



An Analytical Study of Foreign Direct Investment in Indian Health care sectors

KEYWORDS

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ABSTRACT India is one of the most lucrative healthcare markets globally and in terms of revenue and employment, it is one of the largest sectors. Delivering affordable health care to India's billion-plus population itself presents enormous challenges and signifies enormous opportunities for the medical community and other service providers. Backed by several growth drivers including the prevalence of various diseases, untapped market, increasing urbanization, rising life expectancy, and active private sector participation are some of the leading factors supporting the industry's growth. Multinational players have consistently been focusing on the Indian healthcare market landscape and trying to enlarge their presence through partnerships and investments. Private equity funds have already invested US\$ 2.53 Billion in 216 healthcare deals since 2005 in India. The FDI inflows will further escalate in near future on the back of factors, such as entry of foreign players and liberal regulatory regime. The Indian hospital industry was estimated to be worth about USD 44 billion as of 2010 and is predicted to be worth around USD 280 billion by 2020. Further, the Indian hospital service industry is projected to grow at a compounded annual growth rate of more than 9%. It is undergoing metamorphosis by broadening focus of the services by using technology, deliverables and newer applications. The hospitals that were confined to a specified area with limited infrastructure and services are now expanding mainly due to the foreign investment being received by the sector. The Indian Healthcare sector is emerging as one of the fast-growing service sectors in India, contributing 6% to the country's growth domestic product (GDP)

INTRODUCTION TO FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI) is direct investment into production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is done for many reasons including to take advantage of cheaper wages in the country, special investment privileges such as tax exemptions offered by the country as an incentive to gain tariff-free access to the markets of the country or the region. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

Starting from a baseline of less than \$1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. As per the data, the sectors which attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, US and UK were among the leading sources of FDI. According to Ernst and Young, foreign direct investment in India in 2010 was \$44.8 billion, and in 2011 experienced an increase of 13% to \$50.8 billion. India has seen an eightfold increase in its FDI in March 2012. India disallowed OCB's i.e. Overseas Corporate Bodies to invest in India.

On 14 September 2012, Government of India allowed FDI; in aviation up to 49%, in Broadcast sector up to 74%, in multi-brand retail up to 51% and in single-brand retail up to 100%. In India, there are many small sectors, medium sectors, private limited companies and public companies that have been consistently manufacturing various medicinal products to meet the increasing demands of the people. The foreign investors can invest in Indian companies through the purchase of shares, debentures, equities, or bonds from an Indian company.

Foreign Direct Investment in Indian Healthcare industry

The Indian healthcare sector is ripe for the expansion and significant growth due to the various reasons. One of the main factors is increase in the space of medical tourism in India. Medical tourism in India is growing at a compounded annual growth rate of over 27 per cent during 2009-2012. Medical

tourism market is valued to be worth USD 310 million and is expected to generate USD 2.4 billion by 2012 and is growing at 30 per cent a year. Due to increasing medical tourism and greater clinical trial activities in India, there is a need to upgrade the service standards and provide the state-of-the-art facilities to bring the service levels on par with global standards. This changed outlook has created an excellent opportunities for the investors to provide much needed managerial and financial support.

Foreign investors can play significant role in the development of the hospital sector. This is evident from the fact that private equity funds have invested over \$ 2 billion in healthcare and life science sector over the past five years. Further, India has received USD 1, 32,837 million as aggregate FDI from April 2000 to April, 2011 and specifically hospital and diagnostic centers have received FDI of USD 1030.05 million from April 2000 up to April 2011 constituting 0.78% of the total FDI into India.

Opportunities of Foreign Direct Investment in Indian Healthcare industry

The following sectors have significant opportunities for the foreign investors:

i) Health Insurance

The percentage of the Indian population that has been covered under health insurance is unfortunately very insignificant. Lack of awareness, casual approach is some of the reasons that have contributed to this. Though there is increase in number of health care insurance policies over past few years majority of the population remains without any coverage.

ii) Hospitals and Infrastructure

There is tremendous demand for tertiary care hospitals and specialty hospitals in India. There is a gap between the availability of the beds and required beds in the hospital in India. It is estimated that an investment of USD 25.7 will be required to meet the requirement of additional 450,000 beds by 2010. The government would not be playing significant role in bridging this gap giving private players immense opportunity.

iii) Technology driven services

Significantly low presence of physicians in rural and semi-urban areas has led to the limited access to proper healthcare

facilities for the people living in these areas. Telemedicine is considered to be one of the solutions to this lacuna in accessibility to health care services in rural and semi-urban areas.

STATEMENT OF THE PROBLEM

Under FDI, the foreign investors consider the huge return on investment other than the economic development. Due to the progressive nature of the health care sector in India, several foreign companies are intending to invest in the country. The Indian healthcare Industry too is confronted with many challenges, unlike any other emerging sector, several odds that would restrict or hamper its growth, in spite of huge benefits, derived out of FDI. Indian economy else otherwise will have opportunities lost, with long standing implications on the economy.hence the present study.

OBJECTIVES OF THE STUDY

- i) To know the opportunities of Foreign Direct Investment in Indian health care sectors.
- ii) To understand the reasons for Foreign Investment in Indian health care sectors.
- iii) To find out trends of Foreign Direct Investment in health care in India.
- iv) To understand the economic impact of Foreign Direct Investment in Indian health care sectors.

Sample Size

A sample of 20 was targeted for the study. The sample consists of investors, professionals and general public.

SUMMARY OF FINDINGS

1. 75 % of foreign investors consider the prior permission route for selecting the suitable way of investing in India and 25% consider the automatic route of investment.
2. The 75% investors prefer the urban area as investment location in India. Semi-urban area considers 20 % and rural are 5%.
3. The majority percentage (50%) of investors considers the best opportunities of FDI in Indian health care sectors are Hospitals. Health insurance considers 25% and technology driven services 25%.
4. 75% of professionals give the favorable opinion regarding costs of the medical treatments is much lower in India than in other developed countries and 25 % professionals give the opinion against the costs of the medical treatments is much lower in India than in other developed countries.
5. 75% of the professionals show the favorable opinion on contribution of FDI in Indian health care industry for Economic Development and 25% of the professionals show the unfavorable opinion on contribution of FDI in Indian health care industry for Economic Development.
6. Among the 75% professionals give the opinion on inadequacy of existing healthcare infrastructure in India and 25% professionals give the opinion on adequacy of existing healthcare infrastructure in India.
7. Among the all respondents, 90% of the professionals think that the FDI in Indian healthcare sectors generates the threats for the Indian businessman. 10% of the professionals think that the FDI in Indian healthcare sectors will not generates the threats for the Indian businessman.

8. The majority of the respondents (80%) of general public think the FDI in health care industry facilitates better services in Indian healthcare industry. 20% of the respondents of general public think the FDI in health care industry cannot facilitates better services in Indian healthcare industry.
9. The huge benefits and concession granted by the government is the major factor for the flow of FDI in healthcare. Steady economic growth of Indian economy and availability of raw materials though attracts FDI into India are not the major attractors of FDI in healthcare sector.
10. All the factors like remote diagnosis, monitoring and treatment of patients via videoconferencing or the internet and the establishment of telemedicine centers across the country by the government is the reason for fast-emerging trend in Indian Telemedicine.

SUGGESTIONS

1. The majority percentage of investors prefers urban or big cities for selecting investment location. So, there is huge opportunities for FDI in Indian healthcare industry basically for urban or city site and local government should support.
2. The majority percentage of investors considers the best opportunities of FDI in Indian health care sectors are Hospitals under which they can earn huge profit. So, all the existing private hospitals may get facilities of joint venture options and they should open for that.
3. The majority of the professionals think that the costs of the medical treatments are much lower in India than in other developed countries. So, the investors can concentrate on better return on investment which gives benefit for nation as well as the foreign investors.
4. The majority of the healthcare professionals think about the inadequacy of existing healthcare infrastructure in India which leads to delay in proper treatment. So, the investors should facilitate the availability of healthcare infrastructure in India through foreign direct investment.

CONCLUSION

Foreign Direct Investment in Indian Healthcare industry can delivers affordable health care to India's billion of population. The investors can ensure the availability of healthcare infrastructure in India through foreign direct investment. Foreign Direct Investment can present enormous opportunities for the medical community and other service providers. Multinational players can focus on the Indian healthcare market landscape and try to enlarge their presence through partnerships and investments. The costs of the medical treatments are much lower in India than in other developed countries. So, the Indian people can get better treatment facilities in low cost without going abroad. Finally, there is a great economic impact of Foreign Direct Investment in Indian health care sectors which leads to the Indian economic development.

REFERENCE

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