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# ROLE OF NBFCs IN HEALTHCARE SECTOR DEVELOPMENT IN INDIA

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**ABSTRACT**

*Governments around the globe, particularly in developing countries with significant concentration of the under privileged, play a pivotal role in providing and regulating health services. In India, the total healthcare expenditure, including that in the private sector, is estimated to be 3.9% of GDP, out of which effectively about one-third is contributed by the public sector. This contribution is low compared to other developing and developed countries. National Health Policy 2017 has proposed for this to be increased to 2.5% of GDP by 2025. Efficient NBFCs with deep domain understanding and clear sector focus are actively considering healthcare financing. They have an edge as they understand the entire life cycle of healthcare and pharma industry – cash flows, gestation period before return on investment and other nuanced parameters that affect the industry.*

***KEYWORDS***: *Craft Production, Market Levies, Rahdari, Overseas Trade, Mint Charges.*

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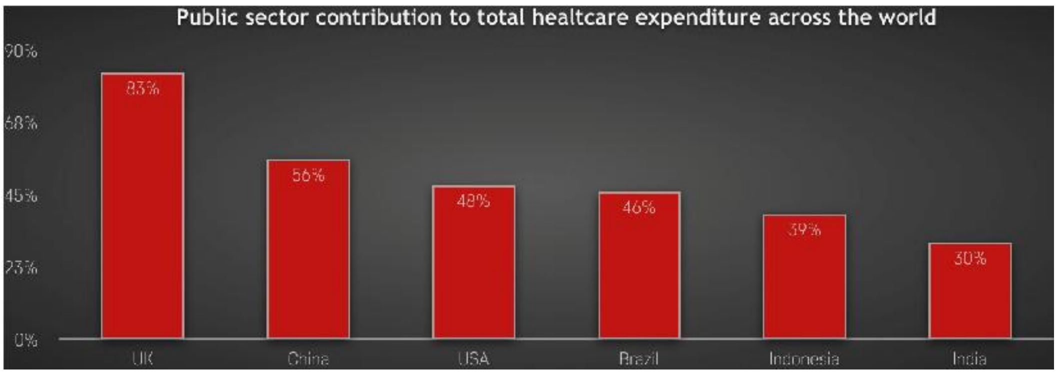
## Introduction

### Role of NBFCs in Healthcare Sector Development

Governments around the globe, particularly in developing countries with significant concentration of the under privileged, play a pivotal role in providing and regulating health services. However, the private sector is fast catching up. World Health Organization's 2018 Global Health Financing report suggests that low-income countries are now spending USD 60 per capita for a basic package of health services; however, there's still room for improvement to make healthcare more equitable and accessible for all. In India, the total healthcare expenditure, including that in the private sector, is estimated to be 3.9% of GDP, out of which effectively about one-third is contributed by the public sector. This contribution is low compared to other developing and developed countries. The public healthcare expenditure in India (total of Central and State Governments) remained constant at approximately 1.3% of the GDP between 2008 and 2015 and increased marginally to 1.4% in 2016-17. National Health Policy 2017 has proposed for this to be increased to 2.5% of GDP by 2025. (Source: National Health Mission under the Ministry of Health and Family Welfare)

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In 2018, Government of India launched Ayushman Bharat, a National Health Protection Scheme, intending to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries), to provide coverage of up to INR 5 lakh rupees per family per year for secondary and tertiary care hospitalization. This scheme subsumes the centrally sponsored schemes - Rashtriya Swasthya Bima Yojana (RSBY) and Senior Citizen Health Insurance Scheme (SCHIS). The beneficiaries can avail benefits in both public and empaneled private facilities. Additionally, several state governments also have come up with their own health insurance schemes. For instance, Arogya Raksha Yojana, an initiative by Andhra Pradesh government is a comprehensive health insurance plan that offers people in rural areas access to affordable and high-quality healthcare, provided by a network of renowned hospitals and clinics, supported by leading doctors and surgeons. This facility can be availed by individuals for as little as INR 502 to INR 594 per annum.

Despite these initiatives, the actual public spending on healthcare has not shown much increase. A large proportion of the healthcare requirements are met by the private sector – private clinics, over the counter stores (OTCs), private hospitals, diagnostics and private doctor consultations.

Whilst the increasing corporatization of the healthcare market in the country is proving beneficial for the healthcare providers, it is plagued with its own set of problems. The existing private organizations in the healthcare industry are required to invest in infrastructure to make it more contemporary and then grow it to achieve economies of scale. However, the cost curves tend to grow at a faster pace than the revenue generation. This inability to keep costs low and scale up expenditure on efficient deployment of healthcare infrastructure has meant that the private healthcare sector needs to be propped by timely and adequate funding.

Despite these challenges, the healthcare industry in India is expected to grow at a CAGR of 15% and reach USD 280 billion by 2020. (Source: FICCI-KPMG report). The overall healthcare ecosystem, comprising of hospital services, diagnostic services, diagnostic products, medical devices, medical technology, e-Health services, clinical trial services, and clinical research organizations, is attracting foreign investors.

Foreign direct investment (FDI), along with domestic private investment, is considered a potential source of finance not only to raise funds, but also to promote foreign sector involvement in the hospital space in order to provide world class healthcare services to all and to create employment opportunities. Many healthcare ventures are being funded aggressively by strategic investors / financial investors / private equity.

**Non-banking Financial Company (NBFC) and its Role**

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/ bonds/ debentures/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business, but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property.

A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company (residuary non-banking company).

The last few years have seen the re-emergence of the NBFCs in funding the entire gamut of healthcare services – from funding of the equipment and molecular research to drug delivery system (DDS) and hospitals, clinics and diagnostics. Many traditional pharmaceutical companies and startups are also looking at NBFCs to source funds. NBFCs, too, are willing to go the extra mile to finance businesses where conventional source of funds may no longer be available.

Efficient NBFCs with deep domain understanding and clear sector focus are actively considering healthcare financing. They have an edge as they understand the entire life cycle of healthcare and pharma industry – cash flows, gestation period before return on investment and other nuanced parameters that affect the industry. These NBFCs are, therefore, willing to take a view on the management capability, risks of greenfield projects, surge of digital technology in healthcare and pharma, seasonality of income, impact of government schemes etc., and develop bespoke financing solutions for their clients. Many of these NBFCs are looking purely at Small and Medium Enterprises (SMEs) in the healthcare sector, and are not considering the big hospitals or financing of patients.

Non-banking finance companies, or NBFCs, have started giving loans against property to schools and hospitals, extending the model used by banks to step up lending, as education and healthcare have acquired a commercial flavor. Tata Capital has added schools and hospitals in the past three four months to the list of properties against which it offers loans against property (LAP).

Rating firm Crisil expects loans against property to grow 22% annually in the next four years and double to Rs 5 lakh crore by March 2019. NBFCs have been at the forefront of this surge due to their faster turnaround times and customized products. In the past three years, this segment has grown 36% a year, well ahead of the industry's growth of 30%.

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