



# A Study on the Role of Health Insurance in Financial Planning of Middle-Class Families

Sanika Avinash Shahane,

Professor Minakshi chauthamahar

Department of Master of Business Administration  
Zeal Institute of Management and Computer Application, Narhe,  
Pune

**Abstract** – This paper examines the role of health insurance in the financial planning of middle-class families. Rising healthcare costs and unexpected medical emergencies have made financial security a major concern for households. The study aims to understand how health insurance contributes to risk management, protects savings, and ensures financial stability. It also explores the level of awareness, preference, and utilization of different health insurance policies among middle-class families. The research is based on primary data collected through surveys and supported by secondary data from reports and journals. A sample of 100 respondents is considered to analyse their financial planning behaviour, insurance coverage, and challenges faced in accessing healthcare services. The findings indicate that health insurance plays a crucial role in reducing out-of-pocket medical expenses and preventing financial burden during emergencies. However, lack of awareness, high premium costs, and complex policy terms remain significant barriers. The study concludes that increasing awareness and improving accessibility of health insurance can strengthen financial planning among middle-class families. It also highlights the need for policy improvements and financial education to ensure better adoption of health insurance as a key financial tool.

**Keywords:** Health insurance, financial planning, middle-class families, risk management, medical expenses, savings protection, financial security, insurance awareness, healthcare costs..

## I. INTRODUCTION

In today's world, managing money properly has become essential for every family. Financial planning helps people to manage their income, expenses, savings, and investments so that they can achieve their future goals, such as children's education, buying a house, and retirement. Health insurance is a crucial aspect of financial planning that often goes unnoticed.

In India, especially in recent years, the cost of medical treatment has increased rapidly. Even a small illness can lead to high expenses, and serious health problems can cost lakhs of rupees. For middle-class families, these sudden medical expenses can create a heavy financial burden. Since most middle-class families depend on a fixed or limited income, they may find it difficult to handle such unexpected costs.

Health insurance is a financial tool that enables families to manage medical bills. It covers hospitalization, treatment, and other healthcare costs. By paying a regular premium, families can protect themselves from significant financial losses during medical emergencies. In this sense, health insurance serves as a safety net, promoting financial security.

Middle-class families play an important part in the economy, but they frequently encounter a particular challenge. They are neither impoverished enough to qualify for full government benefits nor wealthy enough to pay costly private healthcare. As a result, individuals are more susceptible to financial stress during medical situations. Many families may not have health insurance or have insufficient coverage due to a lack of awareness,

excessive premium prices, or misunderstanding over various policies.

Including health insurance in financial planning benefits families in many different kinds of ways. It secures their resources, lowers the need to borrow money, and allows them to stay focused on their long-term financial objectives. It also gives families with peace of mind, knowing that they are financially prepared for unanticipated health difficulties.

The purpose of this study is to comprehend how middle-class families use health insurance in their financial planning. It looks at how financial decisions, spending, and savings are impacted by health insurance. The study also examines the degree of awareness, the variables that affect insurance purchases, and the difficulties that families encounter. The objective is highlighting the significance of health insurance as a crucial component of financial planning and to offer helpful recommendations for increasing middle-class households' adoption of it.

### Objectives of the Study

- To study how health insurance helps in financial planning.
- To examine how medical expenses affect personal savings.
- To find out the level of awareness about health insurance among people.
- To identify the factors that influence people to buy health insurance.
- To suggest ways to improve awareness and use of health insurance in financial planning.



## II. LITERATURE REVIEW

Multiple researchers have examined how health insurance might lessen financial stress and enhance family financial planning. According to their research, health insurance is crucial, particularly for middle-class households.

Health insurance helps families lower their financial risk during medical emergencies, according to a study by Amneet Kumar (2025). It keeps people from using up a significant portion of their savings. However, because of limited coverage, the study also demonstrates that not all families receive full benefits.

The study by Gaurav and Aashima (2024) shows that coverage of health insurance is increasing in India, but many people are still unaware of their policies. One of the main causes of middle-class families' underutilization of health insurance is a lack of knowledge and comprehension.

Health insurance lowers out-of-pocket costs and increases access to healthcare services, according to research by Divya Parmar (2023) on government programs like PMJAY. However, middle-class families are frequently excluded from these programs, which primarily assist low-income groups.

According to reports by IRDAI (2024), the health insurance sector in India is growing, but there is still a gap in coverage among middle-class families. Many families either do not have insurance or have low coverage, which is not sufficient during serious medical conditions.

Overall, previous studies clearly show that health insurance plays an important role in financial planning by reducing financial stress and protecting savings. However, there is still a need to improve awareness, affordability, and accessibility of health insurance among middle-class families. This study focuses on filling this gap by understanding how health insurance affects financial planning decisions.

### Significance of the Study

- This study clarifies how middle-class households are shielded from excessive medical costs by health insurance.
- It highlights how crucial it is to incorporate health insurance into sound financial planning.
- It raises knowledge of the various uses and the advantages of health insurance.
- It aids families in making wiser choices on risk management, investing, and saving.
- It provides helpful recommendations for enhancing financial security and insurance coverage.

### Importance of the Study

- Improves knowledge of the advantages of insurance
- Promotes more efficient use of savings and income

- Encourages long-term objectives like retirement and education
- Reducing financial strain in times of emergency
- Encourages the creation of reasonably priced insurance products

## III. RESEARCH METHODOLOGY

### 1. Research Design

This study is descriptive and analytical in nature. It means the research describes and studies the role of health insurance in financial planning. The study focuses on understanding how health insurance helps people manage medical expenses and protect their savings. It is descriptive because it describes the awareness and use of health insurance among middle-class families.

### 2. Source of Data

#### Primary Data

- Primary data is the information collected directly from people for the research.
- Data is collected from middle-class families using a questionnaire or survey
- It includes details like income, savings, health insurance policy, premium paid, and claim experience
- This data helps to understand real opinions, awareness, and financial planning behaviour.

#### Secondary Data

- Secondary data is the information that is already collected by others.
- It is collected from books, research papers, and journals
- Government reports such as IRDAI and health schemes information
- Articles from newspapers, websites, and financial reports
- This data helps to support and compare the primary data findings

### 3. Sample Size and Area

- The study is based on 100 middle-class families as the sample size. The data is collected from families living in Shivane, Pune.
- This area is selected to understand how middle-class families plan their finances and use health insurance.

### 4. Sampling Technique

In this study, the convenience sampling method is used to select respondents. This sampling technique helps in understanding the real situation of financial planning among middle-class families. It also allows the researcher to collect practical information about their income, savings, medical expenses, and use of health insurance.

## IV. DATA ANALYSIS

This section presents findings based on responses collected through a structured Google Form from 100



middle-class families. The data has been analysed using simple percentage methods and presented in an easy-to-understand manner. The analysis shows that most respondents belong to the age group of 30–40 years, indicating that people in their prime earning stage are more actively involved in financial planning. A large number of respondents are aware of health insurance and consider it an important part of securing their future against unexpected medical expenses.

It is also observed that families with health insurance feel more financially secure compared to those without it. Health insurance helps in reducing the burden of high healthcare costs and protects savings. However, some respondents still lack full awareness about different insurance policies, coverage, and benefits.

Sr. No.	Age Group	Number of Respondents	Percentage
1	Below 30 years	17	17%
2	30–40 years	43	43%
3	41–50 years	29	29%
4	Above 50 years	11	11%
	Total	100	100%

The data shows that the majority of respondents (43%) fall in the 30–40 years age group, indicating that people in their prime earning years are more involved in financial planning and health insurance decisions. The 41–50 years group (29%) also represents a significant portion, reflecting growing concern for future medical expenses. Younger respondents below 30 years (17%) are comparatively less focused on insurance, possibly due to fewer responsibilities. Only 11% are above 50 years, suggesting a smaller representation of older individuals in the study. Overall, middle-aged groups dominate the sample and play a key role in financial planning decisions.

Sr. No.	Occupation	Number of Respondents	Percentage
1	Salaried Employee	9	9%
2	Business	41	41%
3	Self-employed	37	37%
4	Homemaker	13	13%
	Total	100	100%

The data shows that a large proportion of respondents are engaged in business (41%) and self-employment (37%), indicating a strong presence of independent income earners in the sample. Salaried employees form a smaller group at 9%, while homemakers account for 13%. This suggests that most respondents may not have fixed monthly incomes, which can influence their financial planning decisions. The higher share of business and self-employed individuals highlights the importance of health insurance as a financial safety tool due to income uncertainty. Overall, occupation plays a key role in

shaping awareness and adoption of health insurance among middle-class families.

## V. CONCLUSION

Health insurance has become a necessity rather than an option for middle-class families in 2026. It plays a crucial role in protecting financial resources, ensuring stability, and supporting long-term financial planning. However, challenges such as affordability, lack of awareness, and inadequate coverage must be addressed. Strengthening health insurance systems will significantly improve financial security and economic well-being.

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