

## A STUDY ON FDI IN HEALTH CARE SECTOR IN INDIA

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### Abstract

Health care sector, part of service sector, is rapid growing sector in Indian economy. It is providing excellent health care services at affordable price to not only India's population and to abroad people and attracting health tourists. It is providing huge opportunities to the medical service providers and other related service providers. Foreign investors have been focusing on Indian hospitals and trying to enter in this sector through partnership. In India, since January 2000, foreign direct investment (FDI) is permitted up to 100% under the automatic route in hospitals and diagnostic centers i.e. health care sector. With the entry of FDI in Indian health care sector enhance the competitiveness, raise the quality of service and generate more employment opportunities to upcoming medicos. The present paper aims to discuss the present status of FDI in health care sector in India and challenges that are facing by the Indian health care sector.

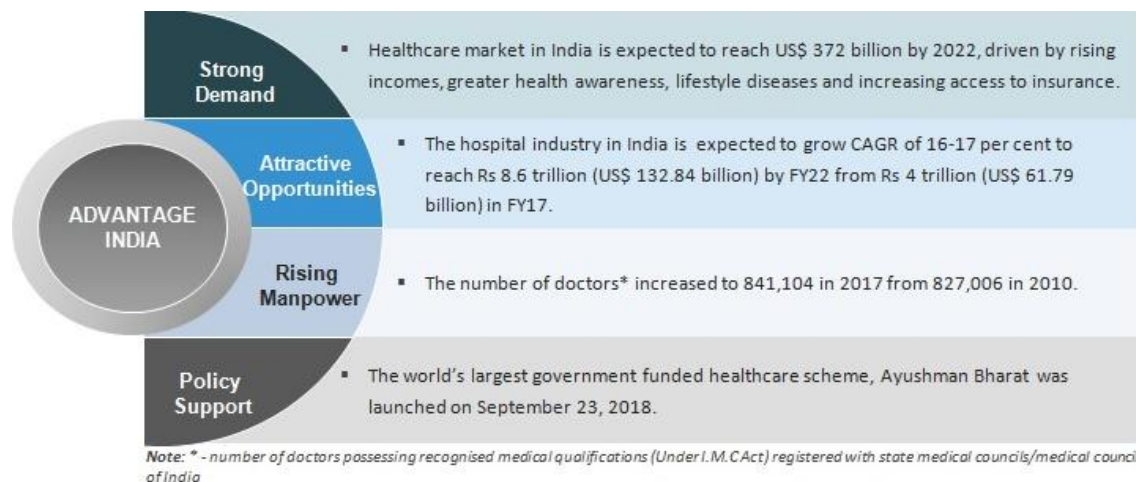
**Key Words:** FDI, Healthcare, Hospitals and diagnostic centers, Foreign investment

### Introduction

Healthcare is one the fastest growing service sector in India. Healthcare sector has a great potential in the present globalized world. Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorized into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centers (PHCs) in rural areas. The private sector provides majority of Secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.



**Source:** <https://www.ibef.org/industry/healthcare-india.aspx>

The healthcare sector in India includes: (i) Medical care providers; (ii) Diagnostic Centre and Pathology Lab; (iii) Medical equipment manufacturers; (iv) Research organizations and (v) Third party service providers.

The growing importance of the healthcare sector and the significant development of international trade in healthcare services have attracted FDI in this sector in the recent years. In India, 100 per cent FDI is permitted in hospitals and all health-related services under the automatic route. The healthcare sector includes medical care providers, physicians, specialist clinics, nursing homes, hospitals, medical diagnostic centers, medical equipment manufacturers, research organizations, pathology laboratories and third party service providers.

Foreign Direct Investment (FDI) in India has been playing an important role in the development of the Indian economy. FDI in India has - in a lot of ways - enabled India to achieve a certain degree of financial stability, growth and development. This money has allowed India to focus on the areas that may have needed economic attention, and address the various economic and social problems that continue to challenge the country.

Foreign Direct investment (FDI) can be defined as an investment involving a long-term relationship, and reflecting a lasting interest and control, of a firm or individual from one country

In another. The different forms of Foreign Direct investment are equity capital, reinvestment of earnings from the host country and provision of long and short-term intra-company loans. Transnational corporations (TNCs) which are enterprises comprising parent enterprises and their foreign affiliates often engage in this form of investment, through the parent-affiliate model of control and ownership, where the „domestic“ parent company controls the assets of the foreign affiliate firm, usually through equity capital stock ownership, but which may or may not directly manage it (IMF, 1993)..

Data for April-June 2018 indicates that the services sector attracted the highest FDI equity inflow of US\$ 2.43 billion, followed by trading – US\$ 1.63 billion, telecommunications – US\$ 1.59 billion and computer software and hardware – US\$ 1.41 billion. Most recently, the total FDI equity inflows for the month of June 2018 touched US\$ 2.89 billion.

During April-June 2018, India received the maximum FDI equity inflows from Singapore (US\$ 6.52 billion), followed by Mauritius (US\$ 1.49 billion), Japan (US\$ 0.87 billion), Netherlands (US\$ 0.84 billion), and United Kingdom (US\$ 0.65 billion).

### **Objectives and Methodology**

The main aim of the present paper is to study the present status of Foreign Direct Investment in Indian healthcare sector. The objectives of the study are to provide the current status of FDI in Hospitals and to identify some of the challenges and opportunities for Foreign Direct Investments in healthcare sector. The study is descriptive in nature and based on the secondary data that is gathered from the books, various articles from journals, reports of RBI and Department of Industrial Policy & Promotion and other valid online sources.

### **FDI in Indian Healthcare Sector**

Foreign investors play important role in the development of the medical sector. In January 2000, government of India decided to permit up to 100 percent under the automatic route in health care sector. At present, foreign payers are showing much interest to enter into Indian healthcare sector through capital investments, technology tie-ups, and collaborative ventures across various segments, including diagnostics, medical equipment, hospitals, and education and training.

<b>Statement on FDI Inflows in Hospitals and Diagnostic Centers April 2000 to March 2018</b>						
<b>Sl. No.</b>	<b>Period</b>	<b>Total FDI Inflows in India</b>		<b>FDI Inflows in Indian Healthcare Sector</b>		<b>% age in Total FDI Inflows</b>
		<b>in Rs. Crores )</b>	<b>(in US\$ billions)</b>	<b>(in Rs. Crores)</b>	<b>(in US\$ billions)</b>	
1	April 1991 to March 2007	2,32,041	54,628	508.32	115.45	0.25
2	April 2000 to March 2008	2,70,100	62,509	2,052.76	475.07	0.76
3	April 2000 to March 2009	3,93,126	89,840.00	3,345.22	775.91	0.69
4	April 2000 to March 2010	4,92,203	1,10,290	3,593.08	805.12	0.73
5	April 2000 to March 2011	5,80,722	1,29,716	4,483.10	1,022.48	0.79
6	April 2000 to March 2012	7,74,473	1,70,286	6,040.87	1,340.47	0.79
7	April 2000 to February 2013	8,88,083	1,91,757	7,419.18	1,598.88	0.83
8	April 2000 to March 2014	10,43,897	2,17,581	11,432.53	2,281.91	1.05
9	April 2000 to June 2015	12,93,303	2,58,020	16,965.66	3,133.81	1.21
10	April 2000 to March 2016	14,95,326	2,88,513	19,783.21	3,592.11	1.25
11	April 2000 to March 2017	17,87,022	3,31,991	24796.26	4,339.49	1.31
12	April 2000 to March 2018	20,75,911	3,76,848	29,362.50	5,047.58	1.34

**Source:** Fact Sheet on Foreign Direct Investment Department of Industrial Policy Promotion, Ministry of Commerce and Industry, GOI

The above table furnishes the details of FDI equity inflows into Hospitals and Diagnostic centers in India have been increasing positively. The Indian health care sector received Rs.54,628 crores of amount of FDI inflows during April 1991 to march 2007 and it was increased up to Rs.3,76,848 crores during April 2000 to March 2018 by registering compound annual growth rate of 17.46 per cent. The growth rate in FDI inflows in hospital and diagnosis sectors is significantly high during this period. The percentage share of FDI in hospital and diagnostic sector, in total FDI in India has been increased from 0.25 per cent to 1.34 per cent during this period.

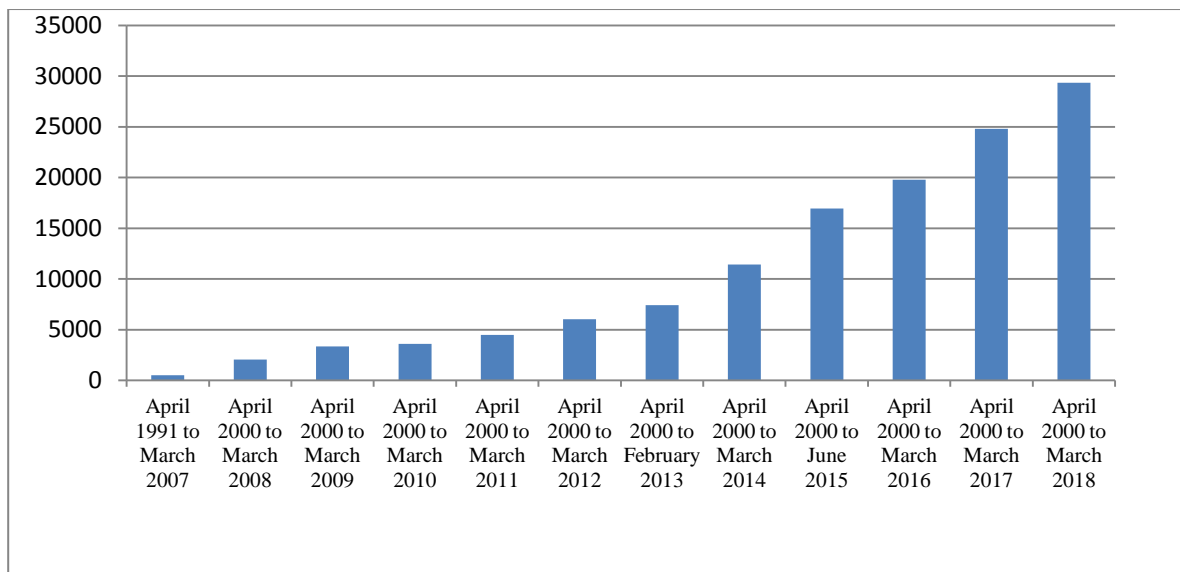


Fig. 1 - FDI Inflows in Hospitals and Diagnostic Centers April 2000 to March 2018.

**Major Challenges in Indian Health Care Sector:**

The healthcare sector in India is one of the highly growing sectors, earning large amount of revenues and providing number of employment opportunities. Attributing to the growing incidences of lifestyle diseases and rising demand for affordable healthcare, the healthcare sector of India may witness a threefold jump to US \$372 billion by 2022. However the following are, despite the growth, the Indian healthcare industry is facing a plenty of challenges.

- **Infrastructure facilities:** The present available infrastructure facilities in India healthcare are not sufficient to meet the needs of the rising population. The public healthcare institutions which are under supervision of government are suffering from shortage of funds, equipments and staff.
- **Low government spending:** The expenditure of government on health is only 1.2 % of the total health expenditure. This is extremely low when compared to the WHO recommendation of 5%.
- **Rural-urban disparity:** There is very high gap between rural and urban areas in respect of health centers. Large numbers of health centers are located in urban areas only. Highly qualified and specialized and wealthy doctors are establishing their hospitals in metro cities.
- **Insurance:** The government’s contribution to insurance is very low and approx. 76% of Indians do not have health insurance.
- **Dual disease burden:** Apart from the problems of maternal, infant mortality, communicable diseases etc., the lifestyle diseases such as diabetes and hypertension are on a rise.

## CONCLUSION

The healthcare sector is one of the biggest recipients of FDI inflows in India and it has significant growth potential and can contribute significantly to India's growth. This is possible by making adequate investments in the various components of healthcare sector. Therefore, in order to meet the needs of this sector and to reap the optimal benefits from this sector India needs to supplement domestic savings with foreign investment. There are several positive implications of FDI inflows in this sector. One of the major impacts foreign investment would have is the creation of necessary infrastructure. Investments are also needed beyond the metros to expand access to healthcare. In addition to helping increase physical capacity in this sector, such as increasing the number of hospital beds, diagnostic facilities, and increasing the supply of specialty and super specialty centers.

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