

## THE IMPACT OF HEALTH ON ECONOMIC DEVELOPMENT: AN INDIAN PERSPECTIVE

**Mr. Krishnaji Dasar**

Research Scholar, Kannada University, Hampi

[Krishnajidasar@gmail.com](mailto:Krishnajidasar@gmail.com)

### ABSTRACT:

I have discussed the topic in one of my articles on how the impacts of health on economic development. Here I have mainly discussed about the role of health in economic development and how it is broad and also the importance of health according to the World Health Organization has been explained. The present health in India explained. The nature of health in India's economic development has also been found and remedied. Health care of economic development in India at present is also explained. Finally a Bibliography is provided in related to my article to complement it.

### KEYWORDS:

Role of Health in Economic Development, Recent Health status in India, Current status and potential in the Health care sector and Economic Development, Conclusion and so all..

### INTRODUCTION:

The Economists began to place greater emphasis on the role of human capital as a determinant of productivity and growth in the early 1990s. Since then, the importance of health and education in economic growth has received much attention (both theoretical and empirical), and a strong consensus has emerged in the last decade that human capital accumulation is an important determinant of economic growth. Health has a great significance from economic point of view. Healthy population is an asset for an economy while ill and aged population is a burden. From the point of view of an individual, health performs dual functions. On the one hand, good health represents a value of its own target that needs to be reached as closely as possible.

On the other hand, there are other aims in life as well such as good health gives good income in labour market. In a developing economy like India, human capital can play a significant role in lifting people out of poverty and enabling them to lead a healthy and productive life. In statistical analysis revealed that, whether the nation is developed, developing or under developing there are strongly positive correlation between health expenditure and GDP.

Meaning of Health : WHO constitution(1948) A state of complete physical, mental, and social well being and not merely the absence of disease or infirmity.

Meaning of Economic Development: Meets the needs of the present compromising the ability of future generation to meet their own need.

Then, Health and education contribute to the development of human capital, which is the knowledge, skills, and abilities of a population. A well-educated and healthy workforce is more productive and adaptable, which is essential for economic growth. India's healthcare system is a diverse and complex network comprising both public and private sectors, delivering a wide range of medical services to the nation's 1.4 billion people.

Now as the Supreme Court orderd that deliberates on standardising medical procedure rates across government and private sectors, affordability remains a key consideration. However, imposing one-size-fits-all price caps could severely undermine healthcare quality. A study from the Health Care Management Review indicates that hospitals under financial pressure from price caps report a 15% increase in patient dissatisfaction and rising health disparities and uneven access to medical services, the need for equitable and sustainable healthcare policies has never been more urgent. Ongoing discussions about setting rates for medical services are not merely bureaucratic exercises but they fundamentally shape how we perceive, access, and deliver healthcare across India.

### **OBJECTIVES OF THE STUDY:**

- To study the health status in India.
- To study the impact of health on economic development in India.
- To study the role of health in economic development in India.
- To study the Recent Health status in India.
- To study the Current status and potential in the Health care sector and Economic Development.

### **METHODOLOGY:**

The basic applies theories, concepts, tools of health economics to the problems, and issues in the health care sector. Attempts to determine how to use the limited amount of resources available most efficiently in the obtaining society's desired health goals .

### **EXPLANATION:**

It is considering, health to be a crucial aspect of human capital, and therefore a vital ingredient of economic growth. In order to explain the relationship between health and economic growth, it is necessary to understand the concept of health in a broad sense. Health is not only the absence of illnesses; it is also the ability of people to develop to their potential during their entire lives. It is an asset individuals possess, which has intrinsic value as well as instrumental value. In instrumental terms, health impacts economic growth in a number of ways. For example Healthier workers are physically and mentally more energetic and robust. They are more productive and earn higher wages. They are also less likely to be absent from work because of illness (or illness in their family). Illness and disability reduce hourly wages substantially, with the effect especially strong in developing countries, where a higher proportion of the work force is engaged in manual labour than in industrial countries. Health performance

and economic performance are interlinked. Wealthier countries have healthier populations for a start. And it is a basic truth that poverty, mainly through infant malnourishment and mortality, adversely affects life expectancy. National income has a direct effect on the development of health systems, through insurance coverage and public spending, for instance.

As per WHO Commission on Macroeconomics and Health<sup>11</sup> for a panel of 167 countries, while health expenditures are determined mainly by national income, they increase faster than income. The effects of health on development are clear. Countries with weak health and education conditions find it harder to achieve sustained growth. Indeed, economic evidence confirms that a 10% improvement in life expectancy at birth is associated with a rise in economic growth of some 0.3-0.4 percentage points a year. Disease hinders institutional performance too. Lower life expectancy discourages adult training and damages productivity. Similarly, the emergence of deadly communicable diseases has become an obstacle for the development of sectors like the tourism industry, on which so many countries rely.

### **ROLE OF HEALTH IN ECONOMIC DEVELOPMENT:**

Health is both causes and effects of economic development. Investment in health is recognised as an important means of economic development. As the Commission on Macroeconomics and Health of the World Health Organization (WHO) has shown, substantially improved health outcomes are a prerequisite if developing countries are to break out of the circle of poverty. Good health contributes to development through a number of pathways:

- 1) Higher worker productivity:** Healthier labours are more productive, earn higher wages, and neglect fewer days of work than those who are ill. This increases output, increases turnover in the workforce, and increases enterprise profitability and agricultural production.
- 2) Higher rates of domestic and foreign Investment:** Increased labour productivity creates incentives for investment. Besides, controlling endemic and epidemic diseases, such as HIV/AIDS, is likely to encourage foreign investment, both by increasing growth opportunities for them and by reducing health risks for their personnel.
- 3) Improved human capital:** Healthy children have better cognitive potential. As health improves, rates of absenteeism and early school drop-outs fall, and children learn better, leading to growth in the human capital base.
- 4) Higher rates of national savings:** Healthy people have more resources to assign to savings. These savings in turn provide funds for capital investment.
- 5) Demographic changes:** Improvements in both health and education contribute to lower rates of fertility and mortality. After a delay, fertility falls faster than mortality, slowing population growth and reducing the “dependency ratio” (the ratio of active workers to dependants). This “demographic dividend” has been shown to be an important source of growth in per capita income for low-income countries.

**6) Improved Utilisation of Natural Resources:** Health investment contributes to better deployment of economic resources of a nation. Many developing economies waste huge sum of money on treatment of various diseases rather than their prevention. This leads of wastage of resources. Eradication of diseases also enhances labour productivity. The investment made in treating disease can be diverted to other productive uses.

**7) Multiplier Effect of Health Expenditure Extending to Next Generation:** Good health at the initial stage of life, i.e. among children from 1-6 years of age is a pre-requisite for future development of these children. A child who is physically and mentally fit at the age of 5 or 6 years is more likely to enrol for school and will develop a strong foundation through active learning and regularity in class. Again it is a well established fact that a healthy and educated individual certainly generates more income than an uneducated individual, thereby making contribution to the national income of the nation.

**8) Long run Reduction in Cost of Medical Care:** Spending in healthcare for short run prevents and reduces the incidences of diseases in long run and results in giant savings in treatment costs. The expenditure pays for some diseases even when all the indirect benefits such as higher labour productivity, reduced pain and suffering are ignored for example Polio. In America prior to the eradication of polio showed that investing \$220 million over 15 years to eliminate the disease would prevent 22,000 cases and save between \$320 million to \$1.3 billion in annual treatment costs<sup>10</sup>. In addition to their beneficial macro-economic impact, health improvements have intergenerational spill-over effects that are clearly shown in micro-economic activities, not least in the household itself. The “demographic dividend” is particularly important for the poor as they tend to have more children, and less to “invest” in the education and health of each child. With the spread of better health care and education, family size declines. Children are more likely to escape the cognitive and physical consequences of childhood diseases and to do better in school. These children are less likely to suffer disability and impairment in later life and so are less likely to face catastrophic medical expenses and more likely to achieve their earning potential. Then, as healthy adults, they have more resources to invest in the care, health and education of their own children.

## RECENT HEALTH STATUS IN INDIA

### ❖ Growing Acceptance of Telemedicine:

India has seen a growing acceptance of telemedicine post the pandemic. The telemedicine market in India was almost 830 million U.S. dollars in 2022 and is expected to grow at a CAGR of 24% from 2023 to 2030 The drive to Increase the availability of affordable internet and mobile connectivity has made it easier for patients to consult with doctors online. The use of AI and machine learning for medical data are helping to improve patient outcomes and increase access to care, while also reducing costs. This will be especially beneficial in rural and remote areas, where access to healthcare is often limited. In addition, telemedicine can also help reduce

the burden on India's already strained healthcare system by providing quicker and more efficient access to medical care.

#### ❖ Proliferation of Remote Monitoring tools:

The patient monitoring market in India is expected to grow at a CAGR of 9.39% over the next five years. Remote monitoring tools are becoming increasingly popular in India as more and more people seek ways to improve their health and wellness. With these tools, patients can take a proactive role in their healthcare and receive timely interventions when necessary. Some of the most popular remote monitoring tools today include fitness trackers, blood pressure monitors, heart rate monitors, and glucometers. The patient can wear these devices or place them in their home, transmitting data to the healthcare provider regularly. This data can then be used to identify trends and make necessary changes to the care plan.

#### ❖ Transformational Diagnostics:

The Indian transformational diagnostic market is expected to grow at a CAGR of 7.12% till 2025. Transformational diagnostics are pivotal in population health management, as they can help identify individuals at risk for certain diseases and conditions. Some of the most promising transformational diagnostic tests that played a crucial role during the pandemic include genomic sequencing, next-generation sequencing, whole-genome sequencing, and RNA-based tests. These tests have the potential to revolutionize healthcare in India and will continue to transform the healthcare industry by providing more accurate and timely information about diseases and conditions.

#### ❖ The Rise of Healthcare SaaS

Healthcare software as a service (SaaS) has become an increasingly popular solution for healthcare organizations looking to improve their efficiency and quality of care. Healthcare providers need solutions to store electronic health records and population health management data. SaaS based solutions help healthcare providers manage patient medical records, appointments, and billing information. As healthcare organizations turn towards trusted-third party software providers to focus on patient care, the Indian healthcare SaaS industry is expected to increase at a CAGR of 19.5% and reach \$50 billion by 2028.

#### ❖ Growth & Diversification

The Indian healthcare industry is expected to reach a valuation of USD 132 billion by 2023 growing at a CAGR of 16-17%. The sector needs to be more cohesive, with many small and medium-sized startups. In such a scenario, mergers and acquisitions (M&A) are expected to play a vital role in the growth and consolidation of the sector. Some of the key areas where M&A activity is expected to increase include expansion into new geographies, entering into new segments (senior care, wellness, and preventive care), increasing focus on specialty care, promoting digital health, and consolidating the hospitals into healthcare chains.

## ECONOMIC CURRENT STATUS:

- **Public Expenditure:** According to the Economic Survey 2022-23, India's public expenditure on healthcare reached 2.1% of Gross Domestic Product (GDP) in FY23 and 2.2% in FY22, up from 1.6% in FY21.
- **Generating Employment:** As of 2024, the healthcare sector is one of India's largest employers, with a workforce of 7.5 million people.
- **Broader Market:** The Indian healthcare market, valued at USD 110 billion in 2016, is projected to reach USD 638 billion by 2025.
- **Medical Tourism:** India's healthcare sector has emerged as a global destination for medical tourism, attracting patients from around the world due to its skilled medical professionals, advanced healthcare facilities, and cost-effective treatments. The number of medical tourists visiting India is projected to be around 7.3 million in 2024, up from 6.1 million estimated in 2023.Potential:
- **AI-driven Employment:** A recent research report forecasts that the integration of Artificial Intelligence (AI) in the Indian healthcare sector will generate nearly 3 million new jobs by 2028.
- **Telemedicine Market:** It has the maximum potential eHealth segment in India, which is expected to touch \$5.4 Bn by 2025, growing at a Compound Annual Growth Rate (CAGR) of 31%.
- **Human Resource:** India possesses a significant number of doctors, nurses, specialists, and other healthcare professionals who help make India a critical healthcare provider.
- **Credit Incentive:** The Indian government is planning to introduce a credit incentive programme worth Rs. 50,000 crore (USD 6.8 billion) to boost the country's healthcare infrastructure.

## SIGNIFICANCE AND CHALLENGES IN HEALTH CARE SERVICES AND ECONOMIC DEVELOPMENT OF INDIA

India's healthcare system is a diverse and complex network comprising both public and private sectors, delivering a wide range of medical services to the nation's 1.4 billion people. As the Supreme Court deliberates on standardising medical procedure rates across government and private sectors, affordability remains a key consideration. However, imposing one-size-fits-all price caps could severely undermine healthcare quality. A study from the Health Care Management Review indicates that hospitals under financial pressure from price caps report a 15% increase in patient dissatisfaction.

With rising health disparities and uneven access to medical services, the need for equitable and sustainable healthcare policies has never been more urgent. Ongoing discussions about setting rates for medical services are not merely bureaucratic exercises but they fundamentally shape how we perceive, access, and deliver healthcare across India.

- **Lack of infrastructure:** India has been struggling with deficient infrastructure in the form of lack of well-equipped medical institutes. The government mandated that private medical colleges must be built on at least five acres of land hence, they were built in rural areas, where there was a lack of adequately qualified, full-time doctors due to living conditions, besides low pay scales. The Nation's Medical Commission (NMC) has put forward the idea to do away with the requirement of minimum five acres of land.
- **Shortage of Efficient and Trained Manpower:** There is a severe shortage of trained manpower, this includes doctors, nurses, paramedics and primary healthcare workers. The doctor-to-patient ratio remains low, which is merely 0.7 doctors per 1,000 people whereas the World Health Organisation (WHO) average is 2.5 doctors per 1,000 people. Population Density and Demographics: The sheer size and diversity of the population pose unique challenges in providing healthcare services to all. Aging population and the associated increase in chronic diseases add to the healthcare burden.
- **High out-of-pocket Expenditure:** While public hospitals offer free health services, these facilities are understaffed, poorly equipped, and located mainly in urban areas leaving no alternatives but to access private institutions and incurring high out-of-pocket expenses in healthcare.
- **Disease Burden:** High prevalence of communicable diseases (such as tuberculosis) and the increasing burden of non-communicable diseases (like diabetes, cardiovascular diseases) pose a dual challenge. Every year, roughly 5.8 million Indians die from heart and lung diseases, stroke, cancer and diabetes.
- **Lack of Diagnostic Services:** The penetration of diagnostic services in India is mainly concentrated around metros and big cities. Shortage of hygiene infrastructure, lack of awareness, limited access to facilities, lack of trained medical personnel, dearth of medicines and good doctors are the challenges faced by more than 70 percent of India's population living in rural areas.
- **Public-Private Partnership Issues:** Challenges in fostering effective collaboration between the public and private sectors in healthcare. Ensuring that the private healthcare sector serves the larger public health goals.

## RECENT ECONOMIC DEVELOPMENT IN INDIA'S HEALTHCARE SECTOR.

- **Accessibility to Remote Areas:** India's healthcare system aims to provide accessible and affordable healthcare services to those residing in remote and rural areas. Examples include the establishment of Primary Healthcare Centres (PHCs), Community Health Centres (CHCs) and the National Rural Health Mission (NRHM) to strengthen rural healthcare infrastructure.
- **Addressing Infectious Diseases:** India has made notable progress in combating polio, smallpox, and measles through comprehensive immunisation programs. The Pulse Polio Immunization Program, launched in 1995, has been instrumental in eradicating polio from India.

- **Tackling Non-Communicable Diseases:** The National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases, and Stroke (NPCDCS) was launched to address the issues of non-communicable diseases (NCDs) such as diabetes, cardiovascular diseases, and cancer.
- **Maternal and Child Health:** Initiatives like the Janani Suraksha Yojana (JSY) and the Integrated Child Development Services (ICDS) have been implemented to improve maternal and child health outcomes, reduce infant and maternal mortality rates, and promote institutional deliveries.
- **Pharmaceutical Industry:** India is a major producer and exporter of generic medications, contributing significantly to the global supply of affordable medicines.
- **Traditional Medicine Systems:** India has a rich heritage of traditional medicine systems like Ayurveda, Yoga, Unani, Siddha, and Homeopathy. The ministry of AYUSH promotes and regulates these systems, ensuring their integration into the mainstream healthcare system.
- **Inadequate Infrastructure and Urban-Rural Disparities:** Although over 75% of healthcare professionals are concentrated in metropolitan areas, which comprise just 27% of the population, the shortage of medical professionals is particularly severe in rural regions. According to the National Health Profile of 2021, India has 0.6 beds per 1000 population. Urban regions typically have better infrastructure, skilled professionals, and specialised care compared to rural areas.
- **Shortage of Healthcare Professionals:** According to WHO data, there are only 0.8 doctors per 1,000 people in India, falling short of the recommended ratio of 1 doctor per 1000. The government says there was a nearly 80% shortage of surgeons, physicians, gynaecologists and paediatricians at community health centres in rural India as of March 2022.
- **Insufficient Public Healthcare Funding:** The lack of financial protection for individuals seeking healthcare services results in out-of-pocket expenditure accounting for over 60% of healthcare costs in India. With limited health insurance coverage, many delay or avoid treatments, leading to further health complications and issues.

The latest NFHS-5 report indicates that the average out-of-pocket expenditure per delivery in a public health facility is Rs. 2,916. In urban areas, this cost is Rs. 3,385, while in rural areas, it stands at Rs. 2,770 India's public expenditure on healthcare is only 2.1% of GDP in 2021-22 while Japan, Canada and France spend about 10% of their GDP

- **Growing Burden of Diseases:** NCDs have seen a swift global rise, emerging as a primary cause of disability, morbidity, and mortality and they contributed to approximately 41 million deaths worldwide, representing nearly three-quarters of all fatalities.
- **Inadequate Mental Healthcare:** India faces a shortage of mental health professionals per capita, which is among the lowest in the world and the government allocates minimal funding to mental health services.



## CONCLUSION

As India aspires to be a global healthcare leader, fostering an environment conducive to innovation while ensuring equitable access to quality healthcare is crucial. Prioritising the well-being of every individual is essential. The positive cross-country correlation between health and economic growth is well established, but the underlying mechanisms are complex and difficult to discern. Three issues are of central concern. First, assessing and disentangling causality between health and economic growth is empirically challenging.

Second, the relation between health and economic growth changes over the process of economic development. Third, different dimensions of health (mortality vs. morbidity, children's and women's health, and health at older ages) may have different economic effects.

The process of economic growth as well as the major macro-economic policies depends largely on the key growth sectors in the economy. The inter linkages of sectors are particularly important as policy impetus for the growth of a high linked sector can automatically impact the interlinked sectors through both forward and backward linkages and can improve the growth prospectus manifolds. The State Government is actively taking initiative in obtaining accurate and reliable data, keeping record of infrastructure, amenities, education, health etc. This act as an important catalyst for enhancing public participation thus strengthening 'SabkaSaath, SabkaVikas' or 'Collective Efforts, Inclusive Growth'. Thus, this increases the overall growth rate in multi-dimensional prospects and different process individually. SDG's initiatives resulted in major changes in social and institutional areas. SDG ensures removal of poverty and removal of inequality and is gradually erasing all its influence on the State which creates barriers of growth and development within the State and country.

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