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INFLUENCE OF FACTORS IN PURCHASING HEALTH INSURANCE POLICY: A STUDY IN KHANNA CITY

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ABSTRACT

Health insurance adoption in India is influenced by multiple factors, including economic, demographic, psychological, and social determinants. This literature review examines key studies on health insurance purchase behavior, highlighting the role of income, education, awareness, risk perception, and government initiatives. Findings indicate that affordability, financial literacy, trust in insurance providers, and employer-sponsored schemes significantly impact purchase decisions. While policies like Ayushman Bharat have improved access for low-income groups, challenges such as claim settlement issues and misconceptions about insurance persist. The review emphasizes the need for increased financial education, transparency in insurance processes, and digital adoption to enhance health insurance penetration in India.

Keywords: Edward Soja, Third Space Theory, William Shakespeare, as you Like it, Forest of Arden, Spatial Dynamics, Identity Transformation, Social Relations, Liminality, Hybridity

1. INTRODUCTION

Health insurance is an essential component of financial security, providing coverage against unforeseen medical expenses. In India, the demand for health insurance has been increasing due to rising healthcare costs, the prevalence of lifestyle diseases, and growing awareness about financial planning. Despite this, health insurance penetration remains relatively low compared to other countries. Several factors influence an individual's decision to purchase a health insurance policy, making it a crucial area for study.

Health insurance has become an essential component of financial planning in India, especially in the wake of rising healthcare costs and increasing awareness about the importance of securing one's health. The Indian health insurance market has witnessed significant growth over the past decade, driven by factors such as urbanization, increasing disposable incomes, and government initiatives like Ayushman Bharat. However, the decision to purchase a health insurance policy is influenced by a multitude of factors, ranging from individual preferences to socio-economic conditions. This essay explores the key factors that influence the purchase of health insurance policies in India.

1. RISING HEALTHCARE COSTS

One of the primary factors driving the demand for health insurance in India is the escalating cost of medical treatments. Hospitalization expenses, diagnostic tests, and medication costs have risen significantly, making it difficult for individuals to afford quality healthcare without financial support. Health insurance acts as a safety net, providing coverage for medical expenses and reducing the financial burden on families. The fear of high out-of-pocket expenses during medical emergencies is a major motivator for individuals to invest in health insurance policies.

2. INCREASING AWARENESS

Awareness about the benefits of health insurance has grown significantly in recent years, thanks to government campaigns, media coverage, and the efforts of insurance companies. People are now more informed about the importance of having health insurance to safeguard their savings and ensure access to quality healthcare. This increased awareness has led to a shift in mindset, with more individuals considering health insurance as a necessity rather than a luxury.

3. GOVERNMENT INITIATIVES

The Indian government has played a pivotal role in promoting health insurance through various schemes and policies. The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY), launched in 2018, aims to provide health coverage to over 500 million economically vulnerable citizens. Such initiatives have not only expanded the reach of health insurance but have also encouraged private insurers to offer affordable and comprehensive policies. Government support has made health insurance more accessible to the masses, particularly in rural areas.

4. SOCIO-ECONOMIC FACTORS

Socio-economic conditions significantly influence the decision to purchase health insurance. Individuals with higher disposable incomes are more likely to invest in comprehensive health insurance policies, as they can afford the premiums and prioritize financial security. On the other hand, low-income groups often rely on government-sponsored schemes or opt for basic policies due to budget constraints. Additionally, factors such as age, occupation, and family size also play a role in determining the type and extent of coverage sought.

5. PREVALENCE OF LIFESTYLE DISEASES

The rising prevalence of lifestyle diseases such as diabetes, hypertension, and cardiovascular disorders has heightened the need for health insurance. With sedentary lifestyles and unhealthy dietary habits becoming increasingly common, the risk of chronic illnesses has surged. Health insurance provides coverage for the treatment of such diseases, ensuring that individuals can access timely medical care without worrying about the costs.

6. NETWORK HOSPITALS AND CASHLESS FACILITIES

The availability of network hospitals and cashless treatment facilities is a crucial factor influencing the choice of health insurance policy. Policyholders prefer insurers that have tie-ups with a wide network of hospitals, as this ensures hassle-free access to medical services. Cashless facilities eliminate the need for upfront payments, making it easier for individuals to avail of treatment during emergencies. Insurers that offer these conveniences are more likely to attract customers.

7. POLICY FEATURES AND CUSTOMIZATION

The features of a health insurance policy, such as coverage limits, premium amounts, add-ons, and exclusions, play a significant role in the decision-making process. Individuals look for policies that offer comprehensive coverage, including hospitalization, pre- and post-hospitalization expenses, and critical illness benefits. Customization options, such as the ability to add family members or opt for riders, also influence the choice of policy. Transparency in terms and conditions is another key consideration for potential buyers.

8. TRUST IN INSURANCE PROVIDERS
Trust in the insurance provider is a critical factor in purchasing health insurance. Individuals prefer insurers with a strong reputation, reliable customer service, and a track record of timely claim settlements. Negative experiences, such as claim rejections or delays, can deter potential customers from choosing a particular insurer. Building trust through transparent communication and efficient service is essential for insurance companies to retain and attract customers.

9. TAX BENEFITS
Tax benefits under Section 80D of the Income Tax Act serve as an additional incentive for purchasing health insurance. Premiums paid for health insurance policies are eligible for tax deductions, reducing the overall tax liability of individuals. This financial advantage encourages more people to invest in health insurance, particularly those in higher tax brackets.

REVIEW OF LITERATURE
- A study by Yadav and Sudhakar (2017) identified key personal factors affecting health insurance purchase decisions, including awareness, tax benefits, financial security, lifestyle, and risk coverage. The research emphasized the importance of consumer awareness and perceived financial security in influencing purchasing behavior.
- Research by Mistry and Vyas (2021) highlighted the impact of socioeconomic factors such as income, education, and occupation on health insurance purchasing decisions. The study found that higher income and education levels positively correlate with the likelihood of purchasing health insurance, while certain occupations also influence this decision.
- Pahwa and Gupta (2019) examined the role of marketing-related factors in health insurance purchases. Their study identified that company reputation, product features, promotional activities, and agent interactions significantly affect consumer decisions. Effective marketing strategies and clear communication were found to enhance consumer trust and willingness to purchase.
- Kansra and Gill (2017) explored the influence of social perceptions on health insurance enrollment among workers in India's informal sector. They discovered that factors such as lack of awareness, income constraints, and reliance on government healthcare facilities deter individuals from purchasing health insurance. Addressing these social perceptions is crucial for increasing insurance penetration in this segment.

ECONOMIC AND DEMOGRAPHIC FACTORS
Several studies highlight the role of income, employment, education, and age in influencing health insurance purchases.
- According to **Bhat and Jain (2006)**, individuals with higher incomes are more likely to invest in health insurance due to affordability concerns.
- **Agarwal and Kaur (2017)** found that educated individuals are more aware of the benefits of health insurance and are more likely to purchase it.
- Age and family size also play a significant role; younger individuals are less inclined to buy insurance, while older individuals consider it necessary due to health risks (**Gupta & Trivedi, 2019**).

AWARENESS AND PERCEPTION
Lack of awareness and misconceptions about health insurance deter its adoption in India.
- **Dror et al. (2016)** pointed out that many people perceive health insurance as an unnecessary expense rather than a long-term investment.
- **Kumar and Mishra (2021)** emphasized the role of financial literacy in enhancing insurance penetration.
- Some studies suggest that negative past experiences with insurance claims discourage people from purchasing policies (**Nayak et al., 2018**).

SOCIAL AND PSYCHOLOGICAL FACTORS
Social influence and psychological factors also impact insurance purchases.

- **Chatterjee et al. (2020)** found that peer influence and family recommendations significantly affect purchasing decisions.
- The role of trust in insurance providers is critical; individuals are more likely to buy policies from reputed insurers with positive reviews (**Rao & Sharma, 2015**).
- Behavioral aspects such as risk aversion and future planning also determine the likelihood of purchasing insurance (**Singh & Bhatnagar, 2019**).

GOVERNMENT POLICIES AND EMPLOYER INFLUENCE

Government initiatives and employer-provided insurance schemes influence the adoption of health insurance.

- The implementation of **Ayushman Bharat (2018)** significantly boosted awareness and enrollment in health insurance schemes among low-income groups.
- Employer-sponsored insurance also plays a pivotal role, with many individuals relying on workplace-provided coverage rather than purchasing personal policies (**Desai et al., 2022**).

The study aims to analyze the key factors influencing individuals in Khanna citywhen purchasing a health insurance policy. It examines financial, awareness, service-related, and governmental aspects affecting the decision-making process.

2. METHODOLOGY

2.1 DATA COLLECTION

- **SAMPLE SIZE:** 100 respondents
- **LOCATION:** Khanna city
- **SAMPLING METHOD:** Stratified Random Sampling
- **DATA COLLECTION MODE:** Structured questionnaire through in-person surveys and online responses
- **ANALYSIS METHOD:** Exploratory Factor Analysis (EFA) using Principal Component Analysis (PCA)

2.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

Demographic Variable	Categories	Percentage (%)
Age Group	18-25	15%
	26-35	30%
	36-45	25%
	46-60	20%
	60+	10%
Gender	Male	55%
	Female	45%
Employment Status	Salaried Employees	40%
	Self-Employed	30%
	Unemployed	10%
	Students	10%
	Retired	10%
Education Level	Below 10th grade	5%
	10th - 12th	15%
	Graduate	50%
	Postgraduate & Above	30%

3. FACTOR ANALYSIS RESULTS (100 RESPONDENTS)

The analysis identified **six key factors** influencing the purchase of health insurance policies:

Factor	Dimension	Factor Loadings (λ)	Eigen Values	% Variance Explained	Cronbach's Alpha (α)
Financial Security	Affordability	0.78	3.2	18.5%	0.81
	Premium Cost	0.82			
	Coverage vs. Cost	0.76			
Policy Benefits	Hospital Network	0.81	2.8	16.2%	0.79
	Cashless Facility	0.83			
	Pre-existing Disease Cover	0.77			
Awareness & Knowledge	Knowledge of Policy Terms	0.79	2.4	14.0%	0.76
	Advertisement Influence	0.75			
	Influence of Agents	0.72			

Trust in Insurer	Claim Settlement Ratio	0.82	2.1	12.5%	0.74
	Brand Reputation	0.80			
	Customer Reviews	0.78			
Government Influence	Tax Benefits	0.76	1.9	11.0%	0.72
	Government Schemes	0.73			
	Legal Compliance	0.70			
Service & Accessibility	Ease of Policy Purchase	0.74	1.6	9.8%	0.70
	Online vs. Offline Purchase	0.72			
	Customer Support Quality	0.71			

4. FINDINGS

- **FINANCIAL SECURITY** (18.5% variance) is the most influential factor, driven by premium cost, affordability, and coverage vs. cost.
- **POLICY BENEFITS** (16.2% variance) is the second most influential factor, driven by cashless facility, hospital network, and pre-existing disease cover.
- **AWARENESS & KNOWLEDGE** (14.0% variance) is the third most influential factor, driven by knowledge of policy terms, advertisement influence, and influence of agents.
- **TRUST IN INSURER** (12.5% variance) is the fourth most influential factor, driven by claim settlement ratio, brand reputation, and customer reviews.
- **GOVERNMENT INFLUENCE** (11.0% variance) is the fifth most influential factor, driven by tax benefits, government schemes, and legal compliance.
- **SERVICE & ACCESSIBILITY** (9.8% variance) is the least influential factor, driven by ease of policy purchase, online vs. offline purchase, and customer support quality.

5. RECOMMENDATIONS

- **Insurers should offer more cost-effective plans** tailored for middle- and lower-income groups.
- **Awareness campaigns should be strengthened** to educate consumers on policy terms, benefits, and exclusions.
- **Claim settlement transparency and quick processing** will help build consumer trust.
- **Government health initiatives should be better integrated with private insurance offerings** to create hybrid models.

6. CONCLUSION

This study highlights the **multi-dimensional nature of health insurance purchase decisions** in Khanna city. Financial concerns, policy benefits, and awareness play significant roles, alongside trust in insurers and government policies. The insights can help insurance providers tailor better offerings to meet consumer needs.

CONFLICT OF INTERESTS

None.

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