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Original Research Article

Consumer Behavior and Decision-Making in Health Insurance Policy Purchases in Nepal

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Abstract

Purpose: Health insurance serves as a lifeline with the prospect of financial security in the face of an insurance system, thinking that accidents in human life can occur at any time. This study analyzes the elements that influence people's decisions to obtain health insurance coverage in Nepal.

Design/methodology/approach: It used descriptive and causal research design based on primary data collected from 385 prospective insurance consumers. It employed correlation and multiple regression analysis to conclude.

Findings: Findings show that there was a significant relationship between mental accounting, pricing, premium, brand trust, and risk perception with individuals' insurance purchase decisions. Brand trust was revealed as the most powerful predictor, followed by mental accounting.

Conclusion: The study concluded that financial concerns are important; trust in the insurance companies and consumers' mental accounting of health-related expenses have a greater influence on purchasing behavior.

Implications: This study emphasizes the importance of brand trust and mental accounting in health insurance decisions in Nepal. The findings support efforts to improve financial security and achieve universal health coverage.

JEL Classification: D14, G22, I13, D91

Introduction

Health promotes human development and well-being. Human health is susceptible, but governments can focus more on sustainable humans (Buse et al., 2023; Kotcher et al., 2021). Health insurance is required, and practically everyone is affiliated with a government or private health insurance firm to secure humanity's uncertainties and live longer lives (Bhardwaj & Anand, 2020). Health insurance is critical in protecting people and families from the financial consequences of unforeseen medical bills (Shi et al., 2023). Insuring oneself against unforeseen medical expenses is the primary function of health insurance (Mamun et al., 2021). In Nepal, the rising expense of healthcare has made health insurance an important financial planning tool (Acharya et al., 2024; Wasti et al., 2023). The adoption of health insurance policies remains low, with many potential customers hesitating to buy coverage. Several reasons can contribute to this hesitancy, including mental accounting biases, perceptions of pricing and premiums, trust in insurance brands, and overall risk perceptions regarding insurance services. According to Wang et al. (2021), economic development and financial knowledge lead Chinese families to prioritize medical coverage for their children over that for their parents, indicating a decreasing reliance on children for elder support and a willingness to invest in children's insurance despite concerns about air pollution. Typically, health insurance plans have to be customized according to the socioeconomic status and diseases of any nation (Yan et al., 2021). Having health insurance is important because it guarantees people can afford medical care when they need it, which in turn increases both

life expectancy and social welfare (Ye & Zhang, 2018). Purchasing commercial insurance through the newly formed marketplace was an alternative for nonelderly individuals who were unable to obtain Medicaid. Still, some found it prohibitively expensive, even with the chance of receiving government subsidies (Patel et al., 2018). The perception of risk has a significant influence on the intention to obtain life insurance (Imaddudin et al., 2024).

The Government of Nepal [GoN] has committed to achieving universal health coverage by 2030, which is one of the Sustainable Development Goals for excellent health and well-being (Acharya et al., 2020; National Planning Commission, 2015). In 2016, the Nepalese government implemented a family-based health insurance policy to promote financial protection and access to health care services (Ghimire et al., 2023). Addressing the existing health inequalities in Nepal necessitates a fresh approach to financial hardship protection to achieve universal healthcare access. Suppose Nepal wants to address its health inequalities. In that case, it will need to implement a new kind of financial suffering protection, including reducing out-of-pocket expenses via subsidies or copayments or paying healthcare charges, to ensure that everyone has access to healthcare (Paneru et al., 2022). The government's expenditure on health was less than one-fourth (24.8%) of current health expenditure, with a substantial out-of-pocket expenditure for health care (58%). Despite government promises to lower out-of-pocket healthcare costs through Nepal's National Health Insurance Program (NHIP), implementation is difficult due to low enrollment and high dropout rates (Khanal et al., 2023). Although there are many obstacles to achieving population coverage objectives, Nepal's national social health insurance program aims to achieve universal health coverage and was launched in 2016. By 2018, the scheme had 9% enrollment and 38% dropout rates (Sharma et al., 2022). Gurung and Panza (2022) found that the NHIP in Nepal suffers major implementation constraints, such as poorly defined guidelines, insufficient human resources, and enrollment issues, resulting in high dropout rates and limited coverage among impoverished households. In terms of operational dimensions, individual cognition is yet unknown. In the views of Ranabhat et al. (2020), Nepal has made poor progress in health insurance coverage when compared to other South Asian countries. Long procedures, poor quality, and unsatisfactory services, a lack of awareness about health insurance rules and procedures, and health professionals' attitudes toward insurance during treatment are among the leading causes/reasons for dropout (Acharya et al., 2023).

There are multiple opinions on the elements that drive consumer policy decisions. Significant determinants of health insurance enrolment in Nepal were the education level of household heads, their exposure to mass media, religion, and ethnic background, geographical location (province), and wealth level (Bhusal & Sapota, 2021). The most important factors that could be included in future intervention techniques to increase health insurance enrolment are peer requests to enroll, discussions with relatives, and family members' consent to participate (Acharya et al., 2022). According to Ho et al. (2022), only 25.1% of informal sector workers in a rural Vietnamese region had family-based health insurance, indicating poor selection due to individual, family, and healthcare system characteristics. Insurance coverage also has an impact on financial security by minimizing the financial risk of variable medical expenses and generating revenue or financial advantages from health (Costa-Font et al., 2024; Nyman, 1999). Shahraki and Ghaderi (2022) concluded that senior households in metropolitan Iran were less likely to have supplementary health insurance, resulting in higher out-of-pocket payments, emphasizing the necessity of increased insurance coverage and lower healthcare costs.

The chance of having insurance decreases as one's self-assessed health improves, and the likelihood of having insurance increases as one takes more risks, both of which are influenced by self-assessed health. Consequently, the choice to acquire optional private health insurance is influenced in two ways (Tavares, 2020). However, the human side believed that the financial dynamics needed to be explored (Ghimire et al., 2024). Tebaldi (2024) discovered that, in the context of the Affordable Care Act, shifting premium subsidies to younger persons (the "young invincibles") might reduce total premiums while increasing enrollment and insurer profits, demonstrating the importance of subsidy design in health insurance markets. Abaluck et al. (2021) discovered that while high-quality Medicare Advantage plans dramatically lower death rates, consumers often overlook these effects when choosing plans, suggesting a key gap in consumer awareness that may be addressed to improve health outcomes. As pointed out by Fu et al. (2024), primary healthcare centers, particularly for outpatient services, saw substantial growth in the number of rural people under the new rural cooperative medical system, pointing out the importance of higher reimbursement rates in incentivizing primary care usage among insured lower-income populations in China. Huang and Wu (2020) showed that urban-rural health insurance integration considerably increased inpatient care usage among middle-aged and older rural people, particularly in poorer areas, but had no effect on health outcomes. It is essential to determine the primary influencing elements that encourage consumers to pick health insurance rather than opt out of national policy.

Health insurance is an important instrument for managing the financial risks associated with medical expenses (Dabbous et al., 2022; Frankovic & Kuhn, 2023; Vootukuri & Venkateswara, 2023), but the adoption of health insurance policies is gradual (Ranabhat et al., 2020). Warfare, climate change, and personal health all provide risks to health. The choice to acquire insurance is influenced by people's vulnerability to low-probability occurrences and their poor capacity to understand risk information. Despite increased awareness of health risks and the availability of various insurance products, many prospective customers delay or avoid purchasing insurance due to perceived high costs (Dahal et al., 2023; Kalenscher, 2014; Mathur, 2021), a lack of trust in insurers (Bhatia et al., 2024), and psychological barriers such as mental accounting (Bhattarai et al., 2020; Sum & Nordin, 2018). Outpatient treatment is one of the most rapidly growing medical services (Liu & Chen, 2002). Natural hazard insurance has received significant attention from policymakers and academia in recent decades (Yang et al., 2019). A growing number of public health researchers are focussing on the correlation between health insurance and financial outcomes as a result of the healthcare system's fast growth (Fan et al., 2024). Research evidence helps gather data and fills the gap. The specific objective of this study is to analyze the elements that impact the individuals' decision-making process when buying health insurance.

This study is important because it attempts to show factors driving health insurance policy purchases in a country with a relatively low insurance penetration rate. Insurance companies will benefit from the research's findings. The results can help insurance businesses create focused plans to boost policy development, improve customer confidence, and modify pricing structures to suit the needs of customers better. The findings of the study might aid in the formulation of regulations that support greater access to health insurance, which will lead to improving the financial security of people and families in Nepal against the country's increasing medical expenses.

The paper is structured into seven sections. An introduction is an overview of the study, including the background, issue statement, research aims, justification, limits, and paper structure. Literature review shows theoretical and empirical studies and hypothesis building. Section three describes the research design, population, sampling procedures, data sources, analysis methodologies, demographics, and validity and reliability. The presentation and analysis section presents the analysis results, then section five focuses on a discussion of the results about the aims of the study. Conclusions to the study's findings in the sixth section. The final section shows the implications and suggestions for insurance companies and future research. References are listed in the final part of the report.

Literature Review

The factors that influence health insurance policy purchases can be explored through a variety of theoretical lenses. Thaler's (1985) Mental Accounting theory explains how individuals categorize and arrange their financial resources, which influences their decision to obtain health insurance (Zang et al., 2023; Köylüğlu et al., 2020; Silva et al., 2023; Thaler, 1999). People mentally budget for healthcare costs, making insurance a top priority in their financial planning (Basil et al., 2009; Karki et al., 2023; Sukamulja et al., 2019). Prospect Theory (Kahneman & Tversky, 1979) supports the idea that consumers evaluate potential gains and losses, frequently overvaluing the risks associated with unexpected health issues (Tsai et al., 2024), motivating them to seek protection through insurance (Banerji et al., 2023; Bisati et al., 2021; Ghimire et al., 2021). Trust Theory (Morgan & Hunt, 1994) shows the importance of trust in reducing uncertainty and perceived risk, and clients are more attracted to purchase insurance policies from firms they have faith in as being truthful and trustworthy (Agag & El-Masry, 2017; Marcos et al., 2018; Minta, 2018; Ruefenacht, 2018; Sahi et al., 2016). Finally, Pricing Theory emphasizes that consumers' purchasing choices are shaped by their perceived value of the product with its price (Friedman, 2017; Mildenhall & Major, 2022; Rai & Dahal, 2024) and that appropriate pricing strategies significantly increase the attractiveness of health insurance policies (Tsanakas & Desli, 2005). These ideas, taken together, give a thorough explanation of the psychological and economic aspects that influence consumer decisions about health insurance.

Insurance Purchase Decision

Multiple causes influence consumers' perceptions and behaviors when making an insurance purchase. According to Weedige et al. (2019) and Ulbinaite et al. (2013), insurance purchase decisions are frequently influenced by personal risk tolerance, financial planning, and faith in the insurer. Consumers typically assess the need for protection against potential health risks (Hakim et al., 2021; Iqbal et al., 2021), the advantages of various insurance products (Huber et al., 2015; Soody et al., 2022), and their ability to make informed decisions based on available information (Baxter et al., 2008; Gurung et al., 2024). Insurance purchases include contemplation (Nouhi et al., 2022), in which individuals evaluate the value of protection against unpredictable future events such as illness or accidents (Kunreuther, 2015; Ressel et al., 2024). Personal consultations and perceived insurer credibility also impact this decision-making process (Kiwanuka & Sibindi, 2023; Huyssteen & Rudansky-Kloppers, 2024; Karki et al., 2024). Atake (2020) discovered that the type of health insurance enrollment has a significant impact on provider choice, use of health services, and household financial protection, indicating inequities in the health system that necessitate targeted reforms for equitable access and protection against catastrophic expenditures. So, insurance purchase decisions are different in the normal life process and in the present crisis time, where it needs to be explored more, which delivers financial sustainability and adds to the behavior change communication through business.

Mental Accounting

Thaler (1985) introduced the term "mental accounting" to describe the cognitive process by which people categorize and distribute their money into various mental accounts. According to Mahapatra and Mishra (2020), customers use mental accounting to plan for health-related expenses such as insurance. Individuals rationalize insurance costs by budgeting for current income, assets, and predicted future earnings (Ericson & Sydnor, 2018; Barczyk et al., 2023). This behavioral bias affects their purchase decisions by increasing their awareness of their financial fitness to face future dangers (Dahal, 2018; Froot, 2007). Mental budgeting enables consumers to prioritize health insurance as a long-term financial commitment and manage their present resources accordingly. Austin and Fischhoff (2010) discovered that consumers' decisions to buy collision insurance are predominantly affected by a mental accounting model in which budget restrictions play an important role and wealthier persons are distinguished by their ability to pay rather than risk aversion. According to Dahal (2020) and Xiao and O'Neill (2018), budgeting behavior is linked to mental accounting at the bottom of a behavioral hierarchy, indicating that customers with fewer economic resources regard budgeting as a core financial activity.

LaBarge and Stinson (2013) revealed that donors have mental budgets for philanthropy to which they allocate their gifts. These budgets are variable and may be altered, providing insights for nonprofit organizations to maximize donation tactics and donor interactions. Sum and Nordin (2018) found that emotions such as fear, anxiety, and affection influence decision-making biases in insurance purchasing, resulting in heuristic judgments and decision-framing biases that impede consumers' ability to assess risks, compare products, and make informed insurance decisions. Mahapatra and Mishra (2020) found that Indian families' financial choices are significantly influenced by mental accounting, validating mental accounting as a second-order construct using a hierarchical latent variable model, with findings contributing to the fields of behavioral finance and personal financial decision-making. Bhargava et al. (2015) noticed that many employees chose financially dominated health insurance options, indicating poor health insurance literacy and simplistic considerations of health risk and price, resulting in significant excess spending, particularly among older workers, women,

and low-income earners. Kunreuther and Pauly (2006) showed that many people do not make logical insurance coverage decisions, with people who need insurance frequently failing to get it and others purchasing unnecessary coverage. The study analyzes inefficiencies in both the demand and supply conditions of the insurance market and presents prescriptive solutions to improve decision-making and market outcomes in the insurance industry.

Ellman and Hall (2021) criticized the possible decline in both price competition and benefit customization when insurers are constrained by rigorous rules, such as government-imposed spending limitations and fee schedules, which may result in excessive management and less consumer choice. Putnam-Farr and Ghosh (2021) showed that consumers' subjective sense of control over discretionary and non-discretionary spending has a significant impact on their capacity to establish and stick to realistic budgets across various expenditure domains. According to Al Rahahleh (2022), while Saudi residents have high levels of financial literacy in budgeting, debt, and saving, their literacy in investing and insurance is moderate, indicating a need for further educational attention in these areas. Leive (2022) analyzed the usage of Health Savings Accounts (HSAs) as a kind of self-insurance and discovered a high marginal tendency to utilize HSA assets. This implies that consumers may not consider HSA funds to be interchangeable with retirement savings, resulting in a rise in tax-free health expenditure without lowering overall healthcare expenses. Skwara and Wienert (2023) showed that digital household budget input had a considerable impact on customers' readiness to pay and payment pain when making individual online purchases, suggesting that consumers modify their purchasing based on their present budget situation. Nursaidah and Rimenda (2024) showed that mental budgeting had a major impact on stock purchase decisions among millennials, with earmarking and labeling of income and concerns of downside and upside protection playing critical roles. Ali et al. (2024) indicated that mental budgeting had a favorable effect on financial behaviors and well-being, with self-control mediating the link, implying that financial education programs should focus on these components to improve individuals' financial decision-making. As a result, the current study developed the following hypothesis statement:

H1: There is a significant effect of mental accounting on the insurance policy purchase decision of individuals.

Pricing and Premium

Pricing and premium structures in any policy can hit individuals' cognition more in crisis. The insurance underwriting process is inherently subjective and influenced by a variety of elements within the insurance market or the financial industry in general (Mourdoukoutas et al., 2024). Ali and Anwar (2021) realized that various pricing strategies, such as penetration pricing, price skimming, competitive pricing, and marketing via blogs and sharing sites, have a significant impact on consumer purchasing behavior and sentiment (Nyaga & Muema, 2017; Karki, 2017), demonstrating these strategies' ability to explain variations in consumer behavior (Damtew & Muraguri, 2021; Rai et al., 2022; Sharma et al., 2023). Reiner et al. (2014) revealed that customers understand the price of insurance as a risk indicator for the underlying goods, with perceived risk negatively influencing their purchasing decisions. Techasurin et al. (2021) discovered that pricing, name brand, and image of the brand had a significant effect on customer purchasing choices for used automotive insurance in Bangkok. Laury and McInnes (2003) showed that the introduction of actuarially fair insurance rates in an experimental market causes consumers to make more informed decisions, as indicated by a higher occurrence of optimal decision-making compared to sessions without an insurance option.

Cache (2021) showed the necessity of matching insurance prices to customers' perceived value of the service. Consumers are more likely to respond to insurance products that are priced honestly and meet their demands. Furthermore, promotional pricing methods, such as discounts or loyalty benefits, might increase consumers' readiness to purchase. According to research, high-quality insurance products must be accompanied by proper price strategies to achieve market success. Convenient payment alternatives, such as the ability to pay premiums on time, attract consumers to join insurance plans. Handel et al. (2020) found that choice quality in the Dutch health insurance market is generally low and strongly influenced by socioeconomic factors, with persons with higher schooling and analytic professions making better choices. The study emphasizes the role of social influence in exacerbating choice quality inequalities and suggests that smart default policies could significantly improve consumer welfare. Einav and Finkelstein (2011) found that, while adverse selection exists in some insurance markets, advantageous selection also occurs, in which individuals with higher risk aversion value insurance more, resulting in different implications for equilibrium insurance allocation and public policy than traditional adverse selection models.

Geruso and Layton (2017) found that selection, both adverse and advantageous, significantly disrupts the efficiency of competitive health insurance markets, resulting in issues such as skyrocketing premiums and inadequate levels of insurance coverage, posing major challenges for policymakers in designing effective regulations, particularly in Medicare Advantage and individual insurance markets. Dartanto et al. (2019) found that nearly 28% of informal sector workers in Indonesia do not regularly pay their health insurance premiums, with key factors influencing compliance being household size, financial hardship, membership in other social protection programs, and health service utilization. The study suggests several policy interventions, including flexible government subsidies for premiums, increased insurance literacy, and improved healthcare service quality. Marone and Sabety (2022) observed that hierarchical choice in health insurance markets is only effective when customers with more ability to pay demand a higher level of coverage; otherwise, welfare benefits from such choice are minimal or nil, particularly if premiums do not accurately reflect individual costs, emphasizing the importance of enforcing a minimum coverage level. Ho and Lee (2023) noted that efficient health insurance menu design for major businesses has a considerable impact on employee choice and overall welfare in the health insurance market.

Omerašević and Selimović (2020) found that using data mining methods in insurance premium rate-making improves competitiveness by improving the selection of predictors or risk factors influencing non-life insurance premium rates. This results in more accurate data analysis and improved decision-making in the insurance business. Chark et al. (2020) realized that consumers frequently use insurance premiums as informational cues about loss probabilities, which can lead to overestimation of those probabilities and violation of rational expectations, particularly through an anchoring-and-adjustment process, with demand for insurance exhibiting an inverted-U relationship relative to premium levels. According to Puška et al.

(2023), choosing an insurance firm for crop insurance is primarily driven by pricing. Wan et al. (2020) showed that predisposing, enabling, and needs-based factors all had a significant influence on the decision to obtain private health insurance in China, emphasizing the relevance of socioeconomic circumstances in this decision-making process. Akaichi et al. (2020) found that in their discrete choice experiments on long-term care insurance, every extra $100 increase in the insurance price lowered insurance uptake by one percentage point, with higher policy uptake associated with lifetime benefits, voluntary coverage, and the omission of health checks. This study created the following hypothesis statement based on empirical evidence:

H2: There is a significant effect of pricing and premium of health insurance on the insurance policy purchase decision of individuals.

Brand Trust

Customers' willingness to buy health insurance is significantly influenced by brand trust (Hariyanti et al., 2023; Mahmoud, 2016; Soegihono et al., 2022). Weedige et al. (2019) imply that consumers' opinions of an insurance company's trustworthiness and credibility have a major impact on their purchasing decisions. Trust is developed by consistent service quality (Aras et al., 2023; Ghimire et al., 2022), policy transparency (Thakor & Merton, 2023), and a strong industry reputation (Hasan et al., 2023). Consumers are more willing to invest in insurance goods when they perceive the company is well-regulated, trustworthy, and cares about its clients (Ennew et al., 2024; Fisher, 2023; Van Thiel et al., 2023). Brand trust reduces the ambiguity and perceived risks connected with acquiring insurance (Dekkal et al., 2023), as consumers feel confident in their decisions. Putra et al. (2023) discovered that economic instability, distrust, and a lack of awareness of risk greatly impede insurance market expansion in Indonesia, with all independent variables having an impact both collectively and individually. Lusianti et al. (2024) show that brand religiosity did not directly influence purchase preferences for Sharia-based life insurance; it did positively enhance brand trust, which in turn influenced choices. Quynh and Dung (2024) discovered that among university students in Hanoi, awareness of the value of life insurance, purchasing incentives, and firm brand all have a substantial influence on life insurance purchase decisions, whereas barriers have a negative impact.

Dewi (2023) revealed that confidence in insurance highly influences positive sentiments towards personal insurance, which influences the intention to purchase personal insurance, and consumer insurance literacy, perceived benefits from products, and perceived product risk have no significant effect on these intentions. Agyei et al. (2019) found that trust dimensions, including confidence in the service issuer and trust in the regulator, had a significant influence on consumer involvement in Ghana's life insurance market, enhancing consumer loyalty and mediating the relationship between trust and loyalty. Weedige et al. (2019) found that insurance literacy has a large and positive influence on personal insurance purchasing decisions among middle-class consumers in Sri Lanka, with trust, perceived advantages, and favorable attitudes serving as mediators. Soegihono et al. (2022) found out that brand image and pricing have a substantial impact on brand trust, which in turn influences consumer purchasing decisions; however, customer-oriented services had no significant effect on customer brand trust. Saryanti and Awatara (2017) found that awareness of the brand, trust in the brand, and economic advantages had a significant influence on the purchase choice of life insurance units. Poan et al. (2022) found that trust has a significant effect on plans to buy Islamic insurance in Indonesia, which is impacted by awareness, religiosity, and subjective criteria. In contrast, the attitude towards trust did not show a significant association. As a result, this study constructed the following statement:

H3: There is a significant effect of brand trust on individuals' insurance policy purchase decisions.

Risk Perception

Risk perception is a cognitive process in which customers evaluate the potential negative consequences of purchasing or not purchasing insurance (Dragos et al., 2023; Luna-Cortés & Brady, 2022). Weedige et al.'s (2019) study discovered that people view purchasing health insurance as a way to reduce financial risks associated with unexpected medical bills. Lim et al. (2021) found that positive attitudes toward life insurance, affected by social factors such as family, peers, and the Internet, significantly increase the intention to purchase life insurance among those aged 35 and under. However, some consumers may see insurance as dangerous in and of itself, believing that the insurance provider may fail to meet its commitments during the claims process. These worries include the possibility of financial loss, insufficient coverage, or complicated claim procedures. High perceived risk can cause people to hesitate or delay acquiring insurance because they are concerned about the value and dependability of the policy. Xu et al. (2018) demonstrated that rural families' desire to buy seismic catastrophe insurance in Southwestern China is heavily influenced by their livelihood capital and risk perceptions, with higher natural and physical capital scores increasing the chance of insurance purchase.

According to Raza et al. (2020), perceptions of behavioral control, personal standards, and compatibility are important markers of Islamic insurance adoption in Pakistan. Compatibility, relative advantage, and awareness are important factors influencing takaful participation, and perceived risk has a weak but negative correlation with purchase intention. Singh and Shah (2024) identified that health insurance literacy and brand reputation are important predictors of customers' willingness to purchase private health insurance, with risk attitude modulating the influence of literacy on purchasing intentions via brand reputation. Yang et al. (2019) found that fear had little impact on several aspects of risk perception, such as probability, control, experience, and unknown variables, substantially affecting rural households' desire to acquire hazard insurance in China's Three Gorges Reservoir area.

Liu et al. (2016) showed that risk perception, insurance recognition, and affordability all have a substantial impact on farmers' agricultural insurance decisions in China, with affordability having the highest elasticity on household net income. Thlon and Strupczewski (2023) noticed that managers' views of cyber risk have a major impact on medium and large organizations' decisions to obtain cyber insurance, with characteristics such as company size, yearly turnover, and previous cyber losses playing critical roles. Choe et al. (2022) found that people's willingness to pay for travel insurance as a risk-reduction strategy during the COVID-19 pandemic was significantly influenced by their perception of health-related risk as well as sociodemographic characteristics like age and education.

Masud et al. (2021) discovered that factors such as risk perception, trust, attitudes, subjective norms, and life insurance knowledge

all significantly influence family life insurance purchase behavior, intending to purchase mediating the link. Desrochers and Outreville (2019) showed that while making insurance decisions for minor losses, customers favor known-risk situations and tend to seek ambiguity rather than avoid ambiguity when presented with ambiguous probability information. Saraf and Baser (2023) revealed that fear, notably from the COVID-19 pandemic, had a substantial influence on consumers' behavior toward acquiring health insurance, resulting in heightened awareness and a shift in priorities for health-related financial protection. Ratnadiwakara and Venugopal (2023) determined that homeowners' attitudes about climate change have a significant impact on their demand for flood insurance, with greater anxiety about global warming leading to a higher likelihood of acquiring and keeping flood insurance coverage.

Keyal and Bhattacharya (2023) found that financial knowledge, perceived risk, tax benefits, and pandemic impacts all have a positive correlation with life insurance purchasing decisions in Kathmandu Valley, while women are more hesitant to purchase life insurance than men due to socioeconomic and cultural influences. Sun et al. (2024) observed that advertising, along with the influence of people and friends, had a significant impact on residents' cognition and attitudes toward purchasing commercial health insurance, with perceptions of air pollution enhancing the relationship between attitudes and purchase intentions. As per the results of Rufat et al. (2024), having a house that is flood-resistant is positively correlated with having a large amount of insurance coverage, suggesting that consumers see risk-reduction strategies and insurance as complementary rather than antagonistic. So, this study leads to the following hypothesis statement:

H4: Risk perception and insurance policy purchase decisions have a significant effect on individuals' decisions.

Methods

The study used a positivist research paradigm and a quantitative technique to analyze the factors influencing the purchasing of health insurance policies in Nepal. The design was both descriptive and causal, to describe current conditions and determine cause-and-effect correlations between independent and dependent variables. The study's population was prospective insurance policy buyers in Nepal. Based on the generalized sampling techniques in social sciences, a sample of 385 respondents was selected using non-probability sampling and convenience sampling approaches. This method ensured that the sample was conveniently available for data collection and representative of people who might consider acquiring health insurance.

This study used primary data collected using a standardized survey questionnaire and assessed the characteristics associated with the choice to purchase health insurance policies using pre-established statements. A 5-point Likert scale was used to rate each issue, with 1 denoting "Strongly Disagree" and 5 denoting "Strongly Agree." The survey instrument used five statements adapted from Ulbinaite et al. (2013) and Weedige et al. (2019) to assess the decision to purchase insurance. Four statements were taken from Mahapatra and Mishra (2020) for mental accounting, with an emphasis on aspects such as future income, current assets, current income, and mental budgeting. Cache (2021) and Owolabi and Agboola (2018) provided five statements that were used to measure the pricing and premium construct. Weedige et al. (2019) used five statements, while Sun et al. (2024) provided four statements adapted from Weedige et al. (2019) to assess brand trust. The KoboToolbox platform was used to deliver the questionnaire online. During August and September of 2024, data was gathered to identify respondents who might make good candidates for health insurance in Nepal.

The study used SPSS Version 26 to analyze data using statistical techniques, ensuring accurate and trustworthy results. Descriptive analysis is then used to emphasize and clarify the main features of the data. The magnitude and direction of the associations were then evaluated and quantified using Pearson's correlation analysis, and the causal relationships between the research variables were examined using a regression analysis. Furthermore, multicollinearity was assessed using the Variance Inflation Factor (VIF). The study's regression model is shown in Equation (1):

$$Y = a + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \beta 4\ X4 + e \quad \ldots\ldots\ldots\ldots (1)$$

Where,

Y = Insurance Policy Purchase Decision [IPPD]

X1 = Mental Accounting [MA]

X2 = Pricing and Premium [PP]

X3 = Brand Trust [BT]

X4 = Risk Perception [RP]

e = error term

Cronbach's Alpha (α) was used to evaluate the survey instrument's reliability (α), ensuring the dependability of the scale items in accurately reflecting the variables under study. The common method bias (CMB) across all variables was evaluated using Harman's single factor variance. Furthermore, the study ensured validity through the use of previously established and tested measurement scales from existing literature, ensuring that the questionnaire effectively captured the constructs of interest. Table 1 displays the findings of the Alpha (α) and the CMB together with the proposed threshold scales.

Table 1: Reliability and CMB Insights

S. N.	Latent Variables	Observed Variables	Cronbach's Alpha (α)	Harman one-factor variance
1	Mental Accounting [MA]	4	0.891	
2	Pricing and Premium [PP]	5	0.876	
3	Brand Trust [BT]	4	0.867	45.03 %
4	Risk Perception [RP]	5	0.701	
5	Insurance Policy Purchase Decision [IPPD]	5	0.800	
Suggested threshold values			**≥ 0.70 (Taber, 2018)**	**≤ 50.0 % (Cho & Lee, 2012)**

As Taber (2018) outlines, all of the Cronbach's alpha values in Table 1 were higher than the acceptable threshold of 0.70. Furthermore, the variance of the 23 study variables was 45.03 %, which is less than the 50 % suggested threshold put forward by Cho and Lee (2012). As a result, 23 measurable items spanning five basic characteristics were used in additional analysis.

Kaiser-Meyer-Olkin (KMO) and sphericity tests were used to evaluate the study's external validity. According to Hair et al. (2018), the KMO sample test of sufficiency produced a test statistic of 0.942, above the specified cutoff of 0.8. The correlation matrix's Bartlett sphericity test showed that each association had a substantial effect. An estimated Chi-square value of 5435.237 with 253 degrees of freedom and a significance level of 0.000 was obtained from the test. The assessment determined that 23 of the observed variables were suitable for regression analysis.

Result and Analysis

The characteristics of the survey replies and the demographics of the respondents are shown in Table 2.

Table 2: Demographics of the Study

Groups	Nos	%	Groups	Nos	%
Gender			Age group		
Male	254	66.0	18-28 Years	173	44.9
Female	131	34.0	29 to 39 Years	113	29.4
Education Status			40-50 Years	81	21.0
High School	68	17.7	Above 50 years	18	4.7
Bachelors	157	40.8			
Masters	114	29.6			
MPhil or above	46	11.9			
Total of each section	385	100.0	Total of each section	385	100.0

Table 2 depicts the demographic profile of the survey respondents, revealing a higher number of male participants than female participants. The majority of respondents had earned a Bachelor's degree, followed by those with a Master's degree. A lesser proportion of respondents had obtained high school qualifications or better academic achievements, such as an MPhil or above. Most responders were less than 30 years old, according to the age distribution, followed by those in their late twenties and late thirties. A substantial proportion of responders were between the ages of forty and fifty, with just a minor proportion older than fifty. Overall, the demographic data reflect a varied range of gender, education, and age groups in the study.

Table 3 presents the descriptive results showing that the average participants' attitude toward using mental accounting to guide their health insurance decisions appears to be neutral to somewhat positive, based on the moderate mean score for MA. Regarding their influence, respondents indicated a moderate level of agreement, with similar patterns observed in PP, BT, and RP. Getting health insurance was widely favored by most respondents, as evidenced by the slightly higher mean IPPD indicated. Each variable's standard deviation indicates that there is a reasonable level of response variability.

Table 3: Descriptive Results

	N	Minimum (Min.)	Maximum (Max.)	Mean	SD
MA	396	1.00	5.00	3.67	.93
PP	396	1.00	5.00	3.55	.92
BT	396	1.00	5.00	3.59	.79
RP	396	1.00	5.00	3.81	.77
IPPD	396	1.00	5.00	3.74	.73

This section makes use of the correlation analysis to analyze the relationships between the independent variables.

Table 4: Relationship Among Independent and Dependent Variables

		MA	PP	BT	RP	IPPD
Pearson Correlation	MA	1				
	PP	.707**	1			
	BT	.669**	.770**	1		
	RP	.405**	.447**	.491**	1	
	IPPD	.662**	.683**	.745**	.499**	1

*Note. **. Correlation is significant at the 0.01 level (2-tailed).*

Table 4 shows a significant relationship between mental accounting, pricing, and premiums, implying that as people improve their mental accounting tactics, their readiness to consider health insurance premiums increases. This result focuses on how people categorize their financial resources while making insurance decisions. There is a significant relationship between MA and BT, implying that successful mental accounting methods may boost trust in insurance brands, influencing purchase behavior. Brand trust is also strongly correlated with price, premiums, and insurance purchase decisions, indicating that consumers who trust a brand are more likely to consider its pricing as justified and make a purchase. Also, there is a

significant link between RP and IPPD, indicating that higher perceived risks are connected with a greater likelihood of acquiring health insurance. Relationships show how good perceptions in one area can improve total insurance purchasing decisions and demonstrate the interconnection of customer attitudes and beliefs in the health insurance market.

The section on regression findings provides a detailed examination of how independent variables interact to influence the dependent variable. This analysis explains the factors that influence customers' decisions in the health insurance market.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.791[a]	.626	.622	.48725	.626	159.073	4	380	.000

Note(s). Predictors: (Constant), Mental Accounting, Pricing and Premium, Brand Trust, Risk Perception

Dependent Variable: Insurance Policy Purchase Decision

Table 5 indicates that the independent factors account for approximately 62.6% of the variance in the dependent variable, as indicated by the R Square value. The Adjusted R Square score, which takes into consideration the number of predictors in the model, remains relatively consistent, suggesting a consistent model fit. The standard error of the estimate denotes the degree of precision in predicting the dependent variable. The F change value is statistically significant at the 0.000 level, indicating that the model is capable of elucidating the variance in IPPD.

Table 6 shows that the regression model accurately predicts the dependent variable, IPPD. The model's F-value of 159.073 is highly significant at the 0.000 level, showing that the independent variables work together to explain the variance in IPPD. The regression sum of squares is significantly greater than the residual sum of squares, indicating that the model describes a considerable percentage of the variability in insurance purchase decisions.

Table 6: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	151.064	4	37.766	159.073	.000[b]
	Residual	90.217	380	.237		
	Total	241.281	384			

Note(s) a. Dependent Variable: Insurance Policy Purchase Decision

b. Predictors: (Constant), Mental Accounting, Pricing and Premium, Brand Trust, Risk Perception

Table 7: Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0 % Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	.844	.138		6.101	.000	.572	1.117		
MA	.177	.036	.230	4.964	.000	.107	.248	.459	2.177
PP	.121	.048	.136	2.528	.012	.027	.214	.338	2.955
BT	.347	.044	.417	7.947	.000	.261	.433	.357	2.801
RP	.155	.040	.141	3.862	.000	.076	.234	.743	1.346

Note. Dependent Variable: Insurance Policy Purchase Decision

Table 7 indicates the impact of each independent variable on predicting the dependent variable, the insurance policy purchase decision. All independent factors, mental accounting, pricing and premium, brand trust, and risk perception, have p-values less than 0.05, indicating a significant influence on IPPD. BT has the most positive impact on IPPD, as seen by its highest standardized beta value. MA also has a strong favorable effect. RP and PP have considerable but lesser beneficial effects on IPPD. VIF values indicate that multicollinearity is tolerable, implying that the independent variables were not overly correlated. Based on the values recommended by Hair et al. (2018), all tolerance values are greater than 0.1, and VIF values are less than 5, which indicates that there are no concerns regarding multicollinearity.

Discussions

Thaler (1985) proposed the notion of mental accounting, which relates to how people classify their financial resources and shape their decision-making processes, including the purchasing of health insurance. Mahapatra and Mishra (2020) showed that consumers employ mental accounting while allocating money for health-related expenses, confirming that this cognitive process has a significant impact on insurance purchases. Similarly, Ericson and Sydnor (2018) contended that mental budgeting raises consumers' knowledge of financial preparation, supporting Froot's (2007) finding that people deliberately plan for future health risks. The study's finding regarding mental accounting has a significant impact on the purchase of health insurance is consistent with Bhargava et al.'s (2015) research, which discovered that people frequently make simple yet impactful financial decisions based on their perceived needs and budget, even with sometimes having low financial literacy. This study adds to the expanding body of evidence in behavioral finance by outlining the importance of mental accounting in influencing health insurance purchases.

Pricing and premium structures have a significant effect on insurance purchasing decisions. This study found that, while cost and premium considerations have an impact on decision-making, they are less pronounced than brand trust and mental accounting. Reiner et al. (2014) supported this by demonstrating that customers understand insurance cost as a risk signal, which can impact purchasing decisions. The importance of pricing in insurance markets is also recognized by researchers such as Ali and Anwar (2021), who discovered that competitive pricing tactics dramatically influence consumer behavior. However, in contrast to studies such as Laury and McInnes (2003), which found that actuarially fair pricing is critical in optimal decision-making, this study suggests that cost is not the dominant factor in health insurance purchases, supporting Cache's (2021) argument that perceived value trumps cost considerations in insurance-related decisions.

This study found that brand trust was the best predictor of health insurance purchase decisions, pointing out its importance in customer confidence and decision-making. This research complements the findings of Weedige et al. (2019), who discovered that brand trust had a considerable impact on consumers' willingness to invest in insurance. Trust in the insurer is developed by consistent service quality and transparent policies, as outlined by Hasan et al. (2023) and Aras et al. (2023), which helps decrease uncertainty and perceived risks. This study's findings are consistent with Thakor and Merton's (2023) findings, which revealed how trust enhances long-term customer connections. Furthermore, the study's findings support Dewi's (2023) conclusion that trust is an important mediator between consumer attitudes and the intention to purchase insurance, demonstrating that consumer trust in an insurer is critical to reducing the perceived risks associated with purchasing health insurance policies.

Consumers' perceptions of risk significantly influence their decision to buy health insurance. This study supports Lim et al.'s (2021) finding that people with higher risk perceptions were more likely to buy life insurance. Similarly, Yang et al. (2019) found that increased perceived risk, especially financial concerns, is associated with a stronger propensity to purchase insurance. Liu et al. (2016) found that when farmers in China perceived higher risks, they were more inclined to obtain crop insurance. This study adds to the knowledge that consumers who perceive health threats as immediate or significant are more likely to get health insurance, which is consistent with Saraf and Baser's (2023) findings on the COVID-19 pandemic's impact on risk perception and insurance behavior. This study supports the idea that mental accounting, pricing and premium structures, brand trust, and risk perception all have a significant impact on people's health insurance purchasing decisions. The findings are consistent with a broad spectrum of empirical inquiries, but the focus on brand trust illustrates the importance of predictability and consumer confidence in health insurance marketplaces.

Conclusion and Implications

Health insurance is more popular and packaged for human risk-takers. The study analyses the elements that influence people's decisions to buy health insurance. Study findings show that people are more willing to obtain health insurance from companies they consider to be reputable and trustworthy, implying that trust is important in lessening health-related worries. Mental accounting has a significant impact, meaning that when selecting to acquire insurance, people mentally categorize and manage their financial resources, prioritizing health security. Individuals who perceive greater dangers to their health are more likely to get insurance. Pricing and premium cost are important factors that influence individuals' decisions to select insurance policies. To conclude, insurance businesses might enhance purchase decisions by focusing on developing strong, trustworthy brands, aligning premium structures with perceived value, and effectively conveying insurance's benefits in reducing health risks.

Consumers' level of trust in an insurance company's brand is a major component in their choice to buy. A strong web presence showcasing positive client experiences, open and honest communication, and top-notch customer service can all contribute to this goal. Insurers can gain trust and credibility from prospective customers by using independent ratings, case studies, and testimonials. Flexible premium payment methods and services are two examples of creative pricing tactics that businesses can think about using to meet the demands of a diversified customer base. In addition to appealing to customers' inclination toward mental accounting, this strategy promotes insurance as a worthwhile investment in their future financial security. The role of national legislators in determining the health insurance market is important. Public health insurance, risk assessment, and sound financial planning should be top priorities in their consumer education campaigns. Policymakers can enable consumers to make educated decisions about their health coverage by increasing their understanding of mental accounting principles. To make sure that everyone can pay and use it, pricing techniques must be regulated.

Limitations and Further Research

Future researchers should explore consumer motives in more detail, such as demographics, culture, and digital activity. Qualitative research methods, like focus groups or interviews, may also reveal customer viewpoints.

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Conflict of interest

The author confirmed this study's originality and declared it followed research ethics and norms.

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