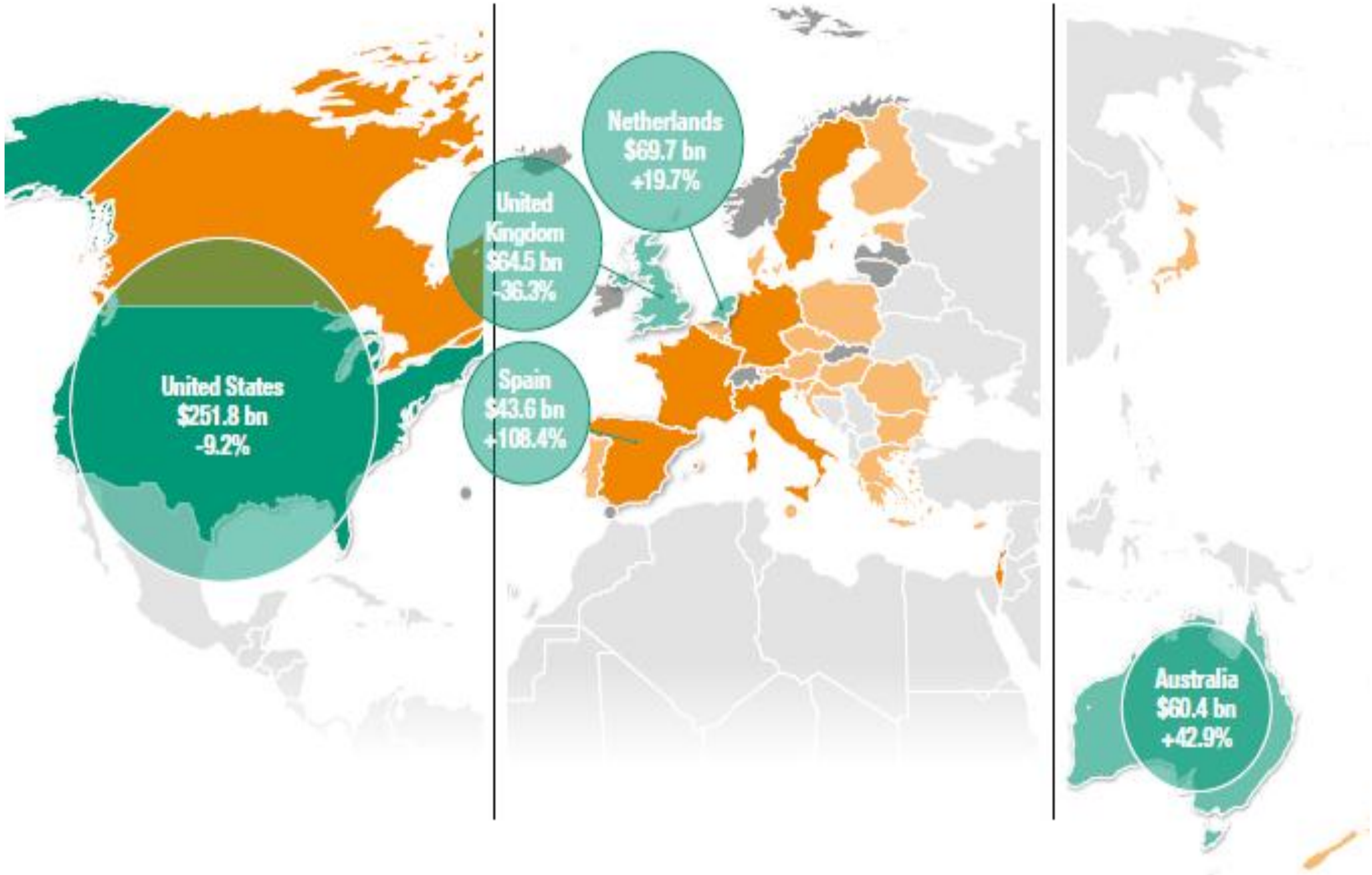
Foreign Direct Investment in Health Care

Swaniti Initiative

Top 10 most attractive FDI destinations

But developed nations have a different investment patterns than their developing counterparts



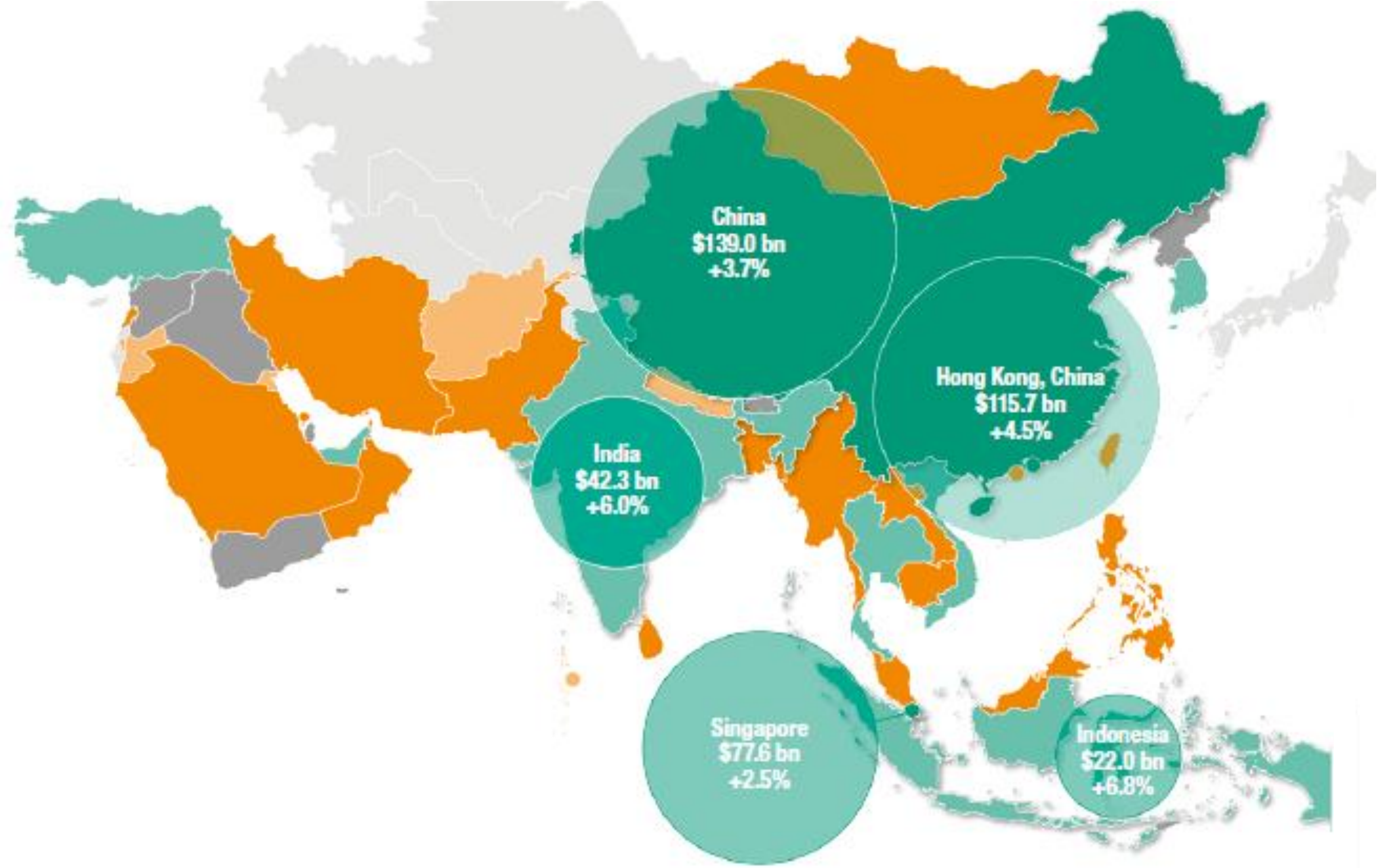
Manufacturing

Food & Beverage, Tobacco
Chemical Products
Pharmaceuticals & Medicinal Chemicals
Electronics & Optical Equipment
Machinery Equipment

Services

Transportation
Information & Communication
Construction
Electricity, Gas & Water
Health Services

The Regional powerhouses do not have a conducive ecosystem for Health FDI



Manufacturing

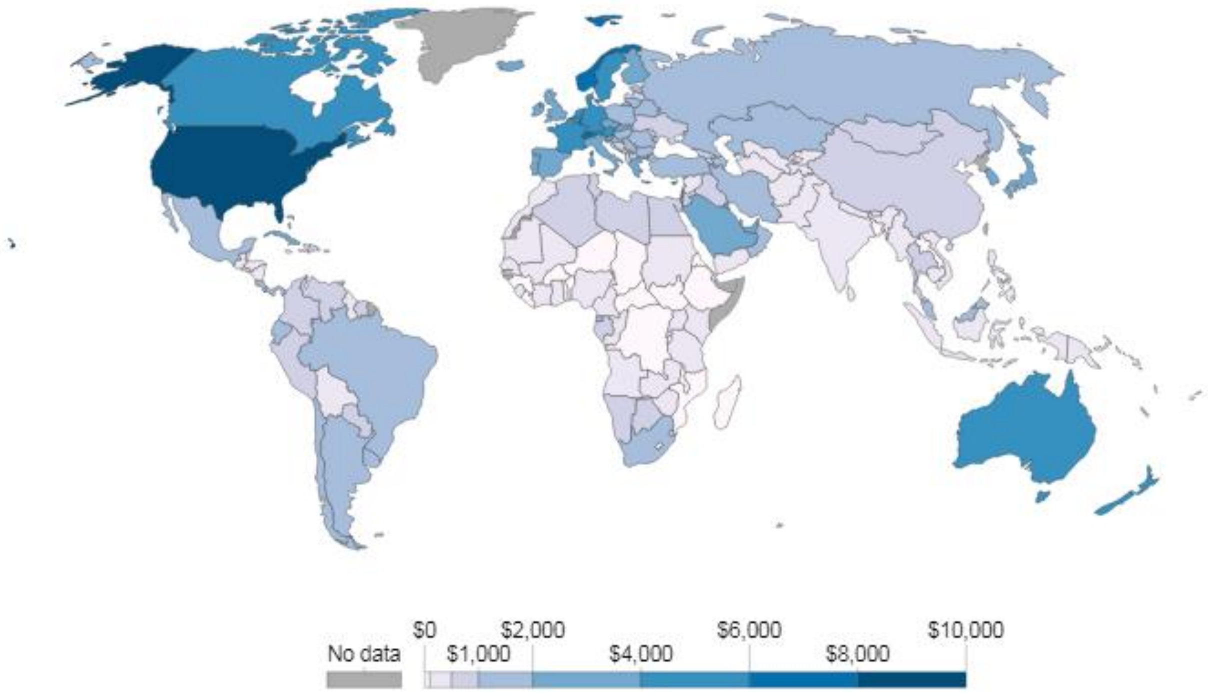
Food & Beverage, Tobacco
Chemical Products
Motor Vehicles & Transportation
Electronics & Optical Equipment
Coke & Petroleum Products

Services

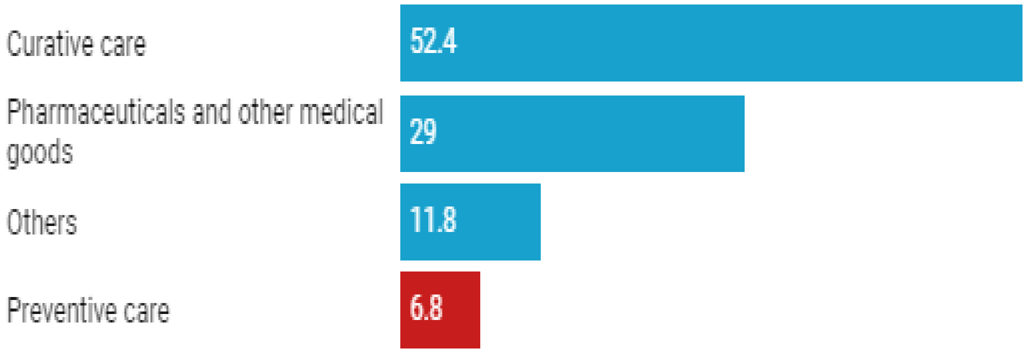
Electricity, Gas & Water
Business Services
Information & Communication
Construction
Hotel & Restaurants

But even here, India has the lowest % of healthcare investment

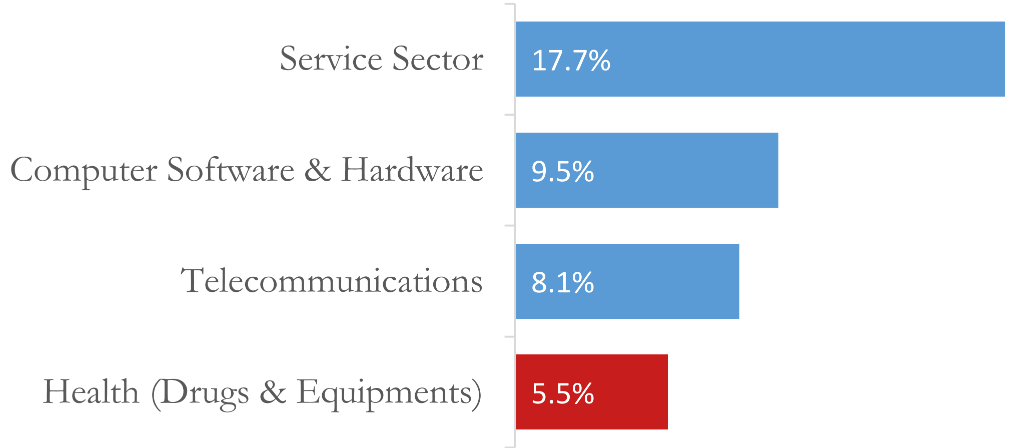
Health Expenditure per capita



Expenditure on type of care



India's FDI Inflows



- India's **health expenditure per capita** is one of the lowest in the world, comparable to African nations
- **FDI inflows in the health sector** is lowest even among the top Asian economies. Of the 5.5%, 3.6 goes to pharmaceuticals and leaving only 1.9 for the health equipmemt
- Less priority is given to preventive care. At this stage majority of the diseases can be controlled
- India only spends **1.2% of its national GDP** on healthcare. It was 0.96% in the early 90s.

Reasons for low healthcare investments in India

- Privatization of healthcare is relatively newer domain and is undergoing reform. So the options for private investment is limited.
- Indian govt. does not consider health as a primary sector therefore it **lacks transparent regulations and a robust data infrastructure**
- Issues **of delayed licenses, red tape**, and uncertainty in the regulation and rampant corruption act as a further deterrent to foreign investment
- Due to high capital and operating cost, it usually takes **7-8 years to break even**.
- Because of **Low % of health coverage**, firms find it risky to invest in India due to the fear of lost payments

Key Interventions

- India needs to ease the **entry-exit barriers** for the foreign firms to invest. Additionally, it should explore alternative models to investment that can help to break-even in 4-5 years.
- **Special economic zones** need to be set up for manufacturing units for healthcare. Thereby offering them tax-breaks.
- India needs to works with **tech-firms to ramp up their data-handling capabilities**. It also needs to set up a **digital infrastructure** for medical consultations
- Easing up on the norms of **joint-venture for manufacturing and R&D projects**
- Most importantly, India needs to make healthcare a priority sector with **well-laid regulations**. An ecosystem that organizes a deeply fragmented infrastructure