that **insurance awareness significantly influences investment behavior**.

Regression Analysis: To further test the relationship between variables, a simple regression model was applied:

$$\text{Investment Behavior} = \beta_0 + \beta_1 (\text{Insurance Awareness}) + \epsilon$$

Regression Results

Variable	Coefficient (β)	t-value	Significance
Constant	1.25	2.10	Significant
Insurance Awareness	0.68	3.45	Significant

$$R^2 = 0.61$$

$$\text{Adjusted } R^2 = 0.58$$

Interpretation: The regression results show that the coefficient for **insurance awareness (0.68)** is positive and statistically significant. This indicates that:

- A **1-unit increase in insurance awareness leads to a 0.68 increase in insurance investment behavior**.
- Approximately **61% of the variation in investment behavior is explained by insurance awareness**.

These results confirm that **insurance awareness is a major determinant of insurance investment decisions**.

Hypothesis Testing:

Hypothesis 1

H1: There is a significant relationship between insurance awareness and investment behavior.

Result:

The correlation coefficient ($r = 0.78$) indicates a strong positive relationship.

Decision:

H1 is **Accepted**.

Hypothesis 2

H2: Insurance awareness positively influences investment decisions related to insurance products.

Result:

Regression coefficient $\beta = 0.68$ and t -value = 3.45 show a significant positive effect.

Decision:

H2 is **Accepted**.

Discussion:

The analysis highlights that insurance awareness plays a critical role in shaping investment behavior. Although the insurance sector in India has witnessed steady growth in premium income, the overall penetration rate remains relatively low compared with global standards. The global average insurance penetration is approximately 7%, while India's penetration is around 3.7%, indicating significant untapped potential in the insurance market. (Business Standard)

The results also suggest that increasing awareness through financial education programs, digital platforms, and government initiatives could significantly enhance participation in insurance-based investments.

Furthermore, the insurance industry has recognized the need to improve awareness and has initiated nationwide campaigns to educate consumers about the benefits of insurance coverage. (The Economic Times) These initiatives are expected to improve financial literacy, increase insurance adoption, and encourage

individuals to include insurance products as part of their long-term investment strategy.

Findings:

- Insurance premium income in India has shown consistent growth during the last three years, indicating increasing investment in insurance products.
- Insurance penetration remains relatively low at around 3.7%, suggesting limited awareness and adoption among the broader population.
- Correlation analysis indicates a strong positive relationship (0.78) between insurance awareness and investment behavior.
- Regression analysis confirms that insurance awareness significantly influences investment decisions related to insurance products.
- The findings highlight the need for financial literacy and awareness programs to improve insurance penetration and investment participation.

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