

A Study of Health Insurance Preferences of Salaried Individuals in Urban Area – Study Background

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Abstract

Health Insurance is one of the fastest growing insurance businesses in India. Its penetration is still very low. Of late number of player's have entered the health insurance business and are offering variety of health insurance products. Preference, choice options, loyalty, satisfaction etc. are a series of marketing issues that dominate the health insurance purchasing decisions of the salaried class. This study tries to analyze such aspects based on a survey of 1000 respondents from the suburb of Kalyan-Dombivali area from Mumbai. The paper provides the framework for the study background and includes things like the study objectives, preliminaries of research design, expected outcome etc.

Keywords- Health Insurance, Kalyan-Dombivali, Salaried class.

INTRODUCTION

Purchasing of health insurance policy is one of the types of financial investments for the future of an individual. Here, one needs to study an behavioral approach towards health insurance to know his psychology and perceptions as to why, when, what and how to buy a health insurance cover/policy. Health insurance assumes the great importance in an life. The investment in health insurance provides security to a person against uncertainty and risks regarding the timing of illness and amount of possible expenses required for his illness. Health insurance cover enables a person to enjoy healthy and stress-free life in a long run. Moreover, health has been declared as a fundamental human right. It is obvious that if people of the country are healthy, they can contribute significantly in the economic development of a country. Under health insurance schemes, an individual can take insurance cover for his family including dependents. It provides a cushion against medical emergency.

In India, the health insurance schemes are classified in four broad categories:-

- 1) Government initiated health programs,
- 2) Insurance Scheme
- 3) Community health insurance-run by the local

community (primarily for informal sectors),
4) Private health insurance i.e. by the private players.

The government health schemes are inadequate and inefficient for such highly populated country. The statutory and community level schemes cover a very small segment of population. Most of the health care facilities and schemes are conducted by the private players. In India, the condition of Health Insurance is appalling. Around 88% of Indian Population does not use Health/Medical Insurance to finance their medical expenditure. Majority of the people pay for medical expenses out of pocket. As a result, many of these uninsured people either end up with poor quality healthcare or have to bear financial hardships.

India is the second most populous country and fifth largest economy in the world. Despite the health insurance business remained backward in our country due to lack of awareness of its importance, inadequate and inefficient public healthcare system and facilities managed by the government, large section of people below poverty line etc. At present in India, annual expenses in health amounts to about \$7 in rural areas and \$10 in urban areas per person. Presently, over 6% of total GDP is spent on Health Insurance Programmers by India of which 4.25% of GDP (i.e 75%) is spent through private healthcare and the remaining 1.75% (i.e. 25%) is government funded Government Health Schemes (CGHS) have restricted coverage just for 3% of the population.

In India, particularly in urban areas, the population is dense and civic as well as sanitary services are not enough to manage the problems of a fast growing population. Moreover, the urban inhabitants are under stressful conditions due to high living cost, busy life schedule, health disorder and other related problems. This further leads to ill-health of people with communicable and non-communicable diseases. In order to maintain their health and efficiency, they need to pay health expenses which are now skyrocketing and beyond the capacity of an average individual.

The above existing scenario shows that there is a need of efficient and adequate machinery to fulfill growing need of health insurance to masses through social, government and private level efforts. Since past two decades, especially after adoption of LPG (Liberalization, privatization and Globalization) model by the Indian government, many private players like Bajaj Allianz, Apollo, AG Health Insurance Co, Star Allied Health Insurance, ICICI Lombard, HDFC ERGO etc have entered in this field to fulfill the need of health insurance.

Now, there has been a phenomenal rise in health care cost which has compelled people to have a re-look on their monthly spending pattern and simultaneously allocate a proportion of their income towards personal and family healthcare.

2. STATEMENT OF PROBLEM

India is the Second most populous country having 1/3rd of the poor population of the world.

Although, it is the fifth largest and fast developing economy, the conditions of health insurance is appalling. Today India has the highest working age people i.e. 65% of the population (World Bank Survey 2014) is in the age group of 18-59 years. According to Trading Economics - 2014, around 32.37% working people are residing in urban areas.

In India, urban areas are generally dense and lacking satisfactory civic and sanitary facilities which further lead to ill health of the people with communicable and non-communicable diseases.

Moreover, due to lack of quality food, pollution, unsatisfactory working conditions like occupational hazards and personal problems cause over-exertion and stressful life. Particularly, after the age of 40, they face health related problems. To maintain health of such working people there is a need to provide timely and sufficient health treatment. However, it is observed that in India people afford essential health expenditure due to ever escalating healthcare cost. This makes it difficult for a person to access essential and quality health care treatment and services.

The following glaring problems call for health insurance cushion to the employed people.

1. Over exertion, stressful jobs, family problems etc. cause stressful life to the employees.

The working conditions of the employees are not yet improved up to the mark.

2. Inadequate health provisions at work place and about statutory health insurance schemes related to employment.

3. Inadequate and inefficient Government schemes and machinery for public health.

4. Escalating health cost of private medical treatment and services.

5. Ever shooting family expenses for livelihood, education, marriage of the children etc. make it difficult to save money for their health and secured future life.

Health insurance covers an individual, family members and dependents for health related expenses and quality treatment at a small amount of premium.

3. NEED OF THE STUDY

A study for the necessity of health insurance, particularly, in Indian urban areas is required due to the following reasons.

Inadequate and unsatisfactory and civic and sanitary services do not fulfill needs of a fast growing population in urban areas. It further leads to health problems of the inhabitants. Government funded healthcare systems are inadequate and lack quality and easy access to the people social insurance scheme cover a very small segment of population. There is phenomenal rise in the health care cost. The private sector health care expenses are too high and unaffordable to a large segment of population. Low public expenditure for health care results into high out of pocket expenses to a man. It affects badly on the savings of a common man for his future. Health Insurance is a tool which assures a security to a person against uncertainty and risks regarding the timing of illness and amount of possible expenses required for health. Hence, there is a need to do a study of approach or preferences for the health insurance cover.

4. RELEVANCE AND IMPORTANCE OF THE STUDY

Health is fundamental human right. It is obvious that if people of the country are healthy, they can contribute significantly in the economic development of the country.

In India, yet people are not fully aware of the benefits of the health insurance. There are hardly around 12% (Loksatta, dated 28th July 2014) people are covered by health insurance. This study will help to sensitize people towards importance of health insurance. Health insurance activity enables to collect and pool the revenue and utilize it for health care purchases. Health insurance makes possible an individual to save money for his livelihood and quality health care treatment and services which further ensures stress free life. The study is utmost essential to transform the attitude and translate the knowledge into behavior by making individuals aware of various policies of health insurance. Finally, to develop human assets of the country with an improved quality of life, health insurance awareness and acceptance is a need of the hour. The above scenario in India assumes great importance to this study.

5. ASSUMPTIONS

- i) The income of sample respondents does not influence the demand for Health Insurance.
- ii) There is always a risk and uncertainty in the life of sample respondents.
- iii) Escalating medical and hospitalization expenses persuade individuals towards purchase of health insurance.
- iv) The government health care system care inadequate to fulfill the needs of the people.
- v) Educated and employed individuals accelerate demand for health insurance.
- vi) The legislation related to the health insurance are favorable to individuals.
- vii) Tax incentives induce people to purchase health insurance policies.

6. OBJECTIVES OF THE STUDY:

- 1) To study the health insurance awareness among the individuals in urban areas
- 2) To analyze the financial behavioral pattern of individuals towards health insurance.
- 3) To examine renewal strategies of health insurance.
- 4) To understand the nature and trends in health insurance markets.
- 5) To suggest appropriate measures to expand health insurance cover / markets.

7. JUSTIFICATION OF THE OBJECTIVES

1. India is the second most populous country having 1/3rd poor people of the world.

The people are also plagued by communicable and non-communicable diseases. Around 88% population does not use health insurance to finance medical expenses. The government health care system provides basic care only and often lack adequate infrastructure. The health care cost is continuously rising. Good health is a fundamental human right. It is obvious that if people are healthy, the country is also healthy. Moreover, people are unaware of the benefits and importance of health insurance. This situation demands for a detailed study as to awareness of the above among the individuals.

2. Health Insurance is very important to every person because it assures security to a person against uncertainty and risks regarding the timing of illness and amount of possible expenses required for his illness. But in India health insurance is not so popular. There is a need to find out causes and parameters affecting the behavior of individuals to purchase insurance.

The parameters/perceptions may include-

- (I) Decision making
- (ii) Regularity in purchase of policies
- (iii) utility of the product
- (iv) Efficacy of the services provided by the marketers
- (v) Demographic aspects of people, etc.

This analysis will definitely help to create confidence and trust among the customers as to health cover.

3. It is often found in India that many individuals do not renew their health policies. So it is necessary to reach to the routes of the reasons as to why are not they renew their policies? There may be some reasons like high cost of single premium, lack of smaller amount premiums instead of single premium, lack of follow up by agents for renewal, ignorance of needs and benefits, social and economic status of individuals, lack of prompt and efficient services from the insurers, etc. Considering the above reasons, the insurers should frame suitable strategies for the sustainable growth and loyalty towards health insurance.

4. In order to make popular health insurance business, it is essential to understand the nature and trend of various types of medical insurance policies in the market. This study will definitely help for sustainable growth of insurance in India. The nature and trend may contain some factors like rules and regulations,

policies of the government regarding health insurance practices, permission to FDI. (Foreign Direct Investments), individuals and agents expectations and preferences, etc.

5. The following measures to be suggested to expand health insurance sector in India-

- (I) Linking of insurance scheme with savings
- (ii) Integration of various risks in one single product
- (iii) Proper mechanism of monitoring the performance
- (v) Prompt and efficient services to individuals with least administrative problems
- (vi) Cashless payments.
- (vii) Government subsidies to individuals.
- (viii) Effective promotional campaigns from the government, social and the private organizations through media, seminars, training e-communication, etc.
- (ix) Different types of products for different groups as per the needs and capacity of the people.
- (x) Inclusion of health insurance information in the syllabus of schools and colleges.
- (xi) Conversion of single amount costly installment into smaller amount installments.
- (xii) Satisfactory remuneration or commission to agents etc.

8. STATEMENT OF HYPOTHESES:

- 1) The salaried individuals in the urban area are well aware about Health Insurance.
- 2) The salaried individuals in the urban area are not positively responding to the Health Insurance.
- 3) The salaried individuals in the urban are getting desired benefits due to Health Insurance.

9. WORKING DEFINITION OF TERMS USED

1. Health Insurance

It is a type of insurance cover that pays for medical and surgical expenses incurred by the insured. Health Insurance is more comprehensive term than medical insurance as it covers not only hospitalization expenses but also pre and post hospitalization expenses like ambulance charges, compensation for financial loss arising out of poor health conditions or due to permanent disability, which results in loss of income and more.

2. Medical insurance (Medicclaim)

It is a type of insurance cover which pertains specifically to hospitalization i.e. it covers only hospital related expenses. Medical insurance is a narrower term than health insurance.

3. Premium

The amount the policy holder pays to the health plan each month or a year to purchase health coverage.

4. Salaried Individual

Salaried individual means a person who gets a fix compensation for his services rendered to the employer on regular basis. Salaried Individuals earning salaries in the range of Rs. 25,000 to Rs.1,00,000 from Private, semi government and government sectors have been considered for the purpose of study.

5. Urban Area

An urban area is a location characterized by high human population, density and many built environment features in comparison to the areas surrounding it, urban areas may be cities, towns or contributions, but the term is not commonly extended to rural areas such as villages and hamlets. Urban areas can refer towns, cities and suburbs. Most inhabitants of urban areas have non-agricultural jobs. For the purpose of study the researcher has taken urban area of Kalyan-Dombivali.

6. Assured/Customer/Insured/Consumer

The person who purchases policy and to whom compensation is payable in case of loss occurred due to medical treatment.

7. Claim

It is the demand made by the insured to the insurer to compensate for the loss on happening of the event.

8. Risk Management

The health insurance has many risks to manage, eg moral hazards, adverse selection, fraud and cost escalation. An effective programme will introduce the measures to minimize these risks.

9. Government initiated health Schemes/Programmes

These health insurance schemes are introduced by the government usually for the poorest and vulnerable sections of the community. Under these schemes, premiums are totally subsidized by the government e.g.

Pradhanmantri Jeevan Jyoti Bima Yojna,
Pradhanmantri Suraksha Bima Yojna etc.

10. SCOPE OF THE STUDY

The study intends to analyze and assess the preferences of the salaried individuals towards the health insurance policies. It will cover only Kalyan-Dombivli Municipal Corporation Area.

The period of study will be of last 10 years, i.e. from 1st April, 2005 to 31st March, 2015.

11. CLASSES OF RESPONDENTS TO BE CONTACTED

Respondents are the salaried individuals from private, semi-government and government sectors residing in Kalyan-Dombivli Municipal Corporation (KDMC) Area. They are classified into different age group as under:

21-35 years

36-50 years

51-65 years

12. UNIVERSE AND SAMPLE SIZE

The study will be descriptive in nature. Out of 12,46,000 people residing in KDMC area (Census 2011) a Sample of 1000 individuals will be selected from salaried individuals.

13. JUSTIFICATION OF SAMPLING METHOD AND SAMPLING PROCEDURE

Convenient sampling will be used to select individuals from the classified age groups of the Kalyan-Dombivli Municipal Corporation (KDMC) Area.

14. RESEARCH DESIGN

Research is descriptive and analytical in nature.

15. SOURCES OF DATA COLLECTION:

In order to examine objectives and hypothesis of the present study primary data by a structured questionnaire and secondary data from reports, research papers and other related publications will be collected.

16. METHODS OF DATA COLLECTION

Primary data will be collected through direct personal interview of individuals with the help of structured questionnaire. The secondary data will be collected from published articles, related books, IRDA (Insurance Regulatory and Development Authority) circulars and other related published or secondary information.

17. TOOLS OF DATA ANALYSIS:

Some statistical tools like descriptive statistics, chi-square, correlation, coefficient r , coefficient of determination (R^2) and regression coefficient will be estimated.

18. TECHNIQUES OF DATA ANALYSIS

Measures of association, correlation and regression will be used wherever applicable.

19. REVIEW OF IMPORTANT AND RELEVANT LITERATURE ON THE STUDY:

In order to get deeper insights and understanding of the research area, a modest attempt is made here to review some of the books and articles related to the health insurance. The subject of the study is mostly related to behavioral science. In fact, basically it is a multi-disciplinary in nature which contains social, economic and demographic and health science factors. Both the literature and studies have extensively identified many psychological, economical, sociological determinants of the life and health risk. The studies also revealed that the health insurance in India is not gaining ground because people are skeptical about the payment of claims and services provided by insurance company. Lack of healthcare services and infrastructure, illiteracy, lack of trust in health schemes, lack of awareness as to benefits of health insurance, poverty etc have impeded the health insurance in India.

The author Shantha Bansal (2012) tried to highlight on basics of health insurance, especially within the Indian contexts. She also tried to explain the trends and issues involved in Insurance sector. She explored the broad spectrum of health types including Government, statutory and private level health insurance schemes.

The authors M. N. Mishra and S.B. Mishra have highlighted on Indian environment regarding health insurance. The authors have also examined the causes of galloping conditions and prospects of health insurance in India.

Public Health Foundation of India (2011) concluded in its study that in India private healthcare expenses are constantly shooting up and mostly the people depend on such a private healthcare systems. Poor and inefficient government facilities compelled people to rely on such costly private healthcare.

Mr. Rajeev Ahuja(2004) pointed that the health insurance for poor in India needs Community based insurance schemes and for this purpose strong government support is needed.

Rashmi et al. (2007) examined the awareness of health insurance among urban South Indian population. It was found that 64% of the respondents were aware of health insurance policies and that there exists a significant association between religion, type of family, occupation, family income per month, educational status, socio-economic status and awareness of health insurance.

Gurunathan and Mohanasundari (2010) analyzed the perception and awareness of health insurance of private companies in Erode city. The results highlighted that age, income level, marital status and work status have a significant influence on the awareness of health insurance.

Bawa and Ruchita (2011) examined the awareness of health insurance and willingness to subscribe to health insurance in Punjab. It was found that 91.3% of the respondents were aware of health insurance, but only 19.4% of the respondents subscribed for it. The study highlighted that the main barriers to subscribe to health insurance policies in Punjab were lack of funds, lack of awareness and willingness to join, lack of intermediaries outreach and capabilities, lack of reliability and comprehensive coverage, lack of availability and accessibility of services, narrow policy option and preference for other modes of investment.

NCAER (National Council for Applied Economic Research) 2011- conducted an insurance awareness campaign in 29 states and 9 union territories (in rural and urban areas) of India. The study indicated that the health insurance was directly associated with education and income of the respondents.

Choudhary et al. (2013) examined the awareness, sources of awareness and determinants of health insurance in the villages of Jamnagar. The results revealed that 57% of the respondents were aware of health insurance. The main source of awareness was agents, followed by TV, Radio, family/friends and newspaper. The study found an association between gender, education, occupation, socio-economic class

and awareness of health insurance. The families which had taken health insurance perceived that health insurance is a refund of cost of drugs during illness, followed by return of money with interest when policy matures, compensation if something bad happens and that it can make life easier.

Gosh (2013) examined awareness and willingness to pay for health insurance in Darjeeling district. It was found that 34.5% of the respondents were of health insurance but only 18.5% of them Subscribed to it. The main sources of health insurance were agents, tax consultants, family, friends, TV and doctors. It was found that marital status and income of the respondents were positively associated with health insurance, but education was negatively associated with it.

Pooja Kansara, in her research paper IUP Journal of knowledge management, Jan 2015 highlighted her findings that there was no study in India yet conducted purely for the awareness of health insurance among women.

The available literature therefore concludes that there is a poor condition of health insurance at various levels. It shows a great scope for health insurance market in India.

20. KNOWLEDGE CONTRIBUTION- LIKELY OUTCOMES

The present study tries to examine the awareness and the behavioral approach of customers towards health insurance. This study will also make a methodical contribution to subject research. It will definitely help to improve and inculcate insurance habits among common people. This leads to help enhancing the confidence and trust of people in various aspects of health insurance. Once the penetration of insurance increases, the out of pocket health expenditure will also decline which can improve the quality of life of people in the country. Similarly, this sector will enable to collect, pool more revenue and purchasing of healthcare means for the society. As the insurance sector develops, the employment opportunities will also grow in the country.

21. SCHEME OF THE REPORT

Chapter 1: Introduction-In this chapter, basic concepts and terms about Health Insurance, Insurance products, Rules and Regulations of IRDA, Urban area, consumer, Salaried Individuals, and various artifacts gathered through relevant publications will be described by the researcher.

Chapter 2: Review of Literature-In this chapter, information gathered through related research work such as articles, journals, referred books and thesis and the gap identified by the researcher in literature will be mentioned descriptively.

Chapter 3: Research Methodology-In this chapter, objectives, hypotheses, primary data, secondary data, sample designing and sampling methods, scope of study, limitations of study will be discussed.

Chapter 4: Analysis of Data-In this chapter, the analysis of data based on primary data through questionnaire will be discussed by the researcher.

Chapter 5: Findings-in this chapter, Findings based on analysis of data will be discussed.

Chapter 6: Suggestions & Recommendations-In this chapter, Suggestions and recommendations will be based on findings from primary and secondary data. They will be elaborated by the researcher.

Chapter 7: Conclusion in this chapter, Conclusions based on findings, suggestions and recommendations will be drafted by the researcher.

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