CHAPTER 11
CHAPTER 11

SUGGESTIONS AND CONCLUSIONS

Conclusions

Keeping these three objectives in mind the previous ten chapters have revealed substantial information as to the potential for FDI, the opportunities arising by virtue of getting organized and the consequent impact these factors could have on employment in India.

As per the ‘Mumbai Mirror’ report dated 24th of February 2009 FDI inflow in 2008-2009 is likely to exceed US $25 billion despite the financial meltdown impacting the global economy. In fact it is expected that this quantum is likely to exceed US $25 billion that came in during 2007 – 2008. To quote Mr N N Prasad Joint Secretary in the Ministry of Commerce, Government of India ‘our FDI will be more than US $ 25 billion. It is a very good sign ............’. A more recent report in the ‘Times of India dated 2nd March 2009 very clearly mentions that in January 2009 pharma retail shot up 15%. What must be noted here is that over 2008 this has already grown by 10%.

This only emphasizes the fact that pharmaceuticals and healthcare are indeed recession proof. We already have the traditional pharma retailer’s contribution to GDP at 2% and at the cost of repetition a good 82 % of the healthcare market is in the hands of the private sector. As per KSA Technopak 2007 report the health care retail segment is about US $16.16 billion. The deficiencies and other drawbacks have been discussed in the earlier chapters amply underlining the requirement for infusion of funds in this segment besides the overall healthcare segment. Also the program of ‘Vision 2020’ prepared by the Chemical and Fertilizers ministry to make India one of
the top 5 global innovation hubs requires huge investment including substantial participation from the private sector under the public–private partnership model. This is what the Chemicals and Fertilizers minister, Government of India Mr Ram Vilas Paswan had to say: ‘the present state of infrastructure and R & D of the pharma industry in the country is rather weak. We need to bolster it immediately. Once this proposal comes through, India will become a global pharma hub. Five out of ten drugs being discovered in the world will be in India. We will also ensure patenting of our own drugs’. Hence there is a huge potential for FDI in the healthcare sector including its retail element and the policy body should not have any hesitation in permitting the same.

Arising out of the above objectives and goals there is a huge opportunity which is set to emerge out of healthcare getting organized, retail being a very key element. Figure number 58 in chapter 9 amply supports this conclusion.

This opportunity is not just on healthcare retail front alone but in a myriad of associated activities. There is no going back on the fact that there is a dearth of educated and trained pharmacists and pharmacy technicians who will by necessity have to be multi-skilled. This in turn will call for competent human resource personal that are not only experts in their domain but in associated skills.

A completely new breed of human resource professionals. The issue of infrastructure and facilities will open up an opportunity by itself, both for formal education as revealed by the surveys as well as continuing education.
Table 42: Health Indicators for select developed and developing countries


<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>A $</th>
<th>B $</th>
<th>C %</th>
<th>D %</th>
<th>E %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRAZIL</td>
<td>212</td>
<td>96</td>
<td>54.7</td>
<td>64.2</td>
<td>35.8</td>
</tr>
<tr>
<td>CHINA</td>
<td>61</td>
<td>22</td>
<td>63.8</td>
<td>87.6</td>
<td>5.8</td>
</tr>
<tr>
<td>INDIA</td>
<td>27</td>
<td>7</td>
<td>75.2</td>
<td>97</td>
<td>0.9</td>
</tr>
<tr>
<td>S KOREA</td>
<td>705</td>
<td>348</td>
<td>50.6</td>
<td>82.8</td>
<td>4.1</td>
</tr>
<tr>
<td>THAILAND</td>
<td>76</td>
<td>47</td>
<td>38.4</td>
<td>74.8</td>
<td>14.6</td>
</tr>
<tr>
<td>CANADA</td>
<td>2669</td>
<td>1866</td>
<td>30.1</td>
<td>49.6</td>
<td>42.3</td>
</tr>
<tr>
<td>FRANCE</td>
<td>2981</td>
<td>2273</td>
<td>23.7</td>
<td>42.2</td>
<td>53.5</td>
</tr>
<tr>
<td>JAPAN</td>
<td>2662</td>
<td>2158</td>
<td>19</td>
<td>90.1</td>
<td>1.7</td>
</tr>
<tr>
<td>UK</td>
<td>2424</td>
<td>2081</td>
<td>14.3</td>
<td>76.7</td>
<td>23.3</td>
</tr>
<tr>
<td>USA</td>
<td>5711</td>
<td>2548</td>
<td>55.4</td>
<td>24.3</td>
<td>65.9</td>
</tr>
</tbody>
</table>

Key: A $: PER CAPITA TOTAL HEALTH EXPENDITURE  
B $: PER CAPITA GOVT HEALTH EXPENDITURE  
C %: SHARE OF PRIVATE HEALTH EXPENDITURE IN TOTAL HEALTH EXPENDITURE  
D %: SHARE OF OUT OF POCKET EXPENDITURE IN PRIVATE HEALTH EXPENDITURE  
E %: SHARE OF PRIVATE PRE PAID PLANS IN PRIVATE HEALTH EXPENDITURE  

NOTES: GOVT HEALTH EXPENDITURE INCLUDES BOTH RECURRENT AND INVESTMENT EXPENDITURES MADE DURING THE YEAR.  
PRIVATE HEALTH EXPENDITURE IS DEFINED AS THE SUM OF (A) OUTLAYS FOR PREPAID PLANS AND RISK POOLING ARRANGEMENTS FOR INSURANCE AND HEALTH MAINTENANCE ORGANIZATIONS, (B) OUTLAYS BY PRIVATE COMPANIES FOR MEDICAL CARE OTHER THAN PRE PAID SCHEMES AND SOCIAL SECURITY.
This requirement will be useful in addressing the training issues of the existing unorganized pharmacy employees as well as making provision for future requirements. Issues such as supply chain management very much a part of organized system will throw up huge opportunities both in terms of infrastructure and transportation development, not to underscore the role of information technology which is the very back bone of organized retail. The fact that we get access to modern and latest technology cannot be overlooked which once again would result spawning linked industrial sectors like barcode manufacture, RFID, electronic instruments and gadgets etc. The statement made in chapter 9 about retail generating great employment opportunities is amply justified.

With good inflow of FDI in this sector and the employment opportunities directly and indirectly interlinked it is very likely that the impact of FDI in health store retail will not be restricted only to the direct retail level but is more likely to be strongly felt by interlinked sectors. As mentioned in the earlier paragraph there will be a large requirement of Information technology professionals, experts in supply chain management and logistics system, transportation and communication besides the core implementation personal from the regulatory side of pharmacy business. ‘Vision 2020’ for the pharmaceutical industry mentioned earlier on in this chapter talks of Rs 5000-10000 crore being the investment amount and restricts itself with only ‘drug development’ and mentions about 5 lakh jobs being created in 4 years time. Going back to table 42 it is clear that from the list of countries mentioned India ranks the lowest in terms of per capita total health expenditure as well as per capita government expenditure.
health expenditure. We have a very long distance to go which in itself is an
opportunity and will have economic ramifications if this issue is not addressed with
urgency (reference to Working paper number 198 'Impact Of Preventive Healthcare
on the Indian Industry and Economy' - Alka Chadha et al). Take the health insurance
industry (refer table 19-page 86) one glance will reveal that there are 800,000,000
individuals not covered by any insurance scheme. If we have a healthcare system
close to the system followed in the developed world where the pharmacy forms part
of the system a substantial number of these can be brought into the insurance umbrella
with suitable models. A huge opportunity for employment generation due to infusion
of funds into healthcare retail. In fact employment generation could be exponential as
it will not be restricted only to the retail pharmacy alone.

Health is wealth because the healthier the population the better the economic output
due to enhanced productivity. Clearly the sectors which have been allowed FDI in the
process of liberalization have done well. There is no indication to the contrary in this
case. The probable hurdle here would be the future and role of existing healthcare
workers in general and in the retail in particular. There is scope for attracting FDI in
the healthcare retail segment in excess of US $2 billion taking care of its deployment
over a period of time and canalizing the same into specific activities associated with
retail (funding JV’s with traditional stores, funding training of employees of
unorganized segment, funding formal and informal education centers) which should
take care of 14 lakh employees in the traditional segment. (This figure of 14 lakh
would take us back to chapters 6 & 10 which mentions that the approximate number
of registered pharmacies is about 7 lakh with each employing 3 people. This implies
that there are 21 lakh people employed in the traditional segment. Of this one would
be a qualified pharmacist without whom the store cannot be run. We assume that this
pharmacist would not require immediate training whereas the other 2 employees
would require, hence the figure of 14 lakh. A time window of 2 to 3 years should be
observed to usher in this change. In this particular segment there cannot be a question
of co-existence between the organized and the traditional type of pharmacies as
service delivery will have to be consistent and standardized. Hence this time frame is
essential to have consideration of the social fabric of India.

The government should step forward and take active part in creating awareness for
healthcare at the bottom of the pyramid thus gradually improving the standard of
living, leading to encouraging demand and thereby fueling supply. Today, this is seen
associated with very specific healthcare activities more as a reaction rather than
action. (HIV campaign, Polio drops, Anti-TB, Anti-Tobacco) etc. Active corporate
and NGO participation should be sought through the route of incentivization

The time to act is now (refer table 8, page 39, Global Retail Development Index) with
India exhibiting a very high index which could enable us to get substantial FDI, useful
in upgrading our current pharmacy standards while generating employment
opportunities exponentially.
DELIMITATIONS AND LIMITATIONS OF THE STUDY

. The study is limited to a particular city
. The supermarket formats of retail stores were visited for organized retail
. Due to a number of reasons only a limited sample size of the actual population could be interviewed. (Reasons: Store Manager Interruptions, Store policy, time constraints etc....).
. Contract laborers and indirect employment generated through retail has not been taken into consideration.
. The freshness or newness of organized retail is by itself a constraint
. We have taken two perspectives and in many instances there was difference so Analysis of data was complex.
. During the survey due to different timings in a day there was some difference in Responses due to customer flow pattern.
. Differences in opinion due to employee level in the hierarchy.
. At the lower levels of store operations employees not very aware of FDI and its nuances. Hence a certain degree of prompting was required.
. The word healthcare must be used with caution in the Indian context as this essentially covers the retail pharmacy only, unlike the healthcare system in the developed economies.
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