

# An Analysis of India's Healthcare Systems and Economic Development

**Dr. Medhavini S Katti**

Prof: Department of Economics, Vijayanagara Sri Krishnadevaraya University, Ballari.

## **Abstract:**

One of the key components in determining India's economic development is healthcare. Economic output, inventiveness, and productivity all rely on a healthy workforce. Optimizing Workforce Productivity, Lowering Healthcare Costs, focusing on Preventive Healthcare, are the main factors in development of the economy. Health as a Driver of Human Capital, Attracting Foreign Investment, and more are some of the main ways that healthcare impacts India's economy. Given that a healthy population makes significant contributions to a country's economic success, healthcare and economic development are closely related. In India, there is a complicated and interwoven relationship between healthcare, demographics, and economic development. While inadequate healthcare and unfavourable demographic conditions might impede growth, a robust healthcare system and favourable demographic trends may significantly speed up economic development. India's youthful and expanding population has the potential to significantly boost the country's economy. Health systems improve productivity and the labour supply by promoting better health. Furthermore, when considered as economic sectors, health systems generate commodities and services that directly support economic growth and are a significant source of employment. The primary aim of this research is to analyse the ways in which public healthcare facilities, government responsibilities, and government initiatives impact healthcare in India.

**Keywords:** Government Programmes, Healthcare system, Human Capital, Population, Workforce,

## **INTRODUCTION:**

Like other traditional inputs such as labour and physical capital, health can be considered a vital aspect of productivity as part of human capital (together with education) (Weil 2007). The multifaceted nature of health, however, means that it can be reflected in a variety of metrics, such as life expectancy and the infant mortality rate. Its multifaceted nature also implies that there are multiple ways to improve health, making it a flexible instrument in the commodity basket to raise well-being and per capita income. These factors have led to a recent surge in study on the connection between economic growth and health. A wide range of subjects pertaining to India's economic development and health have been the subject of numerous research. In essence, the labour force participation rate, the sectoral composition or distribution of occupations within the workforce, and labour productivity across various sectors are reflected in the traditional measure of development, per capita income (Bhadhuri, 2006). According to Kaldor (1957), structural change and an improvement in the productivity of the factors of production are essential for economic growth.

India's performance has improved over time in a number of health metrics or indicators, however the nation has yet to meet the necessary performance standards. In particular, India's morbidity and mortality

rates, which reflect the twin dimensions of human health, continue to be unacceptable (Charan and Paramita, 2016). The current study aims to investigate important health indicators and their connection to economic growth, building on the literature evaluations already discussed. In the context of India, the study also aims to analyze the relationship between improved health outcomes and human capital and labor productivity. Comprehending the relationship between healthcare and economic growth is essential to addressing India's high disease burden. The country can reduce illness prevalence, improve health outcomes, and enhance the general well-being of its population by investing in healthcare infrastructure and services.

A healthy and thriving population makes the workforce more productive. In order to develop human capital, investments in healthcare are essential since they guarantee that people are healthy and able to engage fully in the workforce. Consequently, this has a favorable knock-on effect on economic growth and productivity. As a result, researching the connection between India's healthcare system and economic growth is essential to creating a thorough and long-term development plan. Recognizing the complex relationships between health and the general development of the country, such a strategy promotes economic progress and prosperity while attending to the population's health requirements. India's economic development, population, and healthcare all have intricate and intertwined relationships. The right to health is a fundamental right that is protected to all Indian citizens by Article 21 of the Indian Constitution since it is an integral aspect of the right to life.

### Objectives:

1. To examine the contribution of healthcare in India's economic development
2. To understand the government's role and obligations in Indian health care

### Review of Literature.

**Duoying Wang's** research on *The Economic of Healthcare: A Comparative Analysis of Public and Private Healthcare Systems* was published in December 2024 in *Advances in Economics, Management, and Political Sciences*. The study examines the financial effects of both public and commercial healthcare systems, focusing on how they affect healthcare availability, quality, and general economic stability. It emphasizes the significance of sound business management practices and sociological viewpoints in influencing healthcare outcomes by contrasting situations from the US, UK, China, Canada, and Switzerland. The results indicate that in order to address the changing healthcare demands of people while advancing social fairness and economic efficiency, a harmonized model backed by adaptive policies is necessary.

On December 12, 2024, **Abdullah Khalid Alasiri, Adel Ateeq Atiq Aljohani, Abdullah M. Alsuhaimi**, and seven other people examined economic sustainability, technological integration, and critical analysis of healthcare policies. The relationship between healthcare regulations, technology integration, and economic sustainability is examined critically in this research. It highlights how cutting-edge technology and sensible healthcare policies improve system performance and health standards. It also emphasizes how economically necessary it is for nation-states to fund long-term healthcare systems. But there are issues that need to be resolved, like high implementation costs, legal restrictions, and equality concerns. In order to enhance healthcare outcomes, the findings support a comprehensive strategy that incorporates economic planning, technical advancement, and regulatory reforms.

**Raluca and Iulia Cristina Iuga Andreea Nerişanu and Horia Iuga** (17 October 2024) examined the

effects of economic issues and the quality of the healthcare system on the population of older adults from a health economics standpoint. The study examines how economic considerations and the quality of healthcare systems interact with the older adult population in EU nations. It concludes that a larger elder population is positively correlated with higher GDP, efficient healthcare spending, and hospital bed availability. On the other hand, older persons' access to healthcare resources and services is adversely affected by excessive unemployment and inflation. In order to improve quality of life and promote sustainable aging in society, the study highlights the necessity of coordinated healthcare and economic strategies.

**Mark P. Connolly, Désirée Vandenberghe, Baudouin Standaert, and +1 others** (4 Sep 2024) are working on a project called "The Knowledge and Application of Economics in Healthcare in a High-Income Country Today: The Case of Belgium." The study analyses the economics of healthcare in Belgium, noting that in 2021, health received EUR 55.5 billion, or 11% of GDP, and 30% of the country's Social Security Fund. It illustrates the application of budget impact-related cost-effectiveness analysis, which has an impact on just 20% of healthcare funding. In light of upcoming issues like aging and climate change, the report recommends a move toward budgeting with specified goals and limited optimization techniques in order to improve affordability and sustainability.

### **Methodology:**

For the analysis of healthcare systems, economic factors, and policy implications, and role and responsibilities of the government, researcher has taken insights from various research papers to provide a comprehensive understanding of the topic.

### **Details of the study:**

#### **The importance of healthcare in the economic development of India.**

India's youthful and expanding population has the potential to significantly boost the country's economy. Therefore, there is a close relationship between healthcare and demographics in the Indian economy. By improving human capital, increasing productivity, and promoting innovation, health plays a critical role in economic development and ultimately contributes to the prosperity of a country. The services and resources used to preserve and enhance health, including prevention, diagnosis, treatment, and rehabilitation, are together referred to as healthcare. The reason it is so important is that it directly affects economic growth, societal productivity, and individual well-being by encouraging a healthy population and allowing individuals to live longer, more satisfying lives.

Better labour force participation and fewer days lost to illness are two benefits of a healthier populace. Workers are more productive when they are in excellent health, contributing to higher economic output. The overall cost of treating avoidable diseases will go down as healthcare systems get better. As a result, funds may become available for investments in infrastructure, education, and other sectors of the economy. India can attract international investment if it has a strong healthcare system. Because healthy workers are more productive and healthcare costs are lower, investors favour nations with dependable healthcare systems. India may attract international investment if it has a strong healthcare system. Because healthy workers are more productive and healthcare costs are lower, investors favour nations with dependable healthcare systems. Having access to high-quality healthcare improves educational outcomes and cognitive development, which increases human capital.

Children who are in better health are more likely to go to school, do better academically, and grow up to

be skilled workers who support sustained economic growth.

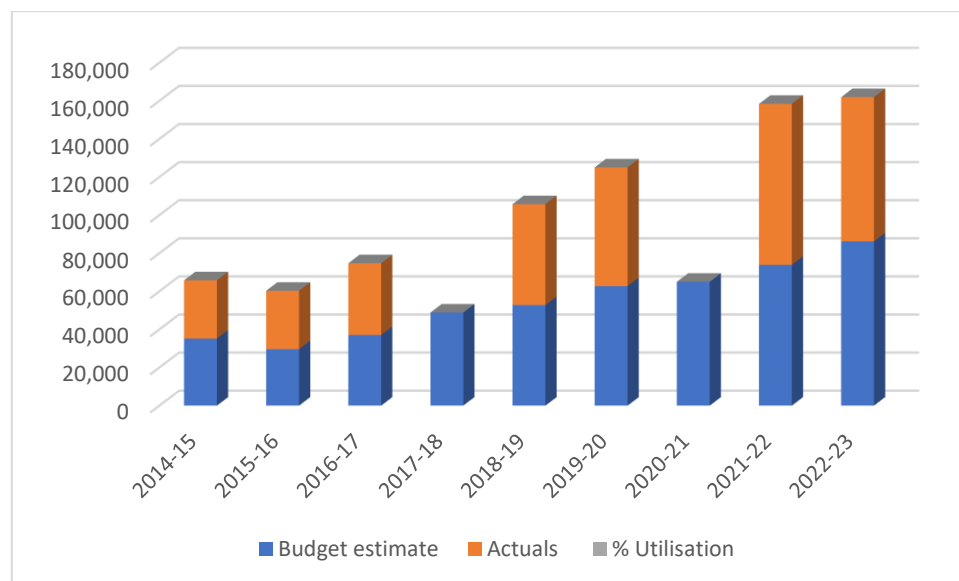
India must increase funding for its medical facilities, such as clinics, hospitals, and rural health centers. Access to necessary services is guaranteed for both urban and rural populations by a strong healthcare infrastructure. Enhancing life expectancy and economic productivity need better mother and child health. Long-term economic growth depends on a healthier and more productive next generation, which would be achieved by lowering baby and maternal mortality rates. Education and health are closely related. People with higher levels of education are more likely to be in good health, and educated people tend to make better health-related decisions. Therefore, in order to promote economic development, expenditures in health and education must be made together.

## Healthcare facilities in India.

Type of Facility	Number in India	Description
Hospitals	26,000+	Includes government, private, and specialized hospitals
Primary Health Centers	25,000+	Provide basic healthcare services in rural areas
Community Health Centers	5,000+	Offer more comprehensive services than PHCs, including specialists
Diagnostic Centers	40,000+	Include labs, imaging centers, and specialized diagnostic facilities
Nursing Homes	18,000+	Provide long-term care and rehabilitation services
Telemedicine Centers	1,000+	Increasing trend, providing remote consultations and healthcare services

**Source: Press information Bureau**

There is an unequal distribution of healthcare facilities, with more specialist facilities found in metropolitan areas than in rural ones. Accessibility and affordability are impacted by the quality differences between public and private facilities. Telemedicine is currently being used more widely to fill in the gaps in access to healthcare in remote areas. When compared to international norms, public spending on healthcare is minimal. Because out-of-pocket costs are still substantial, many people find healthcare to be costly. Hospital beds and doctors are still in short supply, particularly in rural areas. The size and variety of healthcare facilities in India are shown in this table, which also reflects the sector's continuous improvements and problems. Both the private and public sectors make up India's healthcare system, and the government is working harder to make it more affordable and accessible.



**Source: Retrieved from Centre for development policy and practice on 26.03.2025**

According to the Economic Survey 2022-23, India's public spending on healthcare reached 2.1% of GDP in FY22 and 2.1% in FY23, up from 1.6% in FY21. In FY24, India's public spending on healthcare reached 1.9% of GDP, up from 1.6% in FY23, according to the Economic Survey 2023-24. Therefore, one of the main forces behind India's economic expansion is the healthcare sector. Productivity is increased by a healthy workforce, and the industry as a whole makes a substantial contribution to employment and GDP.

## The government's role and obligations in Indian healthcare

In both urban and rural areas, the government is essential in guaranteeing high-quality medical services, inexpensive treatment, and universal access to healthcare. Its duties include emergency response, funding, infrastructure development, policymaking, and regulation.

## Increasing Economic Growth and Workforce Productivity

Economic growth is strongly influenced by a healthy population since it increases efficiency, production, and reduces sick days. The government's initiatives include the Immunization Programs (Mission Indradhanush), which primarily prevents disease outbreaks and reduces economic losses due to healthcare crises; the National Health Mission (NHM), which strengthens primary and secondary healthcare services, ensuring a healthier workforce; and Ayushman Bharat-PMJAY, which provides free healthcare to low-income groups, reducing absenteeism due to illnesses. The economic impact of this is reflected in a more experienced workforce, lower economic loss from avoidable diseases, and increased labor participation and efficiency.

## Lowering the Financial Burden Associated with Healthcare

Reducing the financial load is one of the government's other crucial functions. Exorbitant medical costs can force families into poverty by lowering their disposable income for things like business, education, and general economic growth. Through lowering out-of-pocket costs, government-initiated health insurance programs (PMJAY, ESI, and RSBY) enable citizens to save and invest in other areas. The Jan Aushadhi Scheme makes healthcare more cheap by providing inexpensive generic medications. Drug costs are regulated by the National Pharmaceutical Pricing Authority (NPPA) to guarantee affordability. These programs' economic effects include higher household disposable income, which boosts economic growth and consumption. On addition to guaranteeing financial stability and preventing medical bankruptcy, it

promotes investment in entrepreneurship and education.

### **Employment Growth and Job Creation in the Healthcare Industry**

One of the industries that creates the most jobs is healthcare, which accounts for millions of direct and indirect jobs. Among the government initiatives are Public Hospital and Medical College Expansion: raises the need for paramedical personnel, physicians, and nurses. Employment possibilities in the rural healthcare industry are created by Ayushman Bharat Health and Wellness Centers (HWCs). Pharmaceuticals' Production-Linked Incentive (PLI) Scheme promotes domestic medication production and creates employment in the industry. The healthcare industry's economic impact includes creating jobs in biotech, pharmaceuticals, hospitals, and medical research, as well as recruiting young people to seek professions in the field and bolstering the talent pool & encourages entrepreneurship in telemedicine and medical technologies.

### **The Development of Rural Healthcare and Inclusive Economic Growth**

Rural communities' access to healthcare keeps people from moving to cities, promoting balanced economic growth. Government initiatives for balanced economic growth consist of: Public-Private Partnerships (PPPs) in Rural Healthcare, which basically encourage private investment in underserved regions; Telemedicine & Sanjeevani, which gives remote populations access to digital healthcare; and Ayushman Bharat Health and Wellness Centers (HWCs), which fortify rural healthcare infrastructure. As a result of this balanced growth, the local economy is boosted, healthcare-related migration to urban regions is decreased, regional growth is balanced, and rural labor participation rises. Lastly, healthier farmers ensure higher agricultural productivity.

### **Preparedness for Pandemics and Economic Stability**

A robust public health system shields the economy from the disruptions that pandemics and disease outbreaks can entail. Over 1 billion people were effectively vaccinated as a result of the Indian government's COVID-19 Vaccination Drive, which ensured a rapid economic recovery. The National Center for Disease Control (NCDC) is another; it was established to improve disease surveillance and fast response systems. The most significant is the Emergency Medical Infrastructure Expansion, which boosted the number of intensive care unit beds, ventilators, and medical supplies to manage future emergencies. Preventing long-term economic slowdowns brought on by pandemics, ensuring business continuity by protecting the workforce, and boosting international confidence in India's healthcare capabilities are the key economic effects of these protection measures. They also draw investments.

In the healthcare sector, the Indian government contributes significantly to economic growth through increasing worker productivity, lowering costs, generating employment, and encouraging medical travel. Ayushman Bharat, NHM, and Jan Aushadhi are important programs that increase healthcare affordability and accessibility, resulting in a workforce that is healthier and more productive. Innovation and balanced regional growth are fueled by investments in digital health, pharmaceutical R&D, and rural healthcare. Furthermore, disease prevention and pandemic preparedness protect economic stability. India's long-term economic growth depends on a robust healthcare system since it boosts GDP, employment, and global competitiveness.

In order to ensure a healthier and more productive workforce, medical colleges should be expanded, more physicians and nurses should be trained, and hospitals should be upgraded. In India, underserved regions and rural areas continue to lack adequate healthcare infrastructure in spite of government initiatives. Because a sizable portion of the workforce continues to be unwell and unproductive, this restricts the potential advantages of healthcare-driven economic growth. Despite being a major manufacturer of



pharmaceuticals, India still invests little on healthcare technology and medical research when compared to wealthy countries. Global competitiveness and long-term economic gains in the healthcare industry may be restricted by a lack of innovation. Reducing financial stress and promoting economic stability can be achieved by extending health insurance beyond low-income groups to middle-class families.

### Conclusion:

In India, there are many doctors and hospitals so, the country's infrastructure has advanced significantly, medical tourism has grown, and the government has taken steps to improve access and care quality. India offers a combination of private and public healthcare, with a growing emphasis on universal health coverage (UHC). Availability is being improved by government initiatives like Ayushman Bharat. The healthcare system in India is becoming better, but there are still issues with pricing, accessibility, and finance. Better insurance penetration, infrastructural development, and higher public spending can all contribute to more efficient and equitable healthcare. High out-of-pocket costs, the doctor-patient ratio, and unequal healthcare distribution continue to be major issues. Even with the assistance of government programs like Ayushman Bharat, many middle-class families still have to pay significant medical bills since private healthcare is so costly. This lowers disposable income, which has an impact on economic growth and consumption. Despite having a sound design, healthcare programs are not as effective as they may be due to bureaucratic delays, corruption, and poor execution. Lack of funds, obsolete equipment, and a lack of employees plague many government hospitals, lessening their influence on economic growth. In comparison to many developing countries, India spends less on healthcare (around 2% of GDP). Economic gains can be maximized by increasing financing for research, public hospitals, and rural healthcare.

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