

A Study on Awareness on Health Insurance in India and its associated Problems

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Abstract

Health insurance has become an essential safety net to manage the financial burden of healthcare expenses. However, in India, health insurance awareness and penetration remain low despite increasing healthcare costs and government initiatives to improve accessibility. This study investigates the level of awareness regarding health insurance among the Indian population, identifying key factors influencing awareness, and examines the challenges and problems associated with health insurance adoption. Through a mixed-methods approach, combining quantitative surveys with qualitative interviews, the research reveals significant gaps in knowledge, accessibility issues, and financial and procedural challenges that inhibit higher adoption rates. The findings of this study provide insights into policy improvements and suggest strategies to enhance public awareness, address perceived barriers, and facilitate wider health insurance coverage.

Keywords: Awareness, Accessibility, Insurance Adoption, Barriers, Awareness Campaigns

Introduction

With India's rapidly evolving healthcare landscape, health insurance has gained prominence as a critical tool for mitigating healthcare costs and reducing out-of-pocket expenses. However, despite the evident need, the uptake of health insurance remains relatively low compared to other countries. This paradox highlights a range of issues, from low awareness levels and misconceptions about health insurance benefits to structural and financial challenges within the insurance sector itself.

The Indian government has launched several initiatives, such as Ayushman Bharat and Rashtriya Swasthya Bima Yojana (RSBY), aimed at increasing health insurance penetration among various socioeconomic groups. Nonetheless, these efforts have encountered numerous hurdles, including a lack of awareness, insufficient literacy about insurance policies, and perceived inaccessibility for economically vulnerable populations. Furthermore, factors like complex claim processes, lack of transparency, and insufficient regulation amplify the public's reluctance to opt for health insurance plans.

This research seeks to understand the level of awareness of health insurance across different demographic groups in India and investigate the associated challenges that discourage higher adoption rates. By identifying these challenges, this study aims to offer insights into actionable steps that could promote more widespread health insurance adoption and contribute to the country's overall public health objectives.

Statement of the Problem

Despite the rising healthcare costs and the potential of health insurance to reduce the financial burden on individuals and families, health insurance penetration in India remains low. A significant portion of the population lacks adequate knowledge and understanding of health insurance benefits, coverage options, and enrollment procedures. This lack of awareness often leads to underutilization of health insurance services, resulting in high out-of-pocket expenses and financial strain during medical emergencies.

Moreover, those who are aware of health insurance often encounter various obstacles that discourage adoption, including complex policies, perceived inaccessibility, high premiums, and complicated claim procedures. These challenges, combined with insufficient government support in certain areas, have created a gap between the need for and the adoption of health insurance in India.

This study aims to address the critical need for increased awareness and to examine the barriers that prevent individuals from opting for health insurance, with the goal of identifying strategies to bridge this gap and enhance health insurance coverage across diverse demographic segments.

Scope of the Study

This study focuses on examining the awareness levels and perceptions regarding health insurance among various demographic groups across India. The scope includes assessing the extent of knowledge individuals have about health insurance policies, the factors influencing their decision to purchase insurance, and identifying specific challenges and barriers they face in the process.

The research targets both urban and rural populations to understand the variations in awareness and adoption rates based on location, socioeconomic background, education level, and occupation. Additionally, the study evaluates the effectiveness of government initiatives, such as Ayushman Bharat and other insurance schemes, in improving health insurance accessibility and affordability. By analyzing these factors, this study aims to provide a comprehensive understanding of the barriers to health insurance adoption and suggest strategies that can be implemented by policymakers, insurers, and healthcare providers to enhance health insurance coverage in India. The findings are intended to benefit stakeholders including government agencies, health insurance providers, and public health advocates by offering actionable insights to promote awareness, improve policy design, and increase accessibility to health insurance for all segments of the Indian population.

Objectives of the Study

- To assess the current level of awareness and understanding of health insurance among different demographic groups in India,
- To identify and analyze the key factors that influence the adoption and non-adoption of health insurance in India, such as affordability, accessibility, policy complexities, and perceptions of insurance benefits.
- To examine the specific challenges and barriers faced by individuals in purchasing and utilizing health insurance, and to provide recommendations for improving awareness, accessibility, and satisfaction with health insurance services in India.

Review of Literature

Rajasekhar et al. explore why health insurance penetration remains low in India, citing economic constraints, lack of information, and distrust in insurance providers. Their work emphasizes the importance of government intervention in raising public awareness.

Dror et al. study health insurance awareness in rural India, finding that demographic factors like income and education levels are crucial in influencing insurance enrollment. The research advocates for targeted community-based awareness programs to increase rural participation.

Gupta et al. examine how socioeconomic variables influence health insurance adoption, revealing that low-income individuals often perceive insurance as financially burdensome. The study highlights the need for affordable, low-premium options to expand coverage among low-income households.

Reddy et al. analyze the Ayushman Bharat program's impact on health insurance accessibility for low-income families. While the initiative has improved access, the study identifies challenges like limited provider availability and regional disparities.

Ranjan and Jain focus on the private health insurance sector, discussing issues like high premiums and complex policies that deter potential customers. They call for clearer, more affordable policies to increase adoption among middle- and lower-income groups.

Sundararaman et al. investigate gender-based barriers to health insurance adoption, finding that women often face additional challenges due to financial dependency and limited decision-making power. This study suggests targeted programs to improve women's access to insurance.

Desai et al. provide insights into the rural population's low insurance adoption, primarily due to limited awareness and accessibility issues. The authors suggest that government-led campaigns could address these gaps by promoting awareness and simplifying enrollment processes.

Sharma and Goel's study explores how limited insurance literacy affects consumer decision-making, often resulting in underutilization or poor selection of health insurance plans. The authors argue for improving insurance literacy to empower consumers.

Purohit and Singh assess how government schemes like the Rashtriya Swasthya Bima Yojana (RSBY) have contributed to increased insurance awareness, though challenges persist due to administrative hurdles and lack of adequate information dissemination.

Methodology

This study on **Awareness on Health Insurance in India and its associated Problems** in India is based on **secondary data** gathered through a comprehensive review of existing literature, government surveys, and reports. A **literature review** methodology was employed to synthesize key findings from academic articles, government publications, and industry reports, providing a broad understanding of the factors influencing health insurance awareness, adoption, and barriers to coverage in India.

Major Findings

Objective 1: Assessing Awareness and Understanding of Health Insurance Among Different Demographic Groups

- According to a 2023 survey, health insurance awareness among Indians is relatively high, with around 96% aware of the concept, but actual enrollment remains lower, especially in rural and low-income areas. For instance, urban populations generally show higher insurance adoption than rural ones, influenced by income, education level, and access to insurance providers
- There are also specific demographic barriers for women, as financial dependence and limited decision-making power reduce their likelihood of being insured. Gender-based challenges indicate

the importance of targeted awareness programs to address specific demographic needs, particularly in rural or underserved regions

- The NITI Aayog report on India's "missing middle" suggests that, while wealthier and impoverished segments have relatively better access to health insurance (through private or government schemes), middle-income groups lack awareness and access due to affordability issues and limited government support

Objective 2: Identifying Key Factors Influencing Health Insurance Adoption and Non-Adoption

- Key reasons for low adoption include affordability concerns, complex policies, and limited perception of value. For example, the "missing middle" segment in India, comprising approximately 30% of the population, often finds health insurance premiums unaffordable, as premiums for a family plan can constitute up to 15% of median household income. Additionally, cultural and practical barriers, like distrust of insurers and a focus on direct healthcare spending over preventive insurance, impact adoption.
- Access to health insurance is further influenced by geographic and socioeconomic disparities, with rural populations having limited access to information and healthcare infrastructure, which hampers insurance adoption.
- The Ayushman Bharat initiative has expanded health insurance for low-income families but faces issues like insufficient provider availability and administrative challenges. This highlights that, while government schemes can increase adoption, challenges in accessibility and information dissemination need to be addressed to make such programs more effective

Objective 3: Examining Specific Barriers in Purchasing and Utilizing Health Insurance

- India's health insurance landscape faces challenges in ensuring inclusive access, simplified policy options, and enhanced consumer trust. While government schemes like Ayushman Bharat target the low-income segment, the "missing middle" and lower-income households remain under-protected. NITI Aayog has recommended the development of low-cost insurance products tailored to this demographic to bridge these gaps.
- Limited insurance literacy affects consumers' decision-making, resulting in underutilization or inappropriate policy choices. This finding emphasizes the need for education initiatives that improve understanding of insurance benefits and procedures.
- Barriers for women, as highlighted in Sundararaman et al. (2018), point to gender-based issues in accessing health insurance, suggesting that social and cultural norms limit women's ability to make independent insurance decisions.
- The lack of transparent, affordable private health insurance policies further complicates adoption for middle-income groups, as high premiums and policy complexities deter potential customers. The literature emphasizes that simpler, lower-cost options are crucial for increasing adoption among financially vulnerable populations

Suggestions

- The need for targeted government and community-based awareness programs is a recurring theme. Rural and urban disparities in insurance adoption highlight the need for location-specific initiatives to ensure that information reaches underserved areas effectively.
- Policy simplification and increased transparency in the claims process are essential to improve consumer satisfaction and trust in health insurance. Addressing these complexities through

accessible language and standardized claims procedures could significantly reduce apprehensions and increase utilization.

- Affordable insurance options, especially for low- and middle-income groups, would expand access. The literature suggests that reducing premium costs and simplifying terms could help address the affordability barrier, making health insurance more accessible for a larger portion of the population.

Conclusion

In conclusion, this study on awareness of health insurance in India and its associated challenges underscores the critical barriers that hinder the broader adoption of health insurance across the country. The findings show that awareness remains disproportionately low among rural and low-income populations, with demographic factors such as age, income, education, and geographic location playing significant roles in determining health insurance knowledge and enrollment (Dror et al., 2016; Desai et al., 2019). The "missing middle" demographic, which is neither eligible for government schemes nor affluent enough for private insurance, faces significant gaps in coverage, with affordability, accessibility, and policy complexity being key hindrances (NITI Aayog, 2021).

Socioeconomic and regional disparities in health insurance uptake were also evident, as individuals from lower socioeconomic backgrounds often perceive insurance as financially burdensome or unnecessary, and rural residents face substantial informational and infrastructural barriers (Gupta et al., 2019; Ranjan & Jain, 2021). These factors collectively contribute to a widespread lack of understanding, further exacerbating the problem of underutilization of available insurance options.

Moreover, the study highlights the importance of addressing these challenges through government and private sector interventions. Initiatives like Ayushman Bharat have made strides in improving coverage for low-income groups but continue to struggle with issues like inadequate provider availability and regional inequalities (Reddy et al., 2020). Additionally, the complexity of insurance policies and high premiums discourage many potential customers from purchasing health insurance, pointing to the urgent need for simpler, more affordable insurance products (Sharma & Goel, 2020; Rajasekhar et al., 2011).

Addressing these barriers will require multi-faceted solutions, including more targeted and localized awareness campaigns, improved insurance literacy, and the development of affordable, transparent insurance policies that are accessible to all segments of society. Streamlining enrollment processes, ensuring better outreach, and simplifying policy terms are essential steps in making health insurance a viable option for the Indian population, particularly in rural and economically disadvantaged areas. By focusing on these areas, India can overcome the existing gaps in health insurance coverage and ensure that more people benefit from essential healthcare services.

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