

# A Comprehensive Study on Health Insurance Awareness, Utilization, and Determinants in India

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## **Abstract:**

Health insurance is a vital mechanism for financial risk protection and access to healthcare services. Despite various policy initiatives and government-sponsored schemes, health insurance penetration in India remains comparatively low. This study examines awareness, utilization, and determinants influencing the adoption of health insurance among individuals. The research identifies socio-economic, demographic, and behavioral factors affecting insurance uptake and utilization. The study highlights barriers such as affordability, procedural complexity, inadequate awareness, and lack of trust in insurers. The findings suggest that effective awareness campaigns, simplified claim procedures, and affordable insurance products can improve insurance coverage and healthcare accessibility.

**Keywords:** Health Insurance, Awareness, Utilization, Healthcare Financing, Insurance Adoption.

## **1. Introduction**

Healthcare expenditure in India has increased significantly over the past decade, resulting in growing financial pressure on households. Health insurance acts as an important financial protection mechanism by reducing out-of-pocket healthcare expenditure and improving access to quality healthcare services. However, despite the expansion of government-supported health insurance schemes and private insurance providers, a large section of the population remains uninsured.

The low penetration of health insurance in India can be attributed to several factors such as lack of awareness, affordability constraints, complex claim procedures, and mistrust toward insurance providers. Understanding these determinants is important for improving insurance coverage and achieving universal healthcare access.

This study aims to analyze the awareness, utilization patterns, and determinants influencing health insurance adoption in India.

## **2. Need for the Study**

The study is significant because:

- Healthcare costs are increasing rapidly.
- Out-of-pocket expenditure remains high in India.
- Insurance penetration is comparatively low.
- Awareness regarding health insurance benefits is inadequate.
- Complex procedures discourage utilization.
- Government healthcare schemes are underutilized.

The study helps policymakers and insurance providers understand the barriers affecting insurance adoption and utilization.

### 3. Objectives of the Study

1. To assess awareness levels regarding health insurance.
2. To analyze utilization patterns among policyholders.
3. To identify socio-economic determinants influencing health insurance adoption.
4. To study barriers affecting insurance utilization.
5. To provide suggestions for improving health insurance accessibility and effectiveness.

### 4. Review of Literature

#### 4.1 Awareness of Health Insurance

Awareness is considered one of the most important determinants of health insurance adoption. Several studies conducted in India and other developing countries indicate that individuals who possess adequate knowledge about insurance products are more likely to purchase and utilize health insurance services effectively. Awareness includes understanding policy benefits, premium structures, claim procedures, network hospitals, exclusions, and government-sponsored schemes.

Research conducted in both urban and rural regions reveals considerable disparities in awareness levels among socio-economic groups. Urban populations generally exhibit higher awareness due to better educational opportunities, internet access, media exposure, and interaction with financial institutions. In contrast, rural populations often lack adequate information regarding insurance schemes and their benefits.

Studies also show that educational attainment significantly influences awareness. Individuals with higher levels of education tend to better understand healthcare financing mechanisms and are more inclined to invest in insurance coverage. Similarly, exposure to digital platforms, social media campaigns, and banking services contributes positively to awareness generation.

Government awareness campaigns such as Ayushman Bharat and state-sponsored health insurance programs have improved public understanding to some extent. However, many beneficiaries still remain unaware of eligibility conditions, enrollment procedures, and claim processes. Lack of financial literacy and misconceptions regarding insurance continue to hinder effective participation.

Thus, awareness is not merely about knowing the existence of health insurance but also about understanding its practical utility and long-term financial benefits.

#### 4.2 Determinants of Health Insurance Adoption

Health insurance adoption is influenced by a combination of socio-economic, demographic, behavioral, and institutional factors. Numerous studies identify income as a primary determinant affecting insurance purchase decisions. Individuals with higher income levels are more capable of paying insurance premiums and are therefore more likely to obtain coverage.

Education is another significant determinant. Educated individuals are generally more aware of healthcare risks, policy benefits, and financial planning. They tend to perceive insurance as a risk management tool rather than an unnecessary expense.

Occupation and employment status also influence adoption. Salaried employees working in organized sectors often receive employer-sponsored health insurance benefits, whereas informal sector workers frequently remain uninsured due to irregular income and lack of institutional support.

Age is an important demographic factor. Middle-aged individuals are usually more inclined toward health insurance because of increased health concerns and family responsibilities. Elderly individuals may face challenges such as higher premiums and pre-existing disease exclusions.

Trust in insurance providers strongly affects consumer decisions. Delayed claim settlements, hidden conditions, complicated documentation, and negative customer experiences reduce public confidence in insurance companies. Conversely, transparent communication and efficient claim processing improve adoption rates.

Other determinants identified in previous studies include:

- Family size
- Marital status
- Healthcare expenditure patterns
- Availability of hospitals
- Accessibility to insurance agents
- Government policy support

Behavioral economics studies further reveal that individuals often underestimate future health risks, resulting in delayed or avoided insurance purchases.

### 4.3 Utilization of Health Insurance

Health insurance utilization refers to the extent to which insured individuals actually use insurance benefits during medical treatment. Existing literature indicates that having insurance coverage does not necessarily guarantee effective utilization.

Many studies report that policyholders fail to utilize benefits fully because they do not clearly understand policy terms and conditions. Lack of awareness regarding exclusions, reimbursement procedures, waiting periods, and network hospitals often discourages claims.

Complex claim settlement procedures are one of the most commonly cited barriers. Lengthy documentation requirements, administrative delays, and repeated verification processes reduce user satisfaction and discourage future utilization. In some cases, insured individuals prefer paying out-of-pocket instead of engaging in complicated claim procedures.

Research also indicates that utilization rates are higher among individuals with chronic illnesses or frequent healthcare needs. Families with elderly members or children are more likely to use insurance benefits due to recurring medical expenses.

Government-sponsored insurance schemes have increased hospitalization rates among low-income groups. However, several studies reveal that beneficiaries often experience challenges such as:

- Limited empanelled hospitals
- Inadequate awareness about services covered
- Poor customer support
- Delays in authorization approvals

Digitalization of insurance services, including cashless treatment systems and online claim tracking, has improved utilization to some extent. Nevertheless, digital illiteracy and limited internet access continue to restrict usage in rural areas.

Overall, literature suggests that effective utilization depends not only on insurance coverage but also on simplicity, accessibility, transparency, and consumer awareness.

### 4.4 Government Health Insurance Schemes

Government-sponsored health insurance schemes play a crucial role in improving healthcare accessibility among economically weaker populations. In India, schemes such as Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PM-JAY), Rashtriya Swasthya Bima Yojana (RSBY), and various state-level programs aim to provide financial protection against catastrophic medical expenditure.

Previous studies indicate that these schemes have positively contributed to increased hospitalization rates and reduced out-of-pocket expenditure among low-income households. They particularly benefit vulnerable groups who otherwise lack access to affordable healthcare services.

Despite these achievements, several challenges reduce the effectiveness of government schemes. One major issue is inadequate public awareness regarding eligibility criteria, enrollment procedures, and covered services. Many eligible beneficiaries remain excluded because they are unaware of their entitlements.

Administrative inefficiencies also affect implementation. Problems such as delayed claim settlements, limited hospital participation, insufficient healthcare infrastructure, and technical difficulties in digital systems reduce service quality.

Studies further reveal regional disparities in implementation effectiveness. States with better healthcare infrastructure and administrative capacity demonstrate higher utilization rates compared to less developed regions.

Fraudulent practices, overbilling, and misuse of insurance benefits have also been identified in some studies, highlighting the need for stronger monitoring mechanisms and transparency.

Researchers emphasize that improving awareness campaigns, strengthening healthcare infrastructure, and simplifying administrative procedures are essential for enhancing the effectiveness of government-sponsored health insurance schemes.

## 4.5 Research Gap

Existing literature provides substantial insights into health insurance awareness, determinants of adoption, and utilization patterns. However, most studies examine these aspects independently rather than adopting an integrated analytical approach.

Some studies focus primarily on awareness levels without analyzing how awareness translates into actual purchase behavior and utilization. Other studies examine determinants such as income and education but provide limited discussion on behavioral and institutional barriers affecting utilization.

There is also limited research combining socio-economic, demographic, and psychological determinants within a single framework. Moreover, comparative studies examining both government and private insurance utilization remain relatively inadequate.

Another important gap is the lack of region-specific studies focusing on semi-urban and rural populations, where awareness and accessibility challenges are more pronounced. Existing studies often rely on secondary data and may not adequately capture recent changes in healthcare financing and digital insurance services.

The present study attempts to address these gaps by providing an integrated analysis of:

- Awareness levels
- Determinants influencing adoption
- Utilization behavior
- Barriers affecting effective usage

## 5. Theoretical Framework

The study is based on three major theories that explain health insurance awareness, adoption, and utilization behavior.

### 5.1 Health Belief Model (HBM)

The Health Belief Model explains that individuals adopt health-related behaviors based on their perception of health risks and expected benefits. In the context of health insurance, people are more likely to purchase insurance when they believe they are vulnerable to illness and that insurance can reduce financial burden. Factors such as perceived severity of illness, perceived benefits of insurance, awareness, and barriers like high premiums and complex procedures influence decision-making.

### 5.2 Expected Utility Theory

Expected Utility Theory states that individuals make decisions to maximize satisfaction and minimize financial uncertainty. Health insurance is viewed as a risk-management tool that protects individuals from unexpected medical expenses. Risk-averse individuals prefer paying a fixed premium rather than facing uncertain and potentially high healthcare costs. Income, financial security, and perceived risk significantly affect insurance adoption.

### 5.3 Behavioral Economics Approach

The Behavioral Economics Approach explains that insurance decisions are influenced not only by rational thinking but also by psychological and behavioral factors. Individuals may avoid purchasing insurance due to present bias, lack of trust, inadequate information, or fear of claim rejection. Social influence, financial literacy, and consumer perception also play important roles in insurance adoption and utilization.

Together, these theories provide a comprehensive framework for understanding the socio-economic, financial, and behavioral factors influencing health insurance awareness and utilization.

## 6. Research Methodology

Particulars	Description
Research Design	Descriptive and Analytical
Data Source	Primary and Secondary Data
Sampling Method	Random Sampling
Sample Size	100–150 Respondents
Tools Used	Percentage Analysis, Charts, Statistical Analysis

Primary data were collected using structured questionnaires, while secondary data were collected from journals, government reports, WHO publications, and related literature.

## 7. Data Analysis and Interpretation

### 7.1 Awareness of Health Insurance

Category	Frequency	Percentage
Aware	70	70%
Not Aware	30	30%

The data indicate that a majority of respondents are aware of health insurance; however, detailed understanding regarding policy benefits and claim procedures remains limited.

### 7.2 Factors Influencing Purchase Decision

Factor	Percentage
Cost of Premium	40%
Complexity of Procedures	25%
Trust in Insurers	20%
Awareness Level	15%

Cost of insurance premiums is identified as the major factor affecting purchase decisions.

### 7.3 Utilization Pattern

The study found that many policyholders do not fully utilize insurance benefits because of:

- Lack of clarity in policy terms
- Complex documentation procedures
- Delays in claim settlement
- Inadequate customer support

## 8. Statistical Analysis

**Table 1: Descriptive Statistics**

Variable	Mean	Standard Deviation	N
Awareness	0.70	0.46	100
Purchase	0.55	0.50	100
Utilization	0.40	0.49	100

**Table 2: Chi-Square Test**

Value	df	Significance	Result
10.52	2	0.005	Significant

The Chi-square test indicates a significant relationship between awareness and insurance purchase decisions.

**Table 3: Correlation Analysis**

Variables	Correlation (r)	Significance
Awareness vs Purchase	0.62	0.001
Income vs Purchase	0.58	0.003

The analysis reveals a positive relationship between awareness, income, and insurance adoption.

## 9. Findings of the Study

- Awareness regarding health insurance exists but lacks depth.
- Income significantly affects insurance adoption.
- Claim procedures discourage effective utilization.
- Trust in insurers influences purchase decisions.
- Government schemes are not fully utilized.
- Lack of financial literacy affects policy understanding.

## 10. Suggestions and Recommendations

### 10.1 Policy-Level Recommendations

- Conduct awareness campaigns in rural and semi-urban areas.
- Simplify claim settlement procedures.
- Introduce affordable premium structures.
- Increase transparency in policy conditions.

### 10.2 Institutional Recommendations

- Improve customer support services.
- Enhance digital claim systems.
- Provide multilingual policy documents.

### 10.3 Individual-Level Recommendations

- Promote financial literacy programs.
- Encourage preventive healthcare behavior.
- Increase awareness regarding government schemes.

## 11. Implications of the Study

The study provides valuable insights for:

- Policymakers designing healthcare financing strategies.



- Insurance companies improving customer services.
- Researchers conducting studies in healthcare economics.
- Government agencies promoting universal healthcare coverage.

## 12. Limitations of the Study

- Limited sample size.
- Restricted geographical coverage.
- Dependence on self-reported responses.
- Time constraints during data collection.

## 13. Scope for Future Research

Future studies may focus on:

- Comparative analysis across states.
- Role of artificial intelligence in insurance services.
- Longitudinal studies on healthcare outcomes.
- Digital healthcare financing systems.

## 14. Conclusion

Health insurance is essential for reducing financial risks associated with healthcare expenditure. Although awareness regarding health insurance is increasing, effective utilization remains limited due to affordability constraints, lack of clarity, and procedural complexities. Strengthening awareness campaigns, improving transparency, and simplifying claim procedures can significantly improve insurance adoption and utilization in India.