

Consumer Behavioral Shifts Post GST Exemption on Health Insurance Premiums Hosur

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Abstract

The study titled “Consumer Behavioural Shifts Post GST Exemption on Health Insurance Premiums in Hosur” examines the changes in consumer attitudes, purchase intentions, and policy preferences following the removal of Goods and Services Tax (GST) on health insurance premiums. The exemption significantly reduced the overall cost burden on policyholders, thereby influencing affordability and accessibility of health insurance products.

The primary objective of the study is to analyse how the GST exemption has affected consumer awareness, demand patterns, coverage selection, and renewal behaviour in Hosur. The research focuses on identifying whether consumers have shifted from low-coverage policies to higher sum insured plans and whether the exemption has encouraged first-time buyers to enter the health insurance market. Data for the study can be collected through structured questionnaires administered to policyholders and prospective buyers in Hosur

Keywords— Goods and Service Tax, Health Insurance, consumer awareness, Low-coverage, Premiums.

INTRODUCTION

The insurance sector plays a vital role in providing financial security and risk protection to individuals and families. Among various types of insurance, health insurance has gained significant importance due to rising medical expenses, increasing lifestyle diseases, and growing healthcare awareness. Health insurance ensures financial protection against hospitalization costs and medical emergencies, thereby reducing economic stress on households.

In India, the introduction of the Goods and Services Tax (GST) marked a major transformation in the indirect tax system. Implemented on 1st July 2017, GST replaced multiple indirect taxes and created a unified

taxation structure. Health insurance premiums were brought under GST and taxed at 18%, which increased the total premium payable by policyholders.

Recently, discussions under GST 2.0 reforms have focused on reducing GST rates on essential services such as health insurance. The Exemption of GST on health insurance is expected to improve affordability and influence policyholder behaviour positively.

This study focuses on analysing the Impact of GST 2.0 Exemption on Policyholder Behaviour in the Health Insurance Sector in Hosur.

BACKGROUND OF THE STUDY

Health insurance penetration in India remains lower compared to developed countries. A significant portion of healthcare expenses is borne directly by individuals as out-of-pocket expenditure. High premium costs, including GST, act as a barrier to insurance adoption.

The imposition of 18% GST on health insurance premiums increased the effective cost of insurance policies.

For price-sensitive populations, especially in semi-urban regions like Hosur, even small increases in premium amounts affect purchasing and renewal decisions.

GST 2.0 Exemption aims to rationalize tax rates on essential services. An Exemption in GST rate may decrease the effective premium burden and encourage more individuals to purchase and renew health insurance policies.

CONCEPT OF GST IN INDIA

The Goods and Services Tax (GST) is a destination-based indirect tax levied on the supply of goods and services. It is governed by the GST Council.

GST structure includes:

- Central GST (CGST)
- State GST (SGST)
- Integrated GST (IGST)

Insurance services are categorized under the service sector and are subject to GST. Initially, health insurance premiums were taxed at 18%, making insurance relatively expensive.

OVERVIEW OF THE HEALTH INSURANCE SECTOR

The health insurance sector in India is regulated by the Insurance Regulatory and Development Authority of India (IRDAI). It ensures policyholder protection, transparency, and financial stability of insurers.

Types of health insurance include:

- Individual Health Insurance
- Family Floater Plans
- Senior Citizen Policies
- Group Health Insurance
- Critical Illness Policies

Health insurance covers hospitalization expenses, pre- and post-hospitalization costs, ambulance charges, and other medical expenses.

GST ON HEALTH INSURANCE PREMIUMS

Health insurance premiums are subject to GST since insurance is considered a service.

For example:

Base Premium = ₹20,000

GST @ 18% = ₹3,600

Total Payable = ₹23,600

This additional cost impacts affordability. An Exemption in GST rate would reduce the overall premium payable by policyholders.

POLICYHOLDER BEHAVIOUR

Policyholder behaviour refers to the decision-making patterns of individuals regarding:

- Purchase of insurance
- Renewal of policies
- Upgrade or downgrade of coverage
- Switching insurers
- Claim behaviour

Premium cost is a major determinant influencing these decisions. GST Exemption directly impacts premium cost and therefore influences behaviour.

NEED FOR THE STUDY

1. Rising medical costs have increased financial pressure on individuals, making health insurance more essential than ever.
2. The high GST burden on insurance premiums previously made policies less affordable for many consumers.

3. Insurance penetration remains low in semi-urban areas like Hosur, indicating limited coverage and awareness.
4. Middle-income groups are highly price sensitive, and premium changes strongly influence their purchase decisions.
5. There is a lack of localized research focusing on consumer behaviour in Hosur after GST exemption.

OBJECTIVES OF THE STUDY

1. To examine the awareness level of policyholders regarding GST 2.0 Exemption.
2. To analyse the impact of GST Exemption on affordability of health insurance premiums.
3. To study changes in purchasing behaviour due to GST Exemption.
4. To evaluate the influence of GST Exemption on policy renewal decisions.
5. To identify factors affecting policyholder behaviour in Hosur.

SCOPE OF THE STUDY

- The study focuses on the health insurance sector and its recent policy changes.
- It covers policyholders in Hosur to understand region-specific consumer behaviour.
- The study examines the impact of GST 2.0 exemption on health insurance premiums.
- It also analyses behavioural aspects such as policy purchase and renewal decisions.

LIMITATION OF THE STUDY

- The study is limited to Hosur region.
- Responses depend on honesty of respondents.

- GST policies may change over time.

RESEARCH METHODOLOGY

1. Research Design - The study adopts a Descriptive research design to analyze the impact of GST Exemption on policyholder behaviour.
2. Sources of Data
 - Primary Data - Collected through structured questionnaires from policyholders in Hosur.
 - Secondary Data – Collected from government reports, IRDAI publications, insurance company records, journals, books, and authentic websites related to GST and health insurance.
3. Sampling Technique - Convenience sampling method is used to select respondents.
4. Sample Size - A sample of 166 respondents
5. Tools of Data Analysis
 - Simple Percentage
 - Chi-Square Test
 - Correlation Analysis

STATEMENT OF THE PROBLEM

- Rising healthcare costs have increased the importance of health insurance coverage.
- The earlier GST burden made health insurance premiums expensive and less affordable.
- GST 2.0 exemption was introduced to reduce premium costs and improve insurance penetration.
- It is unclear whether this exemption has significantly influenced purchase and renewal behavior.
- There is a need to study the behavioral impact of GST exemption among policyholders in Hosur.

RESEARCH GAP

- Previous studies mainly focused on GST impact on industries in general.
- Limited research is available on GST exemption and health insurance behavior.
- Very few studies concentrate on semi-urban areas like Hosur.
- Lack of localized analysis on consumer purchase and renewal decisions after GST exemption.
- Need for empirical data-based study focusing on policyholders in Hosur.

SIMPLE PERCENTAGE

1. TYPE OF HEALTH INSURANCE POLICY HELD

Type of Policy	No. of Respondents	Percentage (%)
Family Floater Policy	51	27.13
Employer-Provided Policy	49	26.06
Individual Policy	46	24.47
Senior Citizen Policy	42	22.34
Total	188	100%

Interpretation

The table indicates that 27.13% of respondents hold a Family Floater Policy, which is the highest among the categories. This is closely followed by 26.06% with employer-provided policies, 24.47% holding individual policies, and 22.34% having senior citizen policies.

2. GST EXEMPTION MAINLY AFFECTS WHICH COMPONENT OF THE INSURANCE PREMIUM

Component	No. of Respondents	Percentage (%)
Policy Benefits	49	26.06
Tax Component	48	25.53
Base Premium	48	25.53
Sum Insured	43	22.87
Total	188	100%

Interpretation

The table reveals that 26.06% of respondents believe GST Exemption mainly affects policy benefits, while 25.53% think it affects the tax component and base premium. A smaller proportion, 22.87%, believe it impacts the sum insured.

CHI-SQUARE

GENDER AND WHEN DID YOU FIRST LEARN ABOUT THE GST EXEMPTION ON HEALTH INSURANCE PREMIUMS

Null Hypothesis (H₀): There is no significant relationship between the gender of the respondents and GST Exemption on Health Insurance Premiums.

Alternative Hypothesis (H₁): There is a significant relationship between the gender of the respondents and GST Exemption on Health Insurance Premiums

Gender	Female	Male	Total
During Policy Renewal	8	8	16
Immediately After Announcement	5	8	13
Recently While Comparing Policies	5	6	11
Through Financial Discussions	7	4	11
Total	25	26	51

Source: Primary data

Interpretation

The calculated Chi-Square value (1.92) is less than the table value (7.815) at the 5% level of significance with 3 degrees of freedom. Hence, the null hypothesis is accepted. Therefore, there is no significant relationship between gender and the time when respondents first learned about the GST exemption on health insurance premiums.

**CORRELATION
 AGE GROUP AND WHO INFLUENCED
 YOUR KNOWLEDGE ABOUT THE
 EXEMPTION THE MOST**

	PEARSON CORRELATION	SIGNIFICANCE (2-TAILED)
INTERPRETATION	0.364	0.008

Source: Primary data

INTERPRETATION

The derived correlation result is 0.364 using Karl Pearson Correlation with a significance (2-tailed) value of 0.008. This indicates a moderate positive correlation between Age Group and Source of Knowledge about GST Exemption. Since the significance value (0.008) is less than 0.05, the correlation is statistically significant.

FINDINGS OF THE STUDY

The major findings of the study are drawn from percentage analysis, Chi-square tests, and correlation analysis conducted on the primary data collected from 188 respondents in Hosur.

1. The Majority of the respondents (52.13%) are male
2. Most of the respondents (34.57%) are “Above 50 years”
3. Most of the respondents (28.19%) are “postgraduates”
4. Most of the respondents (29.26%) are “students”

5. Most of the respondents (29.79%) are “₹40,001 – ₹60,000”
6. Most of the respondents (27.13%) are “₹Family Floater Policy”
7. Most of the respondents (25.53%) are “₹Through financial discussions”
8. Most of the respondents (26.06%) are “₹Policy Benefits”
9. Most of the respondents (36.70%) are “Insurance company communication”
10. Most of the respondents (30.32%) are “Rarely check”
11. Most of the respondents (26.60%) are “compared multiple insurers”
12. Most of the respondents (29.79%) are “higher”
13. Most of the respondents (31.38%) are “To some extent”
14. Most of the respondents (28.72%) are “No change in renewal timing”
15. Most of the respondents (28.19%) are “Slight improvement in confidence”
16. Most of the respondents (27.66%) are “No noticeable difference”
17. Most of the respondents (29.79%) are “Household expenses”
18. Most of the respondents (28.72%) are “Yes, significantly upgraded
19. Most of the respondents (30.32%) are “Considering adding”
20. Most of the respondents (27.13%) are “Doubtful about sustainability”
21. Most of the respondents (28.19%) are “Definitely switch”
22. Most of the respondents (32.45%) are “Only health-related”
23. Most of the respondents (28.72%) are “Strongly agree”
24. Most of the respondents (26.6%) are “Now consider it a necessity”
25. Most of the respondents (26.06%) are “Compare both equally”
26. Most of the respondents (29.79%) are “Temporary financial relief”

27. Most of the respondents (33.51%) are “Still rely on agents”
28. Most of the respondents (29.26%) are “Ignored detailed terms”
29. Most of the respondents (30.85%) are “No strategic change”
30. Most of the respondents (26.6%) are “Shift to cheaper insurer”

SUGGESTIONS OF THE STUDY

1. Government authorities should clearly communicate whether GST exemption is permanent to reduce consumer uncertainty.
2. Insurance companies must provide transparent premium break-ups highlighting tax savings.
3. Awareness campaigns should be strengthened in semi-urban regions like Hosur, focusing on real financial benefits.
4. GST exemption should be complemented with financial literacy programs to improve understanding of policy components.
5. Insurers should design middle-income–focused products leveraging GST exemption benefits.
6. Renewal incentives, not just tax relief, should be introduced to influence renewal timing.
7. Digital platforms should be simplified to reduce dependence on agents.
8. Policy documents should be made more consumer-friendly to improve independent evaluation.
9. Long-term stability in GST policy is essential to build trust and sustained insurance penetration.

10. Special attention should be given to senior citizens, who show higher responsiveness to exemption benefits.

CONCLUSION

This study concludes that the GST 2.0 exemption on health insurance premiums has a positive but moderate impact on policyholder behaviour in Hosur. While the exemption has improved affordability perception and consumer confidence to some extent, it has not resulted in drastic behavioural changes in renewal timing, premium spending, or long-term financial planning.

Policyholders continue to remain price-sensitive, cautious, and evaluative, with many perceiving the exemption as a temporary relief rather than a permanent reform. The findings highlight that tax exemption alone is insufficient to significantly transform insurance behaviour unless supported by awareness, transparency, and policy stability.

Overall, GST exemption acts as a supportive factor rather than a decisive driver of health insurance adoption and retention. For sustainable growth in insurance penetration, GST reforms must be integrated with consumer education, trust-building measures, and long-term policy commitment.

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