EXAMINING THE STATE OF INDIAN HEALTHCARE SECTOR AND A GLANCE AT “CSR” INITIATIVES

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ABSTRACT:
The healthcare sector plays a major role in maintaining the health and well-being of the people of a nation. At the same time, it contributes to the economic development of a country. India lacks the financial resources required to make stronger its pitiable healthcare infrastructure. India’s investment in public health has remained around 1% of its GDP, making it one of the lowest in the world. The government is deviating from its core strategies by not rising the share for the healthcare sector. The Companies Act, 2013 requires companies above a certain financial threshold to spend at least 2% of their average net profit of the preceding three years on corporate social responsibility (CSR). The concept of CSR has the potential to bring a transformation in the healthcare sector. It is witnessed that education, health, sanitation and rural development remained key focus areas of CSR initiatives. It is argued that the existing CSR approach is scattered and healthcare outreach initiatives by the companies are happening in pockets. Nonetheless, with rising fiscal deficit and leakages in the welfare schemes, CSR makes an attempt to address the problems of the society in a cost-effective manner. In this background, the objectives of the study are: (a) To study the state of the Indian healthcare sector, (b) To understand the financing of the healthcare needs of Indians over the years, (c) To look at CSR initiatives in the Indian healthcare sector, and (d) To explore the alternative ways of financing the Indian healthcare sector.

KEY WORDS: - CSR, Financing, Fiscal Resources, Healthcare, Social Sector.
(JEL Code: H51, H60, I18)

1. INTRODUCTION
A healthy workforce is a key ingredient to the economic growth of a country. To make a workforce healthy, it is essential to have a stable growth in human capital or human resources. Human capital is a term, popularised by Becker, that refers to the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce an economic value which will benefit the nation as a whole in the long term. Strengthening human capital resources most essentially involves investing in activities which directly influence its formation and growth like investment in education, health, on the job training (Schultz, 1961). The theory of human capital is based on the foundation of mainly two factors, i.e., education and health. In India, the rate of human capital formation has consistently increased after independence due to qualitative improvement in each generation. But still investment in both the two most important pillars of human capital has been substantively low. Experts suggested an investment of around 6% of GDP in education which is till date less than 3% of GDP and investment in the health sector is even worse. India is one of the countries that spend the least on the healthcare sector with less than 1% of GDP going to that particular sector where the target of expenditure should have been at least 2.5% of GDP. In fact, the growth in expenditure on total healthcare in India has been decreased from
what it was a decade ago (from 4.3% to 4.05%) (World Bank Report). Even after all these deficiencies in the healthcare sector Indian healthcare industry is growing at a rapid pace (CAGR of 17%). The Indian healthcare industry comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The healthcare industry stands on four pillars – Services and staffing (health services), Pharmaceuticals, Health Financials and Devices. Hospitals staffed with doctors and nurses provide the central location for patient care and interventions. Pharmaceuticals provide drugs that help in curing patients. Health financials like Mediclaim offer support to patients and families in managing expensive treatment and surgeries. Devices support both diagnostics and surgeries (Rana, 2015).

To support these four pillars there is both government and private involvement in this sector. Private sector expenditure on health is based on the private cost-benefit analysis (CBA) and typically profit-oriented. But public funding in health is done keeping in mind the positive externality and spill over effects arising out of it which leads to human capital formation. To make the healthcare services more prompt and well-organised there are several Centrally Sponsored Schemes of the Central Government along with policies which directly channelise the funds to the particular sector. Like the initiation of educational cess, the government has also introduced new regulations (the Companies Act 2013) which enable investors to spend in the health sectors.

The Companies Act, 2013, requires companies above a certain financial threshold to spend at least 2% of their average net profit of the preceding three years on corporate social responsibility (CSR). The concept of CSR has the potential to bring a transformation in the healthcare sector. Through CSR the companies can give back to the society in a creative and impactful style while satisfying the requirements mandated by law.

The law has listed out a broad range of activities under CSR, which cover activities such as promotion of education, gender equity and women’s empowerment, combating HIV/AIDS, malaria and other diseases, eradication of extreme poverty, contribution to the Prime Minister’s National Relief Fund and other central funds, social business projects, reduction in child mortality, improving maternal health, environmental sustainability and employment enhancing vocational skills among others (Bansal & Rai, 2014).

2. REVIEW OF RELATED LITERATURE

Empirical results and earlier theories have proved that investment in healthcare leads to human capital formation. Since investment in sectors like health and education does not lead to high profit for the private sector but these sectors benefit the society with positive externality along with spill over effects, government interference is highly recommended in these areas. The problem lies not just with the private sector, government spending has also not been adequate in the said sector in India.

Garg (1998) opined that researchers have pointed out how the distribution of resources is skewed toward salaries, pensions and other fixed consumption expenditure with very little directed towards capital or plan expenditure on buildings, machinery, and equipment. This eventually leads to poor services and lack of availability of drugs and equipment at healthcare facilities. Hammer et al. (2007) stated that the system of public delivery of health services in India today is in crisis. High absenteeism, low quality in clinical are, low satisfaction levels with care and rampant corruption plague public health service in India which has led to rapid growth of private services. A study by Mukherjee and Karmakar (2008) showed poor health outcomes in India from demand side with significant variations in accessing healthcare between urban and rural areas, as well as between males and females in each sector. Selvaraj and Karan (2009), on the basis of empirical evidence on past morbidity, health surveys and consumer expenditures gathered from NSSO, showed that outpatient and hospitalisation care in India in the past 20 years declined drastically. This declining trend in government services in healthcare compelled people to move to private services which with their profit earning motive extracted huge payments from the common people. Due to such developments, millions of households are incurring catastrophic payments and are being pushed below poverty lines every year.
Similar kind of a study by Berman et al. (2010) also strengthened the previous results of deteriorating public healthcare services in India. The said paper suggested that the extent of impoverishment due to healthcare payments was higher than previously reported with outpatient care been more impoverishing than inpatient care for both rural and urban areas. Also, several researchers found out that impoverishment was more prominent among lower and middle-income household. Ghosh (2011) observed that despite the concentration of high payments from economically well-off households, out-of-pocket (OOP) payments aggravated the intensity and prevalence of poverty in India. Balarajan et al. (2011) opined that one of the biggest problems in India’s healthcare system, as a whole, is the financial burden it puts on households in terms of out-of-pocket spending, which, as more than three-quarters of the healthcare expenditure is met by households, remains one of the main causes of impoverishment. Prashanth (2011) opined that in view of the poor public health delivery services in India, private sector health services with profit motive seems to be easily accessible but with a high cost. With this kind of a scenario a public-private partnership in the healthcare sector, between state governments and the private sector has also developed in India. But the outcome of this kind of a system has also been mixed and needs further improvement. Roy and Gupta (2011) stated that in 1987 the World Bank provided a solution by way of implementation of a “user fee” on public health delivery services to increase the efficiency of the systems. But this aggravated the financial crisis of the poor households of India leading to a debate on revenue generation and the proportion of user fee utilisation in government hospitals.

On one hand, government kept on introducing healthcare policies like user fees, structural adjustment programmes which led to reduced expenditure by state and centre on social sectors, Drug Price Control Order etc. which ate up huge portion of consumption expenditure, while on the other hand it introduced policies like National Rural Health Mission, National Health Policy, National Vaccine Policy etc. which it tried to finance through tax and non-tax revenue.

Mor & Kalita (2015) stated that most Indian governments have tried to improve the tax-to-GDP ratio and while they have maintained the level of health expenditure as a proportion to their total expenditure, they have not seen it politically rewarding to prioritise health over other expenditures. Faced with severe paucity of resources allocated to them, the health ministries instead of developing other solutions for financing healthcare, have focused on building a stripped-down, low-quality, government-owned and managed health system. As a result, numerous private healthcare providers have popped up and captured the healthcare sector with a pure profit motive. But the centre has tried to reduce the profit earning motive of the private sector by introducing the clause of Corporate Social Responsibility as has been mentioned earlier.

Moharana (2013) found that the selected banks are directly engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. Bansal & Rai (2014) opined that expenditure on CSR increases firms’ profitability by building their image in the eyes of consumers, suppliers and the government. Firms also strategically differentiate their products from rivals’ products in the market on the basis of CSR. According to Srivastava and Singh (2015), 50 Nifty companies (except for HCL Technologies) managed to spend Rs 4,609 crore on CSR, or over 80% of the total outlay of Rs 5,731 crore mandated to be spent in 2014-15. Sudarshan and Kumar (2015) found that most of the private hospitals in Mangalore do not provide free or subsidised healthcare services to the elderly through a self-driven CSR initiative. Moyna (2015) observed that even after the introduction of various Centrally Sponsored Schemes as well as CSR, India lacks the financial resources required to reinforce its deficient healthcare infrastructure and improve its health indicators.

3. OBJECTIVE OF THE STUDY

The objectives of the study are: (a) To examine the state of healthcare sector in India, (b) To understand the financing of the healthcare needs of Indians over the years, (c) To look into the spending in
the Indian healthcare sector through CSR initiatives, and (d) To explore the alternative ways of financing the healthcare sector of India.

4. RESEARCH QUESTIONS
The research questions that follow from the objectives of the study are:
(i) What is the existing state of the Indian healthcare sector?
(ii) How is the Indian healthcare sector financed?
(iii) What are the CSR initiatives for the healthcare sector in India?
(iv) Are there any alternative ways of financing the Indian healthcare sector?

5. DATA SOURCE AND METHODOLOGY
The research is based on qualitative methods with secondary data and readings. Secondary data have been collected from various government sources like Ministry of Health and Family Welfare, National Sample Survey Organisation etc. Logical reasoning and analysis have been made to understand the past trend and the current scenario of health services in India. Various governmental and non-governmental reports and surveys have been studied to give the study a proper shape.

6. EXISTING STATE OF INDIAN HEALTHCARE SECTOR
Even though Indian healthcare sector is lagging behind many other developing countries, it has shown some improvement in terms of immunisation, early detection of and cure of diseases etc. Millennium Development Goal (MDG) which ended in 2015 had three dedicated health goals, namely, reduction of child mortality, improving maternal health, and combating HIV / AIDS, malaria and other diseases. India did well with respect to parameters like maternal and child survival so far as attainment of MDG is concerned. According to the National Family Health Surveys (NFHS), the immunisation coverage has improved substantially since NFHS-1. With India having one of the largest programmes of publicly financed ART drugs for HIV in the world, all services available under national programmes are free to all and universally accessed with fairly good rates of coverage. Some of the government-sponsored schemes for universal free access are Mission Indradhanush, Janani Suraksha Yojana (JSY), Janani Shishu Suraksha Karyakram (JSSK), Rashtriya Bal Swasthya Karyakram (RBSK) etc.

All the initiatives taken by the government for the betterment of the health sector seems to have very little or no effect on the said sector when compared with the current condition of healthcare in other developing countries. The Universal Health Coverage Index (UHC) has been developed by World Bank to measure the progress made in health sectors in select countries of the World. India ranks 143 among 190 countries in terms of per capita expenditure on health ($146 PPP in 2011). It has 157th position according to per capita government spending on health which is just about $44 PPP. India’s performance on the indicator on the treatment of diarrhoea needs improvement in terms of enhancing the coverage (Economic Survey, 2015-16).

In a sample of 24 countries for which there are detailed information on Universal Health Coverage (UHC)-inspired reforms, a cluster of high-performing countries emerges with UHC scores of between 79 and 84. These are Brazil, Colombia, Costa Rica, Mexico and South Africa. Also, a cluster of low-performing countries emerges with UHC scores in the range 35–57 and these countries are Ethiopia, Guatemala, India, Indonesia and Vietnam (World Bank Group Policy Research Working Paper, 2015).

Major hurdles before the Indian healthcare sector are urban-rural inequities, inadequate government spending, lack of access to basic healthcare needs, continuous rise in out-of-pocket (OOP) expenditure, absence of proper infrastructure etc. In order to strengthen the healthcare system, substantial investment and dedicated human resources are absolutely essential.
7. **FINANCING OF THE HEALTHCARE IN INDIA**

India’s investment in public health has remained around 1% of its GDP, making it one of the lowest in the world. This low percentile translates into insufficient infrastructure, limited medical technology and inadequate human resources in the healthcare field. The government is deviating from its core strategies by not increasing the allocation for the healthcare sector. The share of the social sector in total government expenditure has been rising but the healthcare sector has not been benefited. Government budgets have not kept pace with population growth and consequently, infrastructure at government hospitals remains poor. India lacks the financial resources necessary to support its underprovided healthcare infrastructure. Healthcare programmes in India are mainly funded by government budgets, international aid and charitable organisations.

The sources of health financing can be broadly categorised into the following groups:


b. Private Source including voluntary organisation – Private individual household expenditure, private employer healthcare fund, private/corporate health insurance scheme.

c. External Source – Official, Unofficial, Multilateral and Bilateral

d. Mixed Sources – Community financing, Missionaries and religious institutions, charitable trust, health insurance etc. (Kataria, 1995).

But the money is not pretty enough for a country with huge population, two-thirds of whom live in the rural areas where the supply of medical care and the capacity to pay for services is limited.

On the basis of the recommendations of the National Health Policy (2002), budget allocations to the health sector increased progressively every year from 2005: between 2005 and 2010, budgetary allocations increased from Rs 10,000 crores to Rs 30,000 crores. From 0.9% of total GDP, public health expenditures increased to about 1.3%. Most of these increased allocations went to the National Rural Health Mission (Mohan, 2016).

Table 1 presents health expenditure as a percentage of GDP and health expenditure as a percentage of total expenditure in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Health Expenditure as % of GDP</th>
<th>Health Expenditure as % of Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>1.3</td>
<td>4.6</td>
</tr>
<tr>
<td>2009-10</td>
<td>1.4</td>
<td>4.8</td>
</tr>
<tr>
<td>2010-11</td>
<td>1.3</td>
<td>4.7</td>
</tr>
<tr>
<td>2011-12</td>
<td>1.2</td>
<td>4.6</td>
</tr>
<tr>
<td>2012-13</td>
<td>1.3</td>
<td>4.7</td>
</tr>
<tr>
<td>2013-14</td>
<td>1.2</td>
<td>4.6</td>
</tr>
<tr>
<td>2014-15</td>
<td>1.3</td>
<td>4.8</td>
</tr>
<tr>
<td>2015-16</td>
<td>1.3</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2015-16, GOI

As can be seen from the above table, since 2008-09 the share of government expenditure on health as a percentage of GDP remained stagnant around 1.3% and also the proportion of health expenditure in the total expenditure also remained constant around 4.6%. The budgetary allocation in figures could have increased but like all other components in the development sector, the share of health has not shown any increasing growth rate. The planned expenditure on health as a percentage of GDP has been very low to 0.22, 0.22, 0.26 in 2011-12, 2012-13, 2013-14 consecutively. Non-plan expenditure as a percentage of GDP has remained even lower. Therefore, it can be well argued that expenditure in the health sector has been below the average level required. Where healthcare sector needs funds of around 2.5% of GDP, the
investment in this particular developmental sector has been highly insufficient. This has led to the growth of private healthcare providers in the economy.

7. Spending in the Indian Healthcare Sector through CSR Initiatives

As the interference of private sector in the healthcare sector increases, the profit earning motive of the private companies also forces them to keep on extracting more money from the pocket of the common people. As a result, the out of pocket expenditure keeps on aggravating leading to a high consumption expenditure, low savings and high poverty. To control the avarice and keep the profit of the private companies under check, along with the idea of generating some revenue for the public healthcare schemes the government incorporated the rule of spending through CSR in the Companies Act 2013. Healthcare is one of the most invested areas in CSR in India. It is observed that education, health, sanitation and rural development remained key focus areas of CSR initiatives in 2015-16.

In the healthcare domain, organising health camps to offer curative services and raising awareness on health issues is the most common activity being implemented by nearly 74% of the companies included in the research. Providing infrastructural and equipment support is another common activity in the healthcare domain being undertaken by around 68% of the companies (EY-PHD Chamber Report, 2013).

India’s top 50 companies constituting the benchmark Nifty index claim to have spent over Rs. 4,600 crores in the financial year ended March 2015 on social initiatives. Healthcare, education, environment and Swachh Bharat initiative dominated the sectors where money was spent by these companies. However, the biggest beneficiaries were the states that already have a considerable corporate presence such as Maharashtra, Gujarat, Delhi, Tamil Nadu, Karnataka and Andhra Pradesh. On the other hand, North-Eastern states and others that have low industrial and business actions, such as Bihar, Uttar Pradesh, Jharkhand, witnessed little CSR spending going their way. There was also a transformation in the area of expense. For instance, the biggest CSR spender — Reliance Industries Limited — moved its spending away from education and towards healthcare. In the year ended March 2015, almost 80% of the CSR expenditure by the company was in healthcare. The company spent Rs 608 crore on rebuilding Sir H N Reliance Foundation Hospital and towards Dhirubhai Ambani hospital (Srivastava & Singh, 2015).

In fiscal 2015, three sectors contributed 73% of CSR spending. It is shown in Table 2.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Spending (Rs. Crore)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Skill Development</td>
<td>2250</td>
<td>33%</td>
</tr>
<tr>
<td>Healthcare and Sanitation</td>
<td>1875</td>
<td>27%</td>
</tr>
<tr>
<td>Rural Development Projects</td>
<td>892</td>
<td>13%</td>
</tr>
</tbody>
</table>


CSR fund in healthcare in 2015-16 is presented in Table 3.

<table>
<thead>
<tr>
<th>CSR Fund</th>
<th>Number of Companies</th>
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<tbody>
<tr>
<td>More than Rs. 10 Crore</td>
<td>29</td>
</tr>
<tr>
<td>Rs. 5-10 Crore</td>
<td>22</td>
</tr>
<tr>
<td>Rs. 1-5 Crore</td>
<td>76</td>
</tr>
<tr>
<td>Rs. 0.5-1 Crore</td>
<td>27</td>
</tr>
<tr>
<td>less than Rs. 0.5 Crore</td>
<td>65</td>
</tr>
</tbody>
</table>


Further, 10 companies spent more than INR 50 Cr (each) in Healthcare projects.

Within healthcare domain specifically very few activities are attracting CSR contributions viz. Health camps, infrastructural and equipment support, maternal and child health, water sanitation and Geriatric care (Desai & Chandawarkar, 2016).
8. EXPLORING THE ALTERNATIVE WAYS OF FINANCING THE HEALTHCARE SECTOR OF INDIA

Innovative revenue generation has been attempted at the national level, but these efforts have been limited mostly to developed countries. For instance, Italy has proposed the 'de-tax' approach that would require earmarking a share of VAT revenues for health (Hecht et al. 2010). There are fewer examples of innovative financing for health in developing countries. Thailand has imposed a 2% surcharge on alcohol and tobacco excise tax for its Health Promotion Foundation (Thai Health) in 2001 (Adulyanon 2012). While taxing foods that are detrimental to health have been advocated from time to time, earmarking such taxes for health has also been suggested (Jacobson and Brownell 2000; Thow et al. 2011). There have been other innovative channels of raising funds for domestic and global health. Since 2006, UNITAID has been raising funds through the 'air ticket levy' (ATL). In the past five years, more than 50 percent of its funds have been raised through this channel. Nine countries have implemented the ATL: Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger, and the Republic of Korea. Norway allocates part of its tax on carbon dioxide emissions (UNITAID). The funds have remained stable despite global economic turbulence; this proves the robustness of this source.

Whether the government can allocate a much higher share to health from its revenues is not clear, and past trends are not encouraging. If it plans to augment its resources for the health sector from newer sources, earmarked taxes probably is the most tried and tested way of raising revenues. Even if the government is averse to the idea of imposing a new tax, it can consider the less contentious option of earmarking a fraction of the total excise collection from tobacco products. Taxes on other sin foods can be considered, but such steps will have to be taken along with sound preventive messages. Airline taxes can yield a considerable amount as well; a small flat levy is unlikely to affect demand and can be considered as a viable option. Given that airline traffic has been increasing continually and is unlikely to dip in the future, this source is more stable than the CSR (Gupta & Chowdhury, 2015).

9. CONCLUSION

The findings of the study on the basis of research questions are summed up below:

(i) The current state of Indian healthcare sector is at crossroads. India failed to achieve the health targets set under MDG. However, improvement has taken place in respect of certain parameters like child mortality, maternal mortality, combating malaria and AIDS etc. But there is a long way to go and much need to be done.

(ii) The government’s contribution to public health is not encouraging at all. It is really shocking that the Government of India spends around 1% of GDP on the healthcare sector where the target of expenditure should have been at least 2.5% of GDP. The main contribution comes from the private sector but too much focus on profit-motive keeps many people away from taking healthcare benefits from private players.

(iii) The Companies Act 2013 has opened the new door for financing the healthcare sector through CSR route. It is really encouraging to notice that many companies are spending significantly on healthcare over the last 2-3 years. However, a look at the magnitude of the amount garnered for the healthcare sector through CSR initiatives reveals that it cannot solve the financing issue alone.

(iv) Based on the experiences of other countries across the globe, it can be said that alternative financing avenues like the imposition of health cess, 'air ticket levy' etc. may be attempted in India to boost healthcare financing.

The government recently approved the National Health Policy 2017, with a goal to achieve the overall health and well-being of the country, through a combination of preventive, promotive healthcare policies and making available good quality health care services to the public. One of the primary aims of the policy is also to increase the government expenditure on health care in a time bound way to 2.5% of the GDP, while bringing down infant mortality rates, increase life expectancy, create a trained medical workforce, etc. Companies tend to make philanthropic donations to medical set-ups for major treatments. However, there is
a need to adopt and promote preventive approach to healthcare. Beyond setting up health check-up camps, companies can organize ‘awareness programs’ for villages and communities in which they operate. In the light of Government’s push for ‘Swachh Bharat campaign’, companies can establish door-to-door contact programs for villagers, where ill-effects of open defecation and how practicing hygiene can bring medical expenses down is explained (Joshi, 2017).

It is argued that the existing CSR approach is scattered and healthcare outreach initiatives by the companies are happening in pockets. Further, CSR spending across the nation varies widely. Nevertheless, with rising fiscal deficit and leakages in the welfare schemes, CSR attempts to address the problems of society in a cost-effective manner.

To sum up, financing through CSR initiatives alone can’t change the game for the Indian healthcare sector. It can provide a fillip to the industry. It requires financing from all possible sources to rejuvenate the Indian healthcare industry. Alternative ways like health cess (like education cess), the imposition of ‘air ticket levy’, earmarking certain percent of tax imposed on items like tobacco, alcohol, food considered to be detrimental to health for healthcare etc. may be some possible way-outs in raising finance for the healthcare sector. But at the same time, the government has to shoulder the responsibility by enhancing its investment towards public health.

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