

## A Study on Factors Influencing Health Insurance Purchase in Punjab

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### Abstract

Health insurance plays a significant role in protecting individuals from rising healthcare costs and financial distress caused by illness or injury. In India, high out-of-pocket healthcare expenditure continues to burden households despite growth in the insurance sector. This study examines awareness levels, factors influencing purchase decisions, and barriers affecting health insurance subscription in Punjab. A sample of 400 respondents (200 policyholders and 200 non-policyholders) from three regions of Punjab was surveyed using structured questionnaires. Data were analyzed using SPSS software. The findings indicate that while awareness of health insurance is moderate, actual subscription remains low. Income level, tax benefits, and perceived financial security significantly influence purchase decisions, whereas affordability issues, lack of perceived necessity, and complexity of policies act as major barriers. The study highlights the need for targeted awareness initiatives and simplified insurance products to improve penetration levels.

**Keywords:** Health Insurance, Awareness, Consumer Behavior, Financial Protection, Insurance Penetration, Punjab

### Introduction

Health insurance is a contract between the Insurer & the Insured where in the former agrees to pay to the latter hospitalization expenses to the extent of an agreed sum assured in the event of any medical treatment out of an illness or an injury. Health Insurance is a policy which covers you & your family against medical expenses due to sickness, accident etc. The Insured in return has to pay a regular premium to the insurer. An insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to ensure that money is available to pay for the health care benefits specified in the insurance agreement. On a global setting, healthcare is either funded by the government or by insurance companies. If you take the National Health Service in UK and similar schemes in Canada, healthcare is free of cost. The individual goes to a hospital and gets the treatment done and the money is paid by the government. Other model is the one by United States where the health costs are borne by the insurance company. However, a comparison of the health care spending patterns across the world vs. that of India gives the picture of household's contribution in meeting the health care expenditures in India. While out of pocket expenditure on health care in India is about 68%, the world average is about 18% (Fig 1.a and Fig 1.b). In many of the cases this leads to huge financial liabilities for the affected families. Life styles are changing resulting in new disease patterns that call for long term medication and cost of medical care is on the rise.

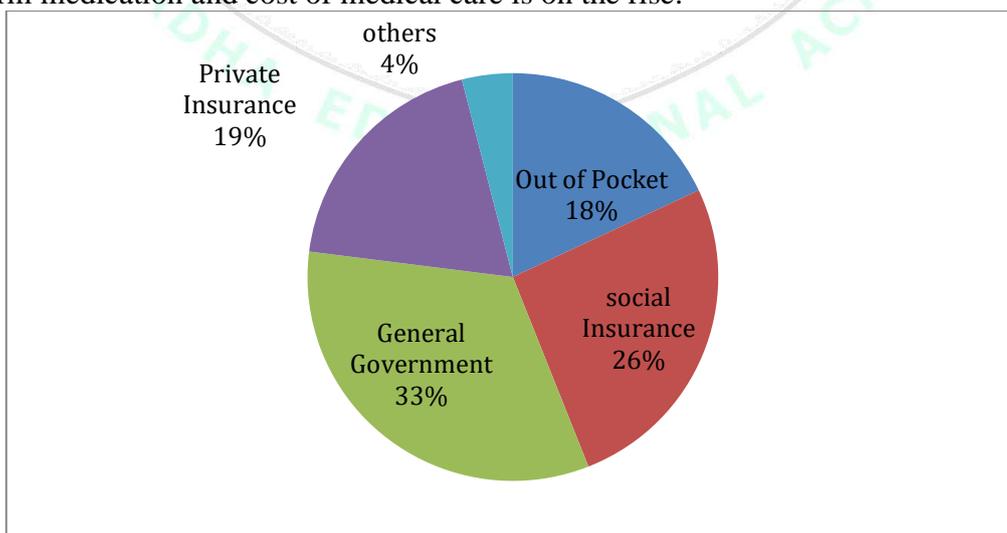
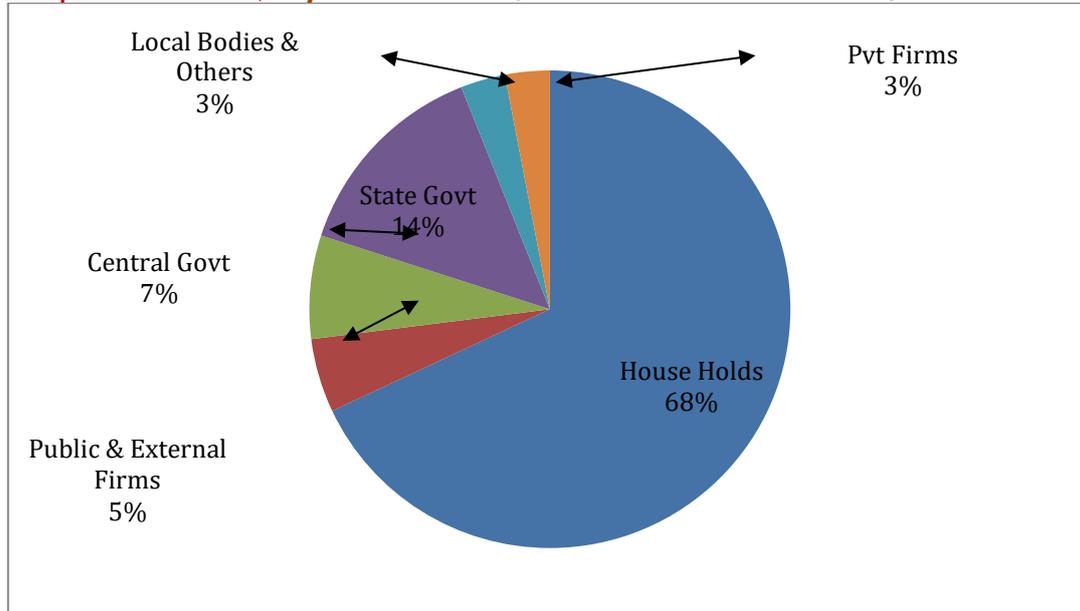


Figure -1a Health care cost bearing by groups- World trends



**Figure -1b Health care cost bearing by groups- Indian pattern**

Source: Ministry of Health & Family Welfare

This is further compounded by the government policy to gradually withdraw from secondary and tertiary medical care (Varghese & Koshy, 2011). India spends about 6.5 to 7% of GDP on Health care (official estimates around 6%) out of which 1.2% is in the Govt. sector and 4.7% in private sector. (Singh, 2011).

### Objectives of Study-

1. To examine the level and sources of awareness regarding health insurance.
2. To identify factors positively influencing the purchase of health insurance.
3. To analyze the primary reasons behind low subscription rates.

### Methodology-

The study is descriptive and analytical in nature. A sample of 400 respondents from Punjab was selected using judgment and convenience sampling methods. The sample included 200 policyholders and 200 non-policyholders. Data were collected in two phases:

- **Primary Data:** Structured and pre-tested questionnaires (separate for policyholders and non-policyholders).
- **Secondary Data:** Journals, research articles, reports, and official publications.

Data analysis was conducted using SPSS software, applying statistical tools such as percentage analysis and Likert scale evaluation.

### Results

1. Awareness about health insurance is relatively high, but actual subscription remains limited.
2. Income level significantly influences purchase decisions; higher-income groups are more likely to purchase insurance.
3. Tax benefits, financial security, and increasing medical costs are key motivating factors.
4. Major barriers include low disposable income, lack of perceived necessity, insufficient guidance, and complex policy terms.
5. A perception gap exists between service quality expectations and actual customer experience.

### Discussion

The results suggest that awareness alone does not guarantee policy adoption. Economic capacity and trust in insurance providers play a crucial role in influencing decisions. The perception gap between customer expectations and service quality provided by insurers indicates the need for improved communication and simplified product design. Strategic awareness campaigns and customer-centric policies may enhance health insurance penetration in Punjab.



## Limitations

The study is limited to three districts of Punjab and may not represent the entire population. Convenience sampling may introduce bias. Additionally, responses are self-reported and subject to individual perception. Time and resource constraints restricted deeper statistical analysis.

## Conclusion

The study concludes that while awareness of health insurance exists, penetration remains limited due to income constraints and policy complexity. Enhancing affordability, simplifying policy structures, and strengthening consumer education can significantly improve adoption levels. Policymakers and insurance providers must collaborate to build trust and expand coverage in Punjab.

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