

## FOREIGN DIRECT INVESTMENT IN HEALTH SECTOR OF INDIA

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### Abstract

*Foreign direct investment (FDI) is an investment made by a company or individual of one country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company. According to the data released by the Department of Industrial Policy and Promotion (DIPP), Government of India, the hospital and diagnostic centres attracted Foreign Direct Investment (FDI) worth US\$ 4.83 billion between April 2000 and September 2017. Therefore the present study aims to study the FDI inflow in Health Sector of India. The data for the present study are collected from the website of Department of Industrial Policy and Promotion, Ministry of Commerce, Government of India. The collected data were analysed by using statistical tools such as percentages and averages.*

**Keywords:** Business, Economy, Policies and Investment

### Introduction

Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company. In other words, Foreign Direct Investment (FDI) is defined as an investment involving a long – term relationship and reflecting a lasting interest and control of a resident entity of one economy in an enterprise resident of another economy other than that of the foreign direct investor. FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such a transaction involves both the initial transaction between the two entities and all subsequent transactions between them. FDI may be undertaken by individuals as well as business entities. It takes the form of acquiring stock of the existing foreign enterprises to participate in the management of the concerned enterprise; establishing abroad new subsidiary with 100 % ownership; participating in a joint venture through stock holdings; and establishing new branches or expanding existing ones.

### Statement of the Problem

Healthcare has become one of India's largest sectors both in terms of revenue & employment. The industry is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public

as well private players. Indian healthcare delivery system is categorised 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 centres (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. According to the data released by the Department of Industrial Policy and Promotion (DIPP), Government of India, the hospital and diagnostic centres attracted Foreign Direct Investment (FDI) worth US\$ 4.83 billion between April 2000 and September 2017. Therefore the present study aims to study the FDI inflow in Health Sector of India

### Objectives

The present study has the following objectives.

1. To understand the FDI equity inflows in Health sector of India
2. Since food items also affect the health status of human being, the present study also aims to study the amount of FDI equity inflow in food related industries of India

### Methodology

The data for the present study are collected from the website of Department of Industrial Policy and Promotion, Ministry of Commerce, Government of India. The collected

data were analysed by using statistical tools such as percentages and averages.

### Analysis

In India, there are three tiers in rural health infrastructure: Community Health Centres (CHCs) at the

Block level to cater to 1,00,000 population; for a cluster of 30 – 40 villages, there is primary Health Centre (PHC), at the Gram Panchayat level; for 5 – 6 villages, there is a sub centre, at the Village level, there is ASHA (Accredited Social Health Activist). In India, there is shortage of 40.95 % CHCs.

**Table1 FDI Equity Inflows in Health Sector of India from April 2000 to December 2017**

S.No	Sectors	Amount	% age of Total Inflows	Rank		
		In Rupees crore	In US\$ million			
1	Drugs & Pharmaceuticals	81,481.55	81,481.55	15,585.28	4.24	7
2	Hospital & Diagnostic centres	28,963.60	28,963.60	4,985.66	1.36	19
3	Medical and Surgical appliances	9,712.30	9,712.30	1659.02	0.45	32
4	Soaps, cosmetics & toilet preparations	7,521.22	7,521.22	1330.34	0.36	36
	<b>Total</b>	<b>127,678.67</b>	<b>31919.67</b>	<b>23,560.30</b>	<b>6.41</b>	<b>(1.60)</b>

**Source:** Department of Industrial Policy and Promotion, Government of India

The Table 1 shows the FDI equity inflows in India from April 2000 to December 2017. According to the Table - 1, Drugs and Pharmaceutical sector ranks 7th in attracting FDI inflow of India by attracting the amount of Rs.81,481.55crores( US\$,585.28 million15) which is 4.24 per cent of total FDI inflow in India. The Hospital & Diagnostic centres, Medical and Surgical appliances, and Soaps, cosmetics & toilet preparations have ranked 19th, 32nd, and 36th by attracting Rs.28,963.60crores (US\$ 4,985.66 million), Rs. 9,712.30 crores (US\$ 1659.02 million) and Rs.7521.22 crores (US\$1330.34 million) respectively. The percentage of FDI inflow of these sectors

to the total FDI inflow of India is 1.36, 0.45 and 0.36 respectively. The total amount of FDI inflow in Drugs and Pharmaceuticals, Hospital & Diagnostic centres, Medical and Surgical appliances, and Soaps, cosmetics & toilet preparations sectors are Rs.127,678.67 crores (US\$ 23,560.30 million) and the average amount is Rs.31919.67crores(US\$ 5890.08 million). From this, we can understand that 6.41 percentage of total FDI inflow in India is from the above mentioned four sectors. Moreover from the table – 1, we can identify that Drugs and Pharmaceuticals sector comes under the top ten sectors attracting FDI and the remaining three sectors comes under the top fifty sectors attracting more FDI.

**Table 2 FDI Equity in Flows in Food Related Industries in India from April 2000 to December 2017**

S.No	Sectors	Amount	%age of Total Inflows	Rank		
		In Rupees crore	In US\$ million			
1.	Food processing industries	50,431.98	50,431.98	8,364.91	2.27	13
2.	Vegetable oils and vanaspati	4,385.74	4,385.74	775.73	0.21	42
3.	Sugar	1,263.47	1,263.47	211.44	0.06	51
4.	Tea and coffee *	619.85	619.85	127.25	0.03	55
	<b>Total</b>	<b>56701.04</b>	<b>14175.26</b>	<b>9479.33</b>	<b>2.57</b>	<b>(0.643)</b>

**Source:** Department of Industrial Policy and Promotion, Government of India

**Note:** i. \*processing& warehousing coffee & rubber

ii. Figures in parenthesis shows the average amount

The Table 2 shows the FDI equity inflows in food related industries of India from April 2000 to December 2017. According to the Table - 2, Food processing industries ranks13th in attracting FDI inflow of India by attracting the amount of Rs. 50,431.98 crores (US\$ 8,364.91 million ) which is 2.27 per cent of total FDI inflow in India. The Vegetable oils & Vanaspathi, Sugar and Tea

& Coffee have ranked 42nd, 51st, and 55th by attracting Rs.4,385.74crores (US\$ 775.73 million), Rs.1263.47crores (US\$ 211.44 million) and Rs.619.85crores (US\$127.25 million) respectively. The percentage of FDI inflow of these sectors to the total FDI inflow of India is 0.21, 0.06 and 0.03 respectively. The total amount of FDI inflow in Food processing industries, Vegetable oils &Vanaspathi, Sugar

and Tea & Coffee sectors are Rs.56701.04crores (US\$ 9,479.33 million) and the average amount is Rs.14175.26 crores(US\$ 2369.83 million). From this, we can understand that 2.57 percentage of total FDI inflow in India is from the above mentioned four sectors. Moreover from the Table – 1, we can identify that Food processing industries sector comes under the top twenty sectors attracting FDI.

## Health Status in India

### Government and Private Hospitals

In India, the no. of govt. hospitals increased from 4,571 in 2000 to 7,663 in 2006 (an increase of 67.6%). No. of beds in these hospitals increased from 4.30 lakhs to 4.93 lakhs during the same period (an increase of 14.4 %). In 2002, there were 11,345 private hospitals with a capacity of 2.63 lakh beds. In rural areas, 60% treated in Govt. Hospitals during 1986-87 declined to 42 % in 2004-05. As a consequence, private hospitals increased their share from 40% to 58 %. In urban areas, the share of private hospitals is increased from 40% in 1986-87 to 62% in 2005-05.

### Health Expenditure in India

According to National Health Account (NHA), for the year 2001 – 02, total health expenditure was 4.6 % of GDP. Out of this public health expenditure was 0.94 % of GDP and Private health expenditure was 3.58 % of GDP. The external support was 0.11 % of GDP.

### PradhanMantriSwasthyaSurakshaYojana (PMSSY)

For correcting regional imbalances in the availability of health services PMSSY aims at construction of 6 AIIMS like institutions in the first phase at Bhopal, Bhubaneswar, Jodhpur, Patna, Raipur and Rishikesh and in the second phase in West Bengal and UP. The PMSSY also aims at up gradation of 13 medical college institutions in the first phase and 6 in thesecond phase.

### Other programmes Enhancing Public – Private Partnership

Karnataka – Yeshawini Health Insurance Scheme (Partnership with Yeshawini Trust)

Gujarath – ChiranjeeviYojana (for deliveries of pregnant women of BPL families

Andhra Pradesh – Urban Slum Health Care project

Rajasthan Government – providing drugs at cheaper rate

Some of the recent investments in the Indian healthcare industry are as follows:

- According to the Ministry of Health and Family Welfare, Government of India, India and Cuba have signed a Memorandum of Understanding (MoU) to increase cooperation in the areas of health and medicine,
- Singapore's Temasek will acquire a 16 per cent stake worth Rs 1,000 crore (US\$ 156.16 million) in Bengaluru based private healthcare network Manipal Hospitals, which runs a hospital chain of around 5,000 beds.

## Conclusion

The country has become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep. Indian healthcare sector is much diversified and is full of opportunities in every segment which includes providers, payers and medical technology. India's competitive advantage also lies in the increased success rate of Indian companies in getting Abbreviated New Drug Application (ANDA) approvals. India also offers vast opportunities in R&D as well as medical tourism. To sum up, there are vast opportunities for investment in healthcare infrastructure in both urban and rural India.

## References

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