

## STUDY ON FACTORS THAT INFLUENCE THE SELECTION OF HEALTH INSURANCE POLICY IN BANGALORE

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### **ABSTRACT**

*India is a country that has developed in most of the sectors in past few decades in trade and economy. Even though the rate of literacy, income level and the standard of living of people of the country has increased over a period of time. The most important factor is always over looked. Health insurance is one sector that has not seen a significant growth in past decades, Health is considered has wealth of the individual and any country that has a healthy and competent workforce is considered has the biggest asset of the nation and economic growth therefore every country is keen in providing health care to the country's citizens. But, often this health factor is ignored by individuals. Even though government has come up with various health insurance plans that is affordable by every economic groups of the society still people choose to remain uninsured. In spite of knowing the benefits of health insurance schemes and how health insurance can act as a hedge in protecting a person from financial emergencies that occur due to sickness even then the health insurance products are not been availed by the people. Individuals rather prefer to spend out of pocket during medical emergencies than to invest in health insurance policies. In a country like India which has a population of 1.2 billion where only 20% of people are insured and in a metropolitan city like Bangalore where the literacy level, income level is high and lifestyle of people is prone to various diseases like asthma, obesity, and diabetic etc. only 17 % have been insured under health insurance schemes. Hence, this study focuses on the reasons why health insurance markets performance is low and what are the demographic factors that influence the selection of health insurance policies and why individuals choose to remain uninsured.*

**KEYWORDS:** *Financial Emergencies, Predicts that Insurance Markets*

### **INTRODUCTION**

#### **Review of Literature**

Rothschild, M. and J. Stiglitz 2009 this study was about the interest of consumers towards the health insurance. The purchase decision of consumers regarding health insurance was also determined based on several factors. Standard insurance theory predicts that insurance markets will suffer from adverse selection, which occurs when less healthy people or people who are more risky with their health are more willing to purchase health insurance because they know that the amount they spend on healthcare will be larger than the premium they will pay.

Lewis, R.C., and Booms, B.H. 2010 the study suggests, in the service industry, definitions of service quality focus on meeting customers' needs and requirements, and how well the service delivered meets customer's expectations. Service

quality is determined by the differences between customer's expectations of services provider's performance and their evaluation of the services they received. Service quality can be defined as the difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received.

Parasuraman, A., Zeithaml, V.A, and Berry, Leonard, L. 2009 several studies have been conducted to identify traditional service quality dimensions that contribute most significantly to relevant quality assessments in the traditional service environment. Identification of the determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality. This study identified 10 detailed determinant of service quality through focus group studies: They are tangibles, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, understanding/ knowledge of customer. Later these ten dimensions were further purified and developed into five dimensions-tangibles, reliability, responsiveness, assurance and empathy to measure Service Quality.

Freiden, J. and Goldsmith, R. 2012. The research in the services area has been largely done from a customer decision making perspective. For this various studies have been done on consumer behavior and the criteria used by the customer in making a purchase decision.

Buchmueller, Thomas C; Feldstein, Paul J, 2013. As Buchmueller observes, the success of competition as a strategy for controlling health costs depends largely on the willingness of consumers to switch health plans in response to a change in plan premiums.

Mikael, Gidhagen 2010 this gave an insight to the risk perception of customers. A service is individually perceived on the basis of rational assumptions by customers and providers, and often described by abstract expressions such as trust, feeling, security, and experience. Financial services are highly intangible. The more intangible the service, the more important the management of relationships, a factor which has to be stressed in the insurance business. Even though all financial services have an intangible dominant factor, they vary in their degree of tangibility in terms of the consumer's ability to grasp the particular service mentally — to comprehend the service rendered. In the case of insurance products, it is also based on the perceptions of risks and need to cover the risk that a consumer evaluates the service.

Patel, V Patel (2015) in his paper remarked that 'Lack of consumer awareness of where to get health insurance, what it costs and what options exist is a critical barrier that prevents many people from obtaining coverage in the individual market. The employee's indifference towards the insurance schemes can be overcome at least partly through education efforts and products that make LTC insurance contingent on life and disability sales.

## **TITLE OF THE STUDY**

Study on factors that influence the selection of health insurance policy in Bangalore.

## **STATEMENT PROBLEM**

There is general feeling that health insurance is needed - but not many take a health insurance cover. It is something that can 'wait', and often it doesn't happen. When fallen ill/met with accident, which involves considerable expense on hospitalization, people regret their postponed decision.

The ministry of health has come out with statistics that life style diseases like diabetes, high blood pressure, cholesterol related problems, cancer and heart diseases are on the rise. The prevalence of risk factors is high even in

Bangalore: diabetes 20%, high blood pressure 42%, high cholesterol (>200mg/dl) 72%, smoking (42% in men), obesity (body mass index >25) 40%, physical inactivity 41% and unhealthy alcohol consumption 13%. The age-adjusted Coronary Artery Disease (CAD) mortality rates per 100,000 are 382 for men and 128 for women in Bangalore. The cost of health care including diagnosis and treatment, especially in specialty areas are increasing rapidly.

On the supply side, more and more health insurance providers – stand alone or multi-business – are entering the health insurance scenario. Innovative products and attractive packages are being offered. It is important to understand how these market realities are influencing health insurance purchase behavior.

According to health insurance company executives, there is reluctance among the population, especially the younger age group to opt for health insurance due to many reasons. Studies conducted by governmental agencies have shown that in spite of the higher level of education, health consciousness, rising occurrence of lifestyle diseases and increased cost of health care, the city of Bangalore is yet to accept in full health insurance as a means of better health care. With several groups in society – the government, agencies involved in health care, marketing organizations involved in health insurance business for example – interested in understanding the underlying factors that lead to a consumer buying or not buying a health insurance cover, this presents an important topic for research.

There may be several factors which influence an individual to take or not to take health insurance policies which are quite unknown or unexplored. From the preliminary studies, it was observed that health care costs are on the rise, public awareness on health issues is growing, chronic diseases that necessitate long term treatment are becoming common and many health insurance companies are making a variety of offers; but large section of people are not taking health insurance policy. In a country of 1.2 billion with an insurable population assessed at 250 million, only 15% of the population has any form of health insurance coverage (Nag pal, 2008).

In this context, it becomes important to understand the factors influencing the purchase of health insurance policies in Bangalore.

## **OBJECTIVES OF THE STUDY**

- To analyze the health insurance subscription among various socio economic groups in Bangalore.
- To identify influence of demographic factors on selection of health insurance policy in Bangalore.

## **RESEARCH METHODOLOGY**

### **Data Collection**

The present research used secondary and primary sources of data. Consumer data was collected using questionnaire. Population under study is limited to the city of Bangalore. A sample size of 102 consumers are taken.

### **DATA ANALYSIS**

Collected data has been coded, tabulated and analyzed using the statistical package, SPSS. Chi –square test was used for the analysis as the data collected contained categorical variable. Descriptive study is also done for the purpose of this study.

## HYPOTHESES

- H0- there is no significant relationship between marital status and selection of insurance policy
- H1- there is significant relationship between marital status and selection of insurance policy.
- H0: there is no significant relationship between education and selection of health insurance policy.
- H1: there is significant relationship between education and selection of health insurance policy.
- H0: there is no significant relationship between employment and selection of health insurance policy.
- H1: there is significant relationship between employment and selection of health insurance policy.
- H0: there is no significant relationship between income and selection of insurance policy.
- H1: there is significant relationship between income and selection of insurance policy.

## SCOPE OF THE STUDY

- **Geographical:** The study is conducted in the Bangalore with samples taken from three legislative constituencies from the three geographic regions of south, central and northern Bangalore.
- **Population:** The study is conducted among individual respondents of age above 18 years, who may be either consumers or non-consumers of health insurance.

## LIMITATIONS

- Time constraint
- Though effort has been made to ensure correctness of data collected, it is possible that some of the respondents would not have provided accurate data.
- Though effort has been made to include all relevant factors in the model, it is possible that some factors are missed out.
- The geographical scope is limited to the city of Bangalore, which is significantly different from many other cities in terms of lifestyle patterns.

## ANALYSIS AND INTERPRETATION

**Table 1: Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
<b>Marital status * selection of health insurance policy?</b>	102	100.0%	0	0.0%	102	100.0%

**Table 2: Marital Status \* Selection of Health Insurance Policy? Cross Tabulation Count**

		Selection of Health Insurance Policy?		Total
		Family	Self	
Marital status	Married	21	7	28
	single	55	19	74
<b>Total</b>		<b>76</b>	<b>26</b>	<b>102</b>

**Table 3: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.005 <sup>a</sup>	1	.944		
Continuity Correction <sup>b</sup>	.000	1	1.000		
Likelihood Ratio	.005	1	.944		
Fisher's Exact Test				1.000	.580
Linear-by-Linear Association	.005	1	.945		
N of Valid Cases	102				

The analysis of the data shows a significance level of 0.00 which is less than 0.05%. Thus null hypothesis is rejected and alternate hypothesis is accepted.

H0- there is no significant relationship between marital status and selection of insurance policy

H1- there is significant relationship between marital status and selection of insurance policy.

Hence the data analyzed states the fact that there is a significant relationship between marital status and selection of insurance policy.

**Table 4: Education Qualification \* Selection of Insurance Policy**

		Selection of Health Insurance Policy		
		Commercial	Employee Based	Government
Education Qualification	2PUC / Diploma	0	2	2
	M.phill/ Phd	0	0	0
	Post graduation	4	17	10
	SSLC	0	0	0
	Under graduation	0	17	8
<b>Total</b>		<b>4</b>	<b>36</b>	<b>20</b>

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.14.

**Table 5: Chi-Square Tests**

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	32.425 <sup>a</sup>	16	.009
Likelihood Ratio	30.980	16	.014
Linear-by-Linear Association	.443	1	.505
N of Valid Cases	102		

a. 17 cells (68.0%) have expected count less than 5. The minimum expected count is .08.

In this analysis the significance level is 68.0% which is more than 5 % therefore null hypothesis is accepted.

H0: there is no significant relationship between education and selection of health insurance policy.

H1: there is significant relationship between education and selection of health insurance policy.

Since null hypothesis is accepted there is no significant relationship between education and selection of health insurance policy.

**Table 6: Employment \* Selection of Health Insurance Policy**

		Alterative	Hospitalization	Medical Expenses	Saving
Employment	Business	0	2	0	2
	professionals	9	7	9	1
	Salaried	1	10	29	10
	Self - Employment	0	4	8	0
<b>Total</b>		<b>10</b>	<b>23</b>	<b>46</b>	<b>13</b>

**Table 7**

		Selection of Health Insurance Policy		Total
		Treatment Expenses		
Employment	Business	0		4
	Professionals	3		29
	Salaried	3		53
	Self - employment	4		16
<b>Total</b>		<b>10</b>		<b>102</b>

**Table 8: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.679 <sup>a</sup>	12	.000
Likelihood Ratio	40.197	12	.000
Linear-by-Linear Association	6.161	1	.013
N of Valid Cases	102		

a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is.39.

In this analysis the significance level is 60.0% which is more than 5 % which means null hypothesis is accepted.

H0: there is no significant relationship between employment and selection of insurance policy.

H1: there is significant relationship between employment and selection of insurance policy.

Since null hypothesis is accepted there no is significant relationship between employment and selection of insurance policy.

**Table 9: Income \* Selection of Health Insurance Policy**

		Selection of health insurance policy			
		Alterative	Hospitalisation	Medical expenses	Saving
Income	1,00,001 - 2,50,000	0	3	9	0
	2,50,001 - 4,00,000	2	11	17	8
	4,00,001 - 5,50,000	0	0	3	0
	Above 5,50,000	4	2	4	1
	less than 1,00,000	4	6	13	4
<b>Total</b>		<b>10</b>	<b>22</b>	<b>46</b>	<b>13</b>

Table 10

		Selection of Health Insurance Policy	
		Treatment Expenses	Total
Income	1,00,001 - 2,50,000	0	12
	2,50,001- 4,00,000	4	42
	4,00,001 - 5,50,000	0	3
	Above 5,50,000	4	15
	less than 1,00,000	2	29
<b>Total</b>		<b>10</b>	<b>101</b>

### Chi-Square Tests

Table 11

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.211 <sup>a</sup>	16	.085
Likelihood Ratio	26.620	16	.046
Linear-by-Linear Association	.216	1	.642
N of Valid Cases	101		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .30.

In this analysis the significance level is 72.0% which is greater than 5 % which means null hypothesis has to be accepted.

H0: there is no significant relationship between income and selection of insurance policy.

H1: there is significant relationship between income and selection of insurance policy.

Since the null hypothesis is accepted here the analysis states that there is no significant relationship between the income and selection of health insurance policy.

### FINDINGS

One of the basic requirements of purchase decision in health insurance market is the awareness about the various issues related to the product and the provider. The study has identified four factors to contribute to selection of health insurance that awareness of companies offering health insurance, benefits of health insurance, different schemes offered by companies, diseases covered and exclusions in health insurance schemes, cost of health insurance coverage and awareness about basic health insurance claim process. With the city of Bangalore with high in literature, health care and wide reach of communication media, the awareness is expected to be high. However, this need not be uniform and demographic and personal factors can cause variations in the level of consumer awareness. This knowledge is important to the various groups like government, local administration, health department, involved NGOs and health insurance marketing companies.

Considering the importance of awareness on health insurance among the consumers in its purchase decision, four hypothesis formed was to check this variation by analyzing different factors that contributes to the selection of the health insurance products.

This study states that there is a relationship between the marital status and the selection of health insurance policy whereas here the selection of health insurance policy is affected by the marital status of the person. The other factors such as age, employment and income does not affect the selection of insurance products as Indian insurance market has various products for different age groups, different economic groups and also owns specialized policies for different workforce.

## **SUGGESTIONS**

The study concentrates only the city of Bangalore but the insurance market is widespread all over India and further research can be conducted in different metropolitan cities. According to the study irrespective of various factors the insurance products can be marketed to different groups of the society and introduce various health insurance policies to satisfy different customer needs. Further to this the awareness of health insurance is not familiar amongst the customers and the customers feel the insurance process is more complex therefore the mechanism of insurance must be showcased to different class of society and create awareness in different socio-economic groups of the society.

## **CONCLUSIONS**

In the introduction, an overview of the study is laid out. The main intention of this chapter is to provide the reader a brief idea regarding this particular analysis. This study outlines the research problem, the research objectives, hypotheses made, scope and context, rationale and significance of the study and limitations of the study and deals with the concepts of health insurance and its background in the Indian context.

The review of the literature on insurance as a service, health insurance, the consumer buying process and consumer decisions in health insurance, based on which a model of purchase decision making in health insurance context is evolved. The sources for this secondary data are different journals, articles, text books, websites etc. And the study gives a brief note on how it deals with the research methodology and design of research. Statistical tools used for data analysis are introduced. The chapter details the population, sample and sampling method, tools of data collection used and how analysis has been carried out.

The next chapter contains the statistical analysis of the data and its interpretation with regard to the influence of age, employment, education and income and the consumer purchase decision (selection of health insurance policy). Testing of various hypotheses are made and analyzed the integrated influence of various factors collectively on consumer purchase decision of health insurance policy. It includes the major findings and recommendations. A part of this is the concluding section, which will be giving the details in connection with the subject under study. The major part of this chapter will deal with the summation of the individual sections of the entire topic under study.

The final section contains the bibliography part, including the references of various articles, text books, journals, and websites etc. used for the purpose of secondary data collection.



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