Personal Factors Influencing Purchase Decision Making: A Study of Health Insurance Sector in India

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The objective of this study was to check the 'Personal Factors' Influencing Purchase Decision Making among health insurance policy holders in India. Data was collected through a structured questionnaire given to 170 customers. Data analysis was done through factor analysis with the help of the 170 responses received. The study found that factors, viz. Awareness, Tax Benefits, Financial Security, Life Style and Risk Cover have significant relationship in decision making process. The findings of the study and the implications are discussed here.

Keywords: *Health insurance, Awareness, Tax Benefits, Financial Security, Life style and Risk Cover*

Introduction

India's health care industry is at crucial crossroads today. While India continues to chart a course towards modernity and economic development, 40% of the Indians still remain outside the purview of available modern-healthcare benefits. Yet, about 170 million people globally suffer financial turbulence annually, and, 100 million are pushed below the poverty line as a result of the various types of health-care expenditures they have to incur. The Indian healthcare industry is expected to reach US$ 79 billion in 2012 and US$ 280 billion by 2020, on account of the increasing demand for specialized and quality health-care facilities. Further, the various hospital services market, which represents one of the most important segments of the Indian healthcare industry, is expected to be worth US$ 81.2 billion by 2015.

Health insurance premiums in India started increasing between the years 2003 and 2014; the cumulative growth rate being 14.67%. Health insurance increased between 2003 and 2014, and registered a growth rate of 0.0535%. Similarly, the Health Insurance Density also started increasing between the same period, and the growth rate was 13.72%. Consequently, Health Insurance Claims

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also started increasing during the period under study as the cumulative growth rate was 97%. These data showed that there exists significant demand for health insurance policies in India.

While health insurance has historically played a significant role in developing the health-care sector in the developed nations, the Indian scenario presents a different picture as less 15% of the population is covered under some form of insurance (employer's contribution, or self-financed or government-sponsored schemes) and only 2.2% of the population were covered under private insurers. The premium declined over the years and because of low penetration, health insurers were more interested in investment in other businesses for various reasons. Besides, factors, such as rise in income levels, aging population, higher medical costs, life-style induced diseases, tax concessions, government incentives, and modern distribution channels have initiated the vast improvements in health care services.

Initially health insurance in India began with the ESIS (1952) introduced by the central government to protect and provide social security to the worker population in an establishment. Then in 1954 the government, in order to protect its own employees started the CGHS (1954). In 1986, four General Insurance Companies, that were set up as PSUs, introduced various types of "Medi-Claim" Policies and were made available to the general public. The IRDA allowed private players to enter into the arena in 2000, which lead to an increased penetration of health insurance schemes on a national level. In addition to this, many of the state governments, like Andhra Pradesh, Karnataka, Kerala and Tamil Nadu, started their own health insurance for the people below poverty line. The union labour ministry introduced health insurance (RSBY) for the unorganized labour population. Thus, the public sector insurers' average 63% market share between 2005 and 2014, declined from 76 to 61%; whereas the private insurers had an average share of 29%, and the stand-alone insurers had an average of 8% during the same period. The total of various categories of population covered under the health insurance schemes was 21.6 crore or 17%. The population financed by the government declined from 76 to 72%. While the community-based insurers showed mix results, individual-sponsored insurance increased from 9 to 12.6%. Besides, 60% of the Indian population spent out of their own pockets for their health-care expenditure. Thus, India has one of the highest out-of-pocket health care expenditures among the 'BRICS' member nations – Brazil, Russia, India, China and South Africa.

Health insurance schemes in India are four types, namely: (a) Voluntary health insurance schemes or private-for-profit schemes, (b) Mandatory health insurance schemes or government-run schemes (viz. ESIS, CGHS), (c) Insurance offered by NGOs/Community-based health insurance and (d) Employer-based schemes. The insurance industry in India at present comprises both public sector and private sector players.

Health insurance products currently on offer by the various companies are: (i) Individual Health Insurance Policy, (ii) Family Floater Health Insurance Policy, (iii) Senior Citizen Health Plan, (iv) Surgery & Critical Illness Policy, and (v) Preventive Health Care.

Review of Literature

- Dash (2013), with help of 7P's, made a study to examine the buying behavior from different stake holders' points of view – customers, agents and executives of LIC and private insurers – for marketing and servicing of insurance policies. For this he interviewed 405 life insurance policyholders and 207 life insurance executives. He came to the conclusion that when customers buy insurance policies, 'place' and 'people's behavior were significantly associated.
- Similarly, Rajkumar and Kannan (2014) assessed the factors that influenced the purchase of life insurance policies. They had interviewed 135 people in Tamil Nadu, India. They the 7P's framework of service marketing. They concluded that the total package of the product (tax rebate, savings and life cover), price (value for money), place (accessibility), promotion (advertisement), people (agent's behavior), physical evidence (office ambience) and process (compliant redressal mechanism) has significance on purchase decision making.
- A survey was conducted by Yadav and Tiwari (2012) in Jabalpur District, India, by interviewing 150 people about their investments in life insurance policy. Their study found that 'age' and 'income' have statistical significance on purchase of life insurance. The respondents ranked their preferences to invest in life insurance based namely on tax benefit, risk coverage, high security and higher returns.
- Another survey of 150 life insurance customers, conducted by Sridevi (2012) in Perambalur district, Tamil Nadu, India, concluded that the various factors that influence buying of life insurance policies were: company loyalty, service quality, easy procedure, satisfaction level, company image and company-client relationship.
- In an empirical study, Goel (2014) undertook to test consumer behavior in the Rohtak district. For this purpose they interviewed 150 customers. The factors influencing purchase of health insurance were found to be: medical expenditure, tax gains, mandatory and other requirements. He identified also the barriers to subscription of health insurance to be lack of: funds, intermediaries, accessibility and reliability. He also found that people preferred or wanted the public health insurers to guarantee their capital.

Research Question : Do personal factors influence the Purchase Decision Making of health insurance policy?

Research Methodology

Need for the Study: The study was conducted to find out the Personal Factors Influencing Purchase Decision Making while acquiring a health insurance policy.

Objectives of the Study: The aim of the study is check various Personal factors influencing on the Purchase Decision making in Health Insurance Sector in India.

Study Site: The study was conducted in the Jagital district of Telegana state, India

Nature of Study: The study is purely explorative and conclusive in nature.

Data Collection Method: The study took into consideration both primary as well as secondary data. The primary data was collected through a set of structured questionnaires and the secondary sources consisted of review of websites, books and standard journals.

The Questionnaire Development: Initially the rough-cut of questionnaires were developed through polite interactions with local customers and agents in the insurance market. Thereafter, the closed-ended questionnaires were designed and fine-tuned.

The Sample: The sample of the study consisted of 170 customers to whom the structured questionnaires were distributed for Data Collection.

Sampling Procedure: The respondents were selected within the specified strata, based on their convenience and cooperation.

The Field Work: The questionnaires are given to customers in the Jagitial District (comprising Jagital Town, Korutla, Metpelli and Raikal localities) and interviews were conducted.

Statistical Tools Used: The following study tools were used: Descriptive Statistics, Factor Analysis (KMO and Bartlett's Test), chi-square and Reliability and Validity tests.

Period of the Study: The survey was conducted from June to September 2016.

Limitation of the Study: Study was conducted within the Jagital district and with a sample of 170 respondents only.

Data Analysis and Interpretation

Table 1: Factors with Mean, Alpha and Significance

S. No.	Factors	Mean	Cronbanch's Alpha	F	Sign.	Variables
1	Awareness	3.460	0.927	15.663	0.000	7
2	Risk Cover	3.413	0.862	17.768	0.000	4
3	Security	3.256	0.731	0.016	0.900	2
4	Tax Benefits	3.421	0.975	5.121	0.025	2
5	Life Style	3.345	0.68	4.030	0.025	3

Table 2: KMO's and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.839
Bartlett's Test of Sphericity	Approximate Chi-Square	4810.569
	df	153
	Sig.	0.000

Table 3: Loading Factors of Selected Variables on Key Factors (loading criteria >0.5)

Code	Measures	Factor-1	Factor-2	Factor-3	Factor-4	Factor-5
X1	Aware of HI companies in India	.628				
X2	Aware of HI policy offered by my company	.815				
X3	Aware of HI benefits offered by the policy purchased	.786				
X4	Aware of my HI policy exclusions	.888				
X5	Aware of cost classification of HI premium	.825				
X6	Aware of HI claim procedure	.930				
X7	Aware of role of TPAs and network hospitals	.825				

Code	*Measures*	*Factor-1*	*Factor-2*	*Factor-3*	*Factor-4*	*Factor-5*
X8	HI covers illness of both family and myself		.880			
X9	HI policy covers personal accident		.739			
X10	HI policy provides salary protection during illness		.776			
X11	HI policy reduces risk of medical expenditure		.783			
X12	HI provides financial security for family and myself			.804		
X13	HI protects against life-style diseases					.770
X14	Tax benefits on HI premium payments				.816	
X15	HI protects against property loss in case of critical illness			.793		
X16	Claims are not taxed				.824	
X17	Sedentary life style is the cause of illnesses				.806	
X18	Food habits are the causes of illnesses					.555

Findings

The Kaiser-Meyers-Oklin Test was carried to measure the homogeneity of variables, and, Bartlett's Test of sphericity was used to test the correlation among the variables. The KMO value for the was 0.839 and hence the factor-analysis is appropriate for the given data set. Bartlett's Test of sphericity chi-square statistics is 4801.569, which shows that 18 of statements are correlated and hence the was accepted for further study.

The factors of retention were large in number and were interrelated. Factor-analysis was done to extract and club the factors responsible for attrition. Principal components' analysis was used for extraction and varimax for rotation. As per the Kaiser criterion, only factors with the Eigen values greater than one were retained (Kaiser.H.F1960). First four factors, initial solution have Eigen values greater than one. Together, they account for almost 55% of the variability in the original variables. Thus, there is a significant relationship between the variables.

***Factor 1:* "Awareness" –** This consists of seven variables which contribute a mean of 3.46, and all the factors in loading are greater than .55. Reliability of data is tested through Cronbach's alpha; the value 0.927, exceeding 0.7, which is acceptable. There is a significant relationship between the variables.

***Factor 2:* "Risk Cover" –** This consists of four variables that contribute a mean of 3.413, and all the factors in loading are greater than .55. Reliability of data is tested through Cronbach's alpha; value is 0.862, exceeding 0.7, which is acceptable. There is a significant relationship between the variables.

***Factor 3:* "Security" –** This consists of two variables that contribute a mean of 3.256, and the standard deviation of 2.46. All the factors in loading are greater than .55. Reliability of data is tested through Cronbach's alpha; the value is 0.731, exceeding 0.7, which is acceptable. There is no significant relationship between the variables.

***Factor 4:* "Tax Benefits" –** This consists of two variables that contribute a mean of 3.421 and all the factors in loading are greater than .55. Reliability of data is tested through Cronbach's alpha; value is 0.975, greater than 0.7, which is acceptable. There is a significant relationship between the variables.

***Factor 5:* "Life Style" –** This consists of three variables that contribute a mean of 3.345, and all the factors in loading are greater than .55. Reliability of data is tested through Cronbach's alpha; value is 0.68, less than 0.7, which is acceptable since the overall value is 0.963, which more reliable. There is a significant relationship between the variables.

Conclusion

The study found that the majority of HI policy holders were male and married; between 41-50 years of age, were employees of private enterprises, having income levels between 5 to 7.5 lakhs, the premiums paid were between Rs 15,000 to 30,000, preferred to be family floaters and work in private companies, the sum assured was Rs 2 to 5 lakhs and covered inpatients.

This study was conducted with the objective to check 'Personal Factors Influencing Purchase Decision Making' among health insurance policy holders in India. Data was collected through structured a questionnaire administered to) 170 customers. Data analysis was based on the 170 respondents' feedback. Significant relationships between the variables – Awareness, Tax Benefits, Life styles and Risk Cover, except Security – and data were found to be reliable.

Annexure

Table 4: Individual Demographic Factors and HI Policy Details

	N	*%*		*N*	*%*
Gender			***Marital Status***		
Male	135	79.41176	Married	165	97.05882
Female	35	20.58824	Single	5	2.941176
Age			***Occupation***		
21-30	45	26.47059	Self employed	12	7.058824
31-40	52	30.58824	Professional	15	8.823529
41-50	68	40	Private employee	73	42.94118
51-60	3	1.764706	Government service	42	24.70588
above 60	2	1.176471	Others	28	16.47059
Income Levels			***Premium Amount***		
Less than 5,00,000	45	26.47059	Less than 12000	50	29.41176
5,00,000-7,50,000	52	30.58824	12000-15000	52	30.58824
7,50,000-10,00,000	68	40	15000-30,000	63	37.05882
Above 10,00,000	5	2.941176	30,000 above	5	2.941176
HI cover			***Companies***		
Self	6	3.529412	Public	35	20.58824
Family	164	96.47059	Private	135	79.41176
Type of HI			***Sum Assured***		
Group	64	37.64706	Less than 1,00,000	50	29.41176
Individual	6	3.529412	1,00,000-2,00,000	52	30.58824
Family floater	100	58.82353	2,00,000-5,00,000	63	37.05882
Combination	0	0	Above 5,00,000	5	2.941176
Cover HI					
Outpatient	40	23.52941	Inpatient	130	76.47059

Table 5 : Factors with Mean and Standard Deviation

Code	Measures	Mean	Std. Deviation
X1	Aware of HI companies in India	3.38	.487
X2	Aware of HI policy offered by my company	3.77	.671
X3	Aware of HI benefits offered by policy purchased	3.50	.655
X4	Aware of my HI policy Exclusions	3.36	.939
X5	Aware of cost classification and HI premium	3.36	.888
X6	Aware of HI claim procedure	3.46	1.027
X7	Aware of role of TPAs and Network hospitals	3.38	.871
X8	HI covers illness of both myself and family	3.53	.865
X9	HI policy covers personal accident	3.31	.680
X10	HI policy provides salary protection during illness	3.53	.512
X11	HI policy reduces risk of medical expenditure	3.29	.549]
X12	HI provides financial security for me and my family	3.25	.762
X13	HI protects against growing life-style diseases	3.26	.547
X14	Tax benefits on HI premium payments	3.41	.516
X15	HI protects against property loss in case of critical illness	3.26	.547
X16	Claims are not taxed	3.44	.575
X17	Sedentary life style is the cause for illness	3.38	.800
X18	Food habits is the cause for illness	3.39	.525

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