

A Study On Foreign Direct Investment On Health Care Sector Towards Columbia Asia Hospital

C. D. Paavana¹, Gayithri², R. Kavya³, S. Sreelalitha⁴

^{1,2,3,4}Department of Commerce, St. Joseph's College, Bangalore, India

Abstract: In this research we study the foreign direct investment on health care sector towards Columbia Asia hospital. This study helps us to know the impact of foreign direct investment on health care sector and selected health care share prices and its net profit. The objective of this study is to understand the YOY (%) of FDI and net profit of selected health care and also to forecast the price of selected health care. The source of the data in this study are basically secondary in nature. The data is collected through company annual reports and other relevant document, by text book and journals. This study was limited only to last five financial years. The research instrument used in this study are Autoregressive Integrated Moving Average test, ADF Test and Normality test and this study concludes that investments are necessary along with cost of health care can be more affordable in the tier-II and tier-III locations.

Keywords: Foreign direct investment, Health care sector, Investments, Net profit, YOY (Year Over Year).

1. Statement of the Problem

“A study on foreign direct investment on health care with reference to Columbia Asia” to know the impact of foreign direct investment on health care sector and selected health care share prices and its net profit.

2. Objectives of the Study

1. To study the impact of FDI on health care sector.
2. To study the YOY (%) of FDI and net profit of selected health care.
3. To study the stationarity of selected health care companies.
4. To forecast the price of selected health care.

3. Methods of data Collection

The source of the data in this study are basically secondary in nature.

1. Collection of data through company annual reports and other relevant document.
2. By text book and journals.
3. Collection of data majority through internet.

4. Scope of the Study

1. Study was limited only to last five financial years.
2. Study also aims at giving clear picture of FDI in health care sector.

3. Study attempts to find the impact of FDI in health care sector.
4. This paper analyzed FDI inflows from 2015-16 to 2019-2020 into health care sectors.

5. Limitation of the Study

1. Limited to four international hospitals.
2. Time was the limiting factor for the study
3. The collection of data for the analysis is restricted to Columbia Asia hospital, Apollo hospital, aster hospital and Fortis.

6. Review of Literature

Renuka Sagar, Writes in her journal about foreign direct investment analytical study in health care sector by taking three main objectives of her study that is opportunities available for FDI in health care sector, need of FDI in health care sector and to understand the constraints to FDI flow in health care sector in Indian health care markets. Author has been collected her primary data from general public by filling up a well-structured questionnaire to 100 respondents and her study was limited to Hyderabad and secunderabad. Author has been found through her data analysis that presently in Indian hospitals FDI is limited, in spite of the very liberal investment policy on FDI in hospitals, according to one of estimate, foreign investors have tapped only 10% of the Indian health care market and thus the scope for FDI in health care sector in India remain large.

Sanghamitra Samal, author write in her paper “Foreign Direct Investment (FDI) is the driving force to any country to grow faster. It is an important source of Economic development in India, because it helps to bring close the different economies of the country by investing capital through FDI in various resources like manufacturing, Infrastructure, Transport, technology, services, Productivity and hospitality, healthcare etc. Healthcare industry is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public as well private players. During 2008-20, the market is expected to record a CAGR of 16.5 per cent. The total industry size is expected to touch US\$ 160 billion by 2017 and US\$ 280 billion by 2020. Hence an attempt has been made to study about the trends and patterns of FDI into Healthcare sector from 2012 to 2015. To fulfill this objective, the data

collected from secondary sources which is purely an Empirical study which reveals that that total FDI inflow into healthcare sector of India from 2012 to 2015 has shown a positive trend as well as it continuously improving its contribution to total FDI.”

J. Franc, author in his paper which was Published online: 13December2006, discuss about foreign direct investment and most favored nation and The international presence of the largest MNCs author says that The development of the theory of the multinational enterprise has followed two main approaches: location theory, which deals with the reasons underlying the choice of host country for FDI, and industrial organization theory, which is concerned with competition and performance of firms.

Amitiava Chatterjee 1998), author Studied on the determinants of US foreign investment in India; tracing the growth of US FDI in India and the changing attitude of the Indian Government towards it as a part of the liberalization program. Nagesh Kumar (2001) Author in his research of foreign direct investment towards Indian economy writes about the various aspects of FDI and concluded that the magnitudes of inflows have recorded impressive growth, as they are still at a small level compared to the country’s potential. Laura Alfaro (2003) finds that FDI flows into the different sectors of the economy exert different effects on economic growth. FDI inflows into the primary sector tend to have a negative effect on growth, whereas FDI inflows in the manufacturing sector a positive one. Evidence from the foreign investments in the service sector is ambiguous. Sebastin Morris (2004) Author has discussed the determinants of FDI over the regions of a large economy like India. He argues that, for all investments it is the regions of metropolitan cities that attract the bulk of FDI.

7. Data Analysis and Interpretations

Table showing impact of FDI on net profit of Columbia Asia.

H0: There is impact of FDI on net profit.

H1: There is no impact of FDI on net profit.

Summary output

Regression statistics

Table 1

Multiple R	0.933365
R square	0.87117
Adjusted R square	0.742341
Standard error	226.1212
Observations	3

Table 2
Anova

	Df	SS	MS	F	Significance
Regression	1	345756.5	345756.5	6.762195	0.233716
Residual	1	51130.81	51130.81		
Total	2	396887.3			

Table 4
Residual Output

Observation	Predicted net profit	Residual
1	83.20067	-177.201
2	-113.662	133.4929
3	684.4613	43.70773

Analysis:

From above table, it was observed that p-value is 0.233716 which is more than 0.05 significance level, therefore it is inferred that there is impact on FDI on profit.

Table 5
Impact of FDI on net profit of Columbia Asia Hospital (Rs. in Crore)

YEAR	INFLOW OF FDI	YOY (%)	NET PROFIT	YOY (%)
2015-2016	529114		7.16	
2016-2017	718832	35.85579	39.5	451.676
2017-2018	457733	-36.3227	2.37	-94
2018-2019	144464	-68.4392	2.84	19.83122
2019-2020	233697	61.76833	23.52	728.169

Analysis:

From the above table 5, it was observed that in the year 2016-2017 net profit has increased than other years which was 7.16 in the year 2015-2016, 2.37 in the financial year 2017-2018, 2.84 and 23.52 respectively. In the year 2016-2017 inflow of foreign direct investment has increased to 718832 after that it has been drastically decreased in the year 2018-2019 it was decreased to 144464.

8. Summary of Major Findings

1. It has been found that from foreign direct investment in health care sector increasing positively in India.
2. It has been found that foreign direct investment impact on health care sector it can be said by observing that while testing significance level all five healthcare p-value was more than 0.05.
3. It has been found that from selected health care there is impact of inflow of FDI.
4. In the year 2013-2014 inflow of FDI has been increase to 718832 which has positive impact on health care sector which has been visible in selected health care net profit.
5. It has been found while doing correlation between prices of selected health care and in flow of health care that there is impact of FDI on stock prices of selected health cares.
6. It has also been found that in selected health care Aster DM and Columbia Asia gave negative correlation values which can be consider that it’s not ideal to invest on their stock.
7. In the year 2015-2016 inflow of FDI in India was drastically low which was 144464 which has impact on health care sector. This can be impact of demonetization.
8. It has been found that while testing FDI impact on prices of selected health care Fortis significance level was 0.350942 which is more than 0.05, Apollo’s 0.350942 which is more

Table 3

	Coefficients	Standard Error	T Stat	P-Value	Lower 95%	Upper 95%
Intercept	305.8449	134.8509	2.268023	0.26437	-1407.6	2019.288
FDI	6.12962	2.357164	2.600422	0.233716	-23.821	36.08022

that significance value that is 0.05, Columbia Asia 0.117612 which is more than significance level 0.05, Aster DM 0.233716 which is also more than significance level 0.05 which clearly showed that there is impact of FDI on selected health care's stock prices.

9. It has been found in Arima test that there is fluctuation in trends and interpretation of selected data of selected health care.
10. It also found that selected data is accurate for further research.
11. While there are clearly many drivers to foreign investment in hospitals in India, there are external as well as domestic constraints, which explain the limited presence of foreign investment in India's hospital segment.

9. Suggestion

1. In India 100 per cent FDI is permitted in hospitals and all health-related services under the automatic route so health care sectors have to grab these opportunities to increase their market price.
2. The most important driving factors are the "demand-supply mismatch" and the huge amount of private sector investment that is required in this sector to its infrastructure. so hospital has to incur this from their profit not by increasing their charges for customer.
3. FDI in hospitals would benefit the Indian healthcare sector if they prove their service affordable and accessible to a wider segment of the society.
4. In India high cost treatment and insurance afford only buy rich people so FDI should come through joint ventures with local partners to ensure access to qualified personnel and a better understanding of local culture and characteristics.
5. Growth of health care in private hospitals is possible by making adequate investments in the various components of healthcare sector.

10. Conclusion

There are many positive implications of foreign investment

in hospitals. One of the major impacts foreign investment would have is the creation of the necessary infrastructure. Investments are also needed beyond the metros to expand access to healthcare. In addition to helping increase physical capacity in the health care sector, such as increasing the number of hospital beds, diagnostic facilities, and increasing the supply of specialty and super-specialty centers, foreign investment can also help in raising the standards and quality of healthcare, in upgrading technology, and in creating employment opportunities, with potential benefits to the health sector and the economy at large. However, few things to be kept in mind for achieving success in hospital sector are that the cost of medical care should be affordable most importantly in the tier-II and tier-III locations; the hospitals in tier- II and tier-III locations should concentrate on the ailments which are geography specific.

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