

Assessment of Government's FDI Policies in the Health Care Industry

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ABSTRACT

The healthcare sector has been flourishing effectively in India compare to the rest of the world. Medical travel, telemedicine, hospitals, surgical instruments, clinical trials, outsourcing, and health insurance are all included in the healthcare industry. The rapid expansion of the Indian healthcare sector is being driven by the country's huge coverage, services, and increasing public and private expenditure. To establish the performance of FDI in the healthcare industry the study assessed the different policy measures taken by the government in the health sector and tried to gauge the effect of FDI in the healthcare industry concerning policy measures taken by the government. A descriptive analysis method is used in this study to assess the performance of FDI in the health sector concerning the UK, USA, and BRICS countries. The Paper showed that the liberalisation of government policies has induced FDI to perform better in the healthcare industry.

Keywords: fdi, healthcare industry, government policy

I. INTRODUCTION

The healthcare sector has been flourishing effectively in India compare to the rest of the world. Medical travel, telemedicine, hospitals, surgical instruments, clinical trials, outsourcing, and health insurance are all included in the healthcare industry. The rapid expansion of the Indian healthcare sector is being driven by the country's huge coverage, services, and increasing public and private expenditure. The public and private sectors make up India's healthcare system. The health-related organisations run by the government such as secondary and tertiary care units in central areas and primary care units in rural areas are public organisation. These units are run by private organisation which are mostly found in metro cities, tier-I and tier-II cities (IBEF online, 2023).

After COVID-19 pandemic government have tried to make the performance of healthcare sector far better with its different initiatives and policies and the role of FDI in this sector will play a major role in boosting the health sector.

II. LITERATURE REVIEW

100% FDI participation was permitted for the retail sectors, which included hospitals, during the time of India's economic liberalisation. However, because of domestic restrictions, FDI did not take many initiatives and non-FDI contributed only a small portion of hospital investment (Chanda, 2010). Despite internal and external barriers, the health sector offers a vast opportunity for foreign direct investment (FDI). This is particularly evident in testing centers as opposed to hospitals, where there are huge opportunities for FDI in infrastructure, health insurance, and technology-based services like manufacturing medical equipment (Itumalla and Acharyulu, 2012). The study concentrates mainly on the last 20 years, showing how technical knowledge has been transmitted to the local marketplace, which has helped with skill development and enhanced profitability and efficiency. The researcher's theoretical research aims to reflect how FDI has been performing since liberalisation in 1991 (Sinha, 2023).

III. OBJECTIVES OF THE STUDY

The objectives of the study are as follows —

- To assess the different policy measures taken by the government in the health sector.
- To gauge the effect of FDI in the healthcare industry with respect to policy measures taken by the government.

IV. METHODOLOGY

To assess the government FDI policies in the healthcare industry secondary data are collected from 2015 onwards till 2023 subject to the accessibility to the latest data of BRICS countries, USA and UK from different relevant websites, reports, bulletins and research articles. Panel data is used in this study. Analysis of data in this research is proposed to be done by descriptive analysis using MS Excel and Stata software.

V. ANALYSIS AND INTERPRETATION

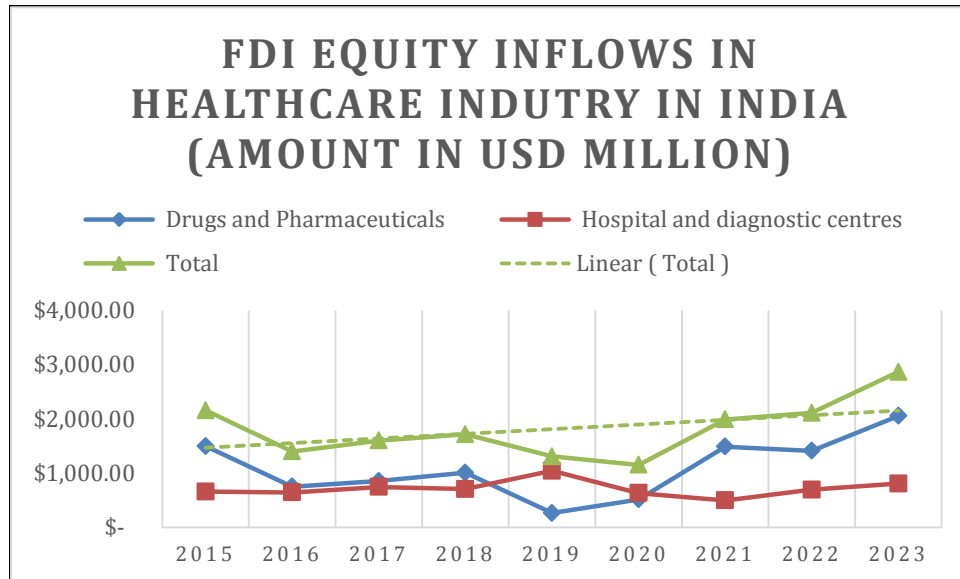
• Policies of the Government towards the Healthcare Industry

The government of India have introduced several policy measures in order to develop the healthcare industry in India. 'Poshan Abhiyan' scheme by the central government has helped Anganwadi Centres to be tech-efficient with Smartphones and Growth Monitoring devices. The Union Budget 2023–24 has allocated: Rs. 29, 085 (US\$ 3.51 billion) to the "National Health Mission"; Rs. 89,155 crore (US\$ 10.7 billion) to the "Ministry of Health and Family Welfare"; Rs. 3,365 crore (US\$ 0.41 billion) to the "Pradhan Mantri Swasthya Suraksha Yojana" (PMSSY); Rs. 6,500 (US\$ 780 million) to Human Resources for "Health and Medical Education"; and Rs. 7200 crore (US\$ 870 million) to "Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana" (AB-PMJAY). The World Bank authorised a US\$1 billion loan in July 2022 for India's "Pradhan Mantri – Ayushman Bharat Health Infrastructure Mission." To encourage medical tourism, the government offers citizens of 156 nations the opportunity to apply for "e-medical" visas. Five new medical colleges in Gujarat have been approved by the Union Government, each receiving an assistance of Rs. 190 crore (US\$ 23.78 million). Prime Minister Narendra Modi launched the "Ayushman Bharat Digital Mission" in September 2021 to digitalize citizen's health. The Telangana government also launched the "Medicine from the Sky" project, which uses drones to deliver life-saving medications and vaccinations to remote areas of the nation. In order to enable businesses to use their funds more effectively for hospital admissions or medical supplies, a credit incentive programme of Rs. 50 billion (US\$ 6.8 billion) was introduced. The "National Medical & Wellness Tourism Board" was founded in July 2021 with the goal of improving medical tourism facilities. Additionally, the "National Ayush Mission" received approval to continue its work, and an agreement between Denmark and India on medical and health matters was approved, with the goal of advancing public health in both nations. In order to dispel myths about COVID-19 immunizations and discuss the benefits of immunization, a session on building capacity for news reporters and health reports in Northeastern states was held in June 2021 (IBEF online, 2023).

• FDI in the Healthcare Sector

The FDI (Foreign Direct Investment) policy of India has undergone significant liberalisation. FDI in the hospital sector and medical device manufacturing is currently permitted up to 100% under the automatic route, which means that an Indian company or non-resident investor can make an investment without the approval of the Indian government. It is permitted under the automatic route in the pharmaceutical industry up to 74% for brownfield projects and 100% for greenfield projects. For FDI exceeding 74% in brownfield projects, approval from the Foreign Investment Promotion Board is necessary. From April 2000 to June 2020, India received USD 6.8 billion in foreign direct investment in centres for diagnosis and hospitals (Sarwal et al, 2021). Increased from 84 in 2020 to 181 in 2021, our database of FDI projects shows investments in the healthcare sector. Following the COVID-19 pandemic, the sector has resumed growth, as seen by the quantity for 2021 is larger than the 169 reported in 2019 (Karadima, 2022).

Figure 1: Trend in FDI in Healthcare Industry



In the above graph shows the trend in FDI equity inflows in the healthcare industry in India over the period from 2015 to 2023. It shows an increasing trend in the healthcare industry in India. From the graph it may be depicted that FDI flow during COVID-19 that is in 2019-20 was unstable but gradually FDI inflow in Drugs and Pharmaceuticals showed an increasing trend whereas in Hospital and Diagnostic centers from 2019-21 is a decreasing trend thereafter it has started gaining momentum.

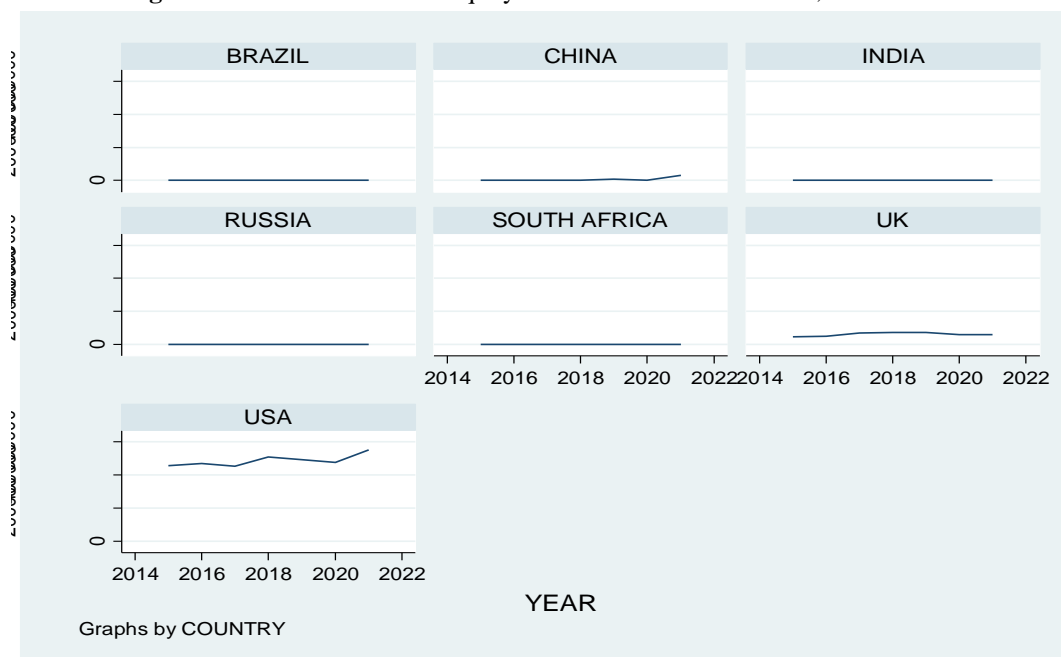
Table 1: Descriptive Statistics on FDI Equity Inflow in BRICS Countries, UK and USA

Variable		Mean	Std. Dev.	Min	Max	Observations
country	overall	N = 0
	between		.	.	.	n = 0
	within		.	.	.	T = .
year	overall	2018	2.020726	2015	2021	N = 49
	between		0	2018	2018	n = 7
	within		2.020726	2015	2021	T = 7
fdiinh~n	overall	79979.43	169814.3	0	551058	N = 49
	between		180973.1	848.4286	487245.9	n = 7
	within		13398.98	44975.57	143791.6	T = 7
countr~e	overall	4	2.020726	1	7	N = 49
	between		2.160247	1	7	n = 7
	within		0	4	4	T = 7

Descriptive statistics were used in this study (Table 1) to describe the basic features of the sample data. Calculations are made between 2015 and 2021 to determine the mean, standard deviation, and maximum and minimum values of variables (year, FDI in the health sector, and country). The FDI equity inflow in the healthcare sector is on an average of USD 79979.43

million in BRICS countries, mean for year and country is 2018 and 4. USD 169814.3 million, 2.020726, and 2.020726 are the corresponding standard deviations, which show how wide the distribution is around the center value (mean).

Figure 2: Trend Line on FDI Equity Inflow in BRICS Countries, UK and USA



In the above graph shows the trend in FDI equity inflows in health care industry in UK, USA, and BRICS countries over the period from 2015 to 2021. It shows an increasing trend in healthcare industry in the selected countries. The graph shows that the performance in FDI equity inflows in the healthcare industry of the USA and UK is better than BRICS countries. Among the BRICS countries China has shown an upward trend from 2019 to 2021, whereas other countries Brazil, Russia, India and South Africa are showing a linear trend. Among all of the above-mentioned countries, it is the USA which has the highest FDI equity inflow in the healthcare industry.

VI. LIMITATIONS OF THE STUDY

The data above is unbalanced data due to the inaccessibility of data on China. Hence, in this study 2019 and 2021 data is being considered for analysing the performance of China and in case of Russia 2015 data was also not accessible.

VII. CONCLUSION

In India government initiatives to implement more liberalized policies have resulted in an increase in FDI equity inflow in the healthcare industry in India. Hence, in comparison to 2019 and 2020, i.e. after COVID, the inflow of FDI has shown an increasing trend from 2021 to 2023. While comparing the performance of FDI equity inflow among the UK, USA, and BRICS countries during the period 2015 to 2021, the USA's performance was extraordinarily followed by the UK, which has also done better, though in BRICS countries China has shown better performance from 2019 to 2021 yet other countries that is Brazil, Russia, India and South Africa were also performing good but at a slow pace. The COVID-19 pandemic has shown that there is a huge requirement for investment in the healthcare industry, mostly in developing nations. Hence, there is a huge scope of FDI inflow in the healthcare industry in future in developing as well as developed nations.

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