

A STUDY ON PRIVATE HEALTH EXPENDITURE IN INDIA

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Abstract: Investment in health capital is a welcoming trend to ensure the quality of labour productivity. Healthy people contribute more to the national product than the unhealthy people. There exists a variation in the health care financing schemes among government and privates. There exists a variation in the health care spending among the states in India. This study examines the trend of private expenditure on health in India. The private expenditure on health in India is very high compared to other countries. More than 60 percent of health spending in India is carried out by the individual himself. The study tries to find out the relationship between private expenditure on health and Gross Domestic Product (GDP) in India.

Key Words: Health Capital, Gross Domestic Product, Productivity, Spending.

INTRODUCTION

Expenditure on health is inevitable both for individual and nation in the development process. Healthy people are an asset of a nation. The notion of human capital is crucial in the development agenda of a nation. Health is an important element in the human capital formation. By improving the quality of life better health is essential. In order to increase the productivity investment in health capital is essential. Expenditure on health is a supporting variable for boosting the economic growth. Good health is a indispensable factor for promoting sustainable economic development.

As per the National Health Profile the centre-state share of total expenditure on health varies from 36:64 during 2009-10- to 29:71 during 2016-17. Per capita public expenditure on health in India shows an increasing trend and it varies from ₹621 during 2009-10 to ₹1411 during 2016-17. It is very undoubtedly say that the public expenditure on health is an explanatory variable for better health status and higher productivity. Regarding the private expenditure on health the productivity enhancement is also a major concern. Here the study tries to find out the association of private expenditure on health and GDP in India.

The relationship between health expenditure and economic growth can be different for different countries. The health expenditure increases the economic growth; this is the first view. The second view is that the health expenditure has no effect on economic growth. The third view is that there exist two-way causality between health expenditure and economic growth.

OBJECTIVES OF THE STUDY

The main objectives of the study are:

- To examine the trend of private expenditure on health in India
- To analyse the association between private expenditure on health and GDP in India

METHODOLOGY

The study is an explanatory in nature. It is based on secondary data which is collected from World health Organisation (WHO), Central Statistical Organisation (CSO), Ministry of Health and Family Welfare (MoHFW), Handbook of Statistics on Indian Economy, RBI. To analyse the data statistical tools such as Percentage, Compound Annual Growth Rate (CAGR), Annual Growth Rate, Mean and Regression are used in the study.

PRIVATE EXPENDITURE ON HEALTH IN INDIA

The private final consumption expenditure estimates by National Accounts Statistics (NAS) is considered as the private expenditure on health in India. The data on private health expenditure in India can be adjusted to 2011-12 prices. Private expenditure on health in India was ₹90070 crores during 2001-02 and it increased to ₹357270 crores during 2017-18. There was an acute increase in the private expenditure on health in India from 2003-04 to 2004-05. Annual growth of private expenditure on health is 11.1 percent during 2004-05 and 14.2 percent in 2017-18. The CAGR of private expenditure on health in India is 8.44 percent for the period 2001-02 to 2017-18.

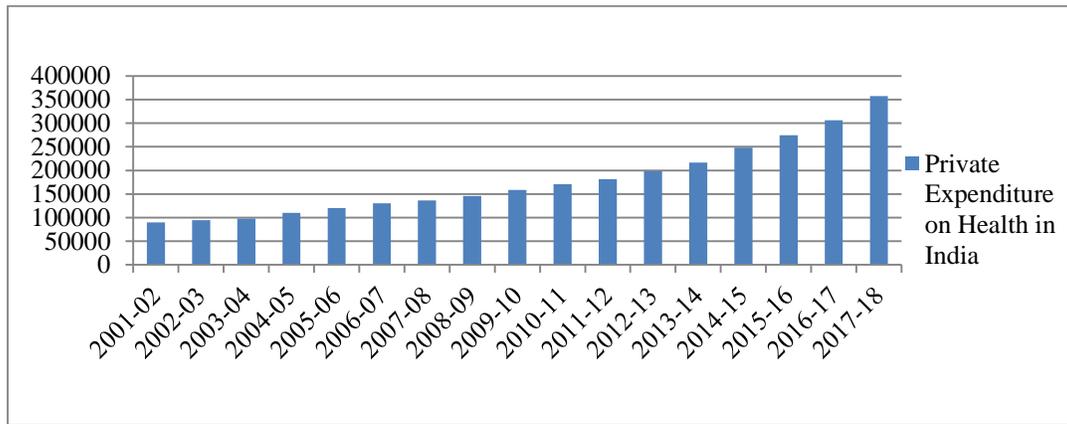
Table 1: Annual Growth Rate in private Expenditure on Health and GDP in India

Year	Private Expenditure on Health	Per Capita Private Expenditure on Health	GDP
2001-02	0.0	0.0	0.0
2002-03	5.0	3.6	3.7
2003-04	3.2	1.8	7.3
2004-05	11.1	9.8	7.3
2005-06	8.0	6.5	8.5
2006-07	8.0	6.7	8.5
2007-08	4.3	2.9	8.9
2008-09	6.4	5.2	3.7
2009-10	8.2	6.9	7.8
2010-11	7.1	5.8	9.3
2011-12	5.9	3.2	6.2
2012-13	8.7	7.6	5.2
2013-14	8.3	7.1	6.0
2014-15	12.8	11.7	6.9
2015-16	9.5	8.4	7.4
2016-17	10.4	9.3	7.6
2017-18	14.2	12.0	6.7

Source: National Accounts Statistics, CSO, Government of India.

The per capita private expenditure on health in India increased from ₹866 to ₹2682 during the period 2001-02 to 2017-18. Annual growth of per capita private expenditure was 12 percent in 2017-18. Annual growth of per capita private expenditure on health was lowest during 2003-04. The difference between the annual growth rate of private expenditure on health and GDP was maximum during 2017-18 and minimum during 2011-12. Annual growth rate of GDP was highest during 2010-11. During 2010-11 the annual growth rate of GDP was 9.3 percent. Annual growth rate of GDP was lowest during 2002-03 and 2008-09.

Figure1: Private expenditure on health in India



Source: National Accounts Statistics, CSO, Government of India.

Table 2: Regression Result of Private Expenditure on Health (PEH) and GDP

Dependent variable	Independent variable	Intercept	R ²	Adjusted R ²	p-value	coefficient	F
GDP	PEH	1504168.876	0.969	0.967	0.00027	35.643	471.763

Since the p value obtained from the ANOVA is less than 0.05, it is clear that the performed regression is significant. The R square value 0.969 implies that the fitted regression model can be used for prediction purpose. The productivity would be increased by investing in human capital especially in the health care. There is no doubt in the case of public expenditure on health that positively associated with the GDP of the country. The private health expenditure on health in India is a good impact on GDP of the country.

Table 3: Percentage Share of Private Expenditure on Health in India

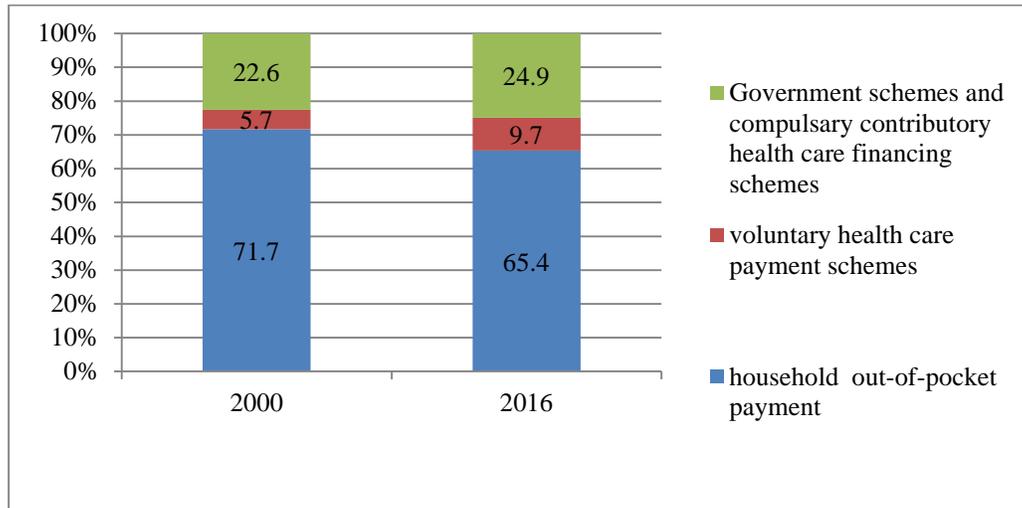
States	2004-05	2014-15	Difference
Assam	80.8	63.1	17.7
Andhra Pradesh	73.4	78.0	-4.6
Bihar	90.2	82.3	7.9
Gujarat	77.5	53.1	24.4
Haryana	85.0	62.5	22.5
Himachal Pradesh	86.0	50.0	36.0
Jammu & Kashmir	77.3	60.7	16.6
Karnataka	70.4	52.2	18.2
Kerala	86.3	73.9	12.4
Madhya Pradesh	83.4	72.0	11.4
Maharashtra	73.3	59.6	13.7
Odisha	79.1	73.6	5.5
Punjab	76.1	79.3	-3.2
Rajasthan	70.0	59.1	10.9
Tamil Nadu	60.7	66.4	-5.7
Uttar Pradesh	84.3	78.3	6.0

Source: Report of National Commission on Macroeconomics and health, Government of India, 2005; National Health Account Estimates for India 2014-15, MoHFW, 2017.

It can be evident from the Table 3 that the privates spend major portion of expenditure for healthcare in India. The share of private expenditure on health deviates from 90.2 percent in Bihar to 70 percent in Rajasthan during 2004-05 and 82.3 percent in Bihar to 50 percent in Karnataka during 2014-15. Bihar stands foremost in these two time periods while concerning the share of private expenditure on health. The share of expenditure on health carried out by privates

increased in the case of Andhra Pradesh, Punjab and Tamil Nadu and decreased in the case of Himachal Pradesh, Gujarat and Haryana.

Figure2: Current Health Expenditure in India



Source: Global health Expenditure Database, WHO

The percentage share of current health expenditure by financing schemes in India during 2000 and 2016 is depicted in the figure. It is clearly evident that the household out-of-pocket payment is the uppermost contributor in the health care financing schemes for both time periods. Among these financing schemes the share of household out-of-pocket payment to the current health expenditure diminishes from 71.7 percent in 2000 to 65.4 percent in 2016. The contribution of government schemes and compulsory contributory health care financing schemes to the current health expenditure shows a marginal increase from 22.6 percent to 24.9 percent and voluntary health care payment schemes also shows an increasing share from 5.7 percent to 9.7 percent to the current health expenditure for the same period.

CONCLUSION

There exists a positive association between private expenditure on health and GDP of India. The private expenditure on health is an explanatory variable for enhancing the economic growth. The private expenditure on health is increasing and this would be a health capital investment to improve the human capital formation. The study neglects the impoverishment effect of high out-of-pocket spending.

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