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## A Study On The Relationship Between Health Care And Economic Development

**Dr. Renuka Ekanath Walunj** Sinhgad College of Science, Ambegaon(BK), Pune

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### ABSTRACT

Nowadays there is increasing interest in economics with the relationship between health care and economic development. In the last half century there was considerable progress in the health care sector. There was improvement in mortality rates but still it remains much higher in poor countries, with a difference in life expectancy between rich and poor countries. Poor countries may be captured in an equilibrium where life expectancy is low, savings and investments are low and fertility is high whereas rich countries grow in the long-run. It increases the stress on the central role of not only quantity but also quality of life on economic welfare by health spending on life expectancy.

Individuals work hard in their early age and live or relax in retirement in old age. Increase in health investment activity is the need of society because it helps to improve the quality of human life which increases the probability of surviving from the first to the next period.

Earlier the savings ratio was increasing and after that it was decreasing. The survival function shows a positive and improving elasticity subject to health investment.

Government should focus on the health care sector as it plays an important role for economic growth. Institutional improvements and technological progress not only promote population health but economic growth.

Now Indian government is playing a crucial role of balancing both economic and public health while dealing with the COVID-19. Its direct impact on morbidity and mortality. Many countries are facing low Gross Domestic Product (GDP) due to this pandemic. Declining economic activity, government revenues and increasing unemployment, public debt, government borrowing etc. are factors which damage economic growth. They are trying to give effective healthcare management and a balanced economy and prepare ready for a future crisis due to this pandemic.

**Keywords:** life expectancy, health care, economic development.

### 1.1 INTRODUCTION

The proverb 'Health is Wealth' is an intuitive proposition. Many researchers with research state experimental arguments of the reverse proposition i.e. wealth is health. For strengthening economies, population health is an important factor which will be helpful for reducing poverty. Better health means various measures taken to decrease

the burden of disease, to give children healthy and happy childhoods, to improve life expectancy but it does not have to wait for an improved economy.

The relationship between health care and economic growth has been at the centre of discussion during this covid-19 pandemic. In the last century has witnessed an impressive development in economic growth and health standards. In the current socio economic situation it tends to think that the health care sector is really impacted on the economic development of the country. India is a developing country which faces income inequality. Income inequality supports the low level of health standard.

There is a good impact of better health and longevity on economic development which results in extraordinary gains in life expectancy in the second half of the 20th century.

Increase in income source enhances life expectancy and it has a greater good impact on mortality reduction among the poor than among the rich countries. More than that , a significant change in longevity which is not associated with income, that is, for constant levels of income, life expectancy.

Whether healthier is wealthier or wealthier is healthier is the unanswered question. Health influences economic growth through its impact on human capital. Prima facie healthier people are more efficient compared to those who are ill.

Changes in health, in the composition of diet and in clothing and shelter can affect the efficiency with which ingested energy is converted into work output. Reductions in the incidence of infectious diseases increase the proportion of ingested energy. Good health and longevity affect economic growth through different channels such as the saving rate, human capital accumulation and agent's productivity.

The relationship between the health of a population and the state of development of a society is complex and different over time. It's a complex relation between the health of a population and the state of development of a society. It varies from time to time. Improved health is one of the main benefits of a growth economy. This benefit tends to increase in income and scientific progress in the fight against disease and disability. The second factor is economic growth. The Joint health sector has a favourable effect on development, although it is difficult to detect.

## **1.2 HEALTH IMPROVEMENTS CAN LEAD TO ECONOMIC GROWTH**

- **Productivity:** Healthier populations tend to be physically more energetic and mentally more robust which can be more productive.
- **Education:** People who live longer have stronger incentives to invest in their human capital because they can enjoy the benefits of such investments over longer periods. In addition, increased schooling promotes greater productivity and, in turn, higher income, increased employability, and increased standards of living. Knowledge creates good confidence in the mind of the people.

- **Investment:** Investment in physical capital since improvements in longevity create a greater need for people to save for their retirement;
- Demographic transition from high to low rates of mortality and fertility.

### **1.3 MORTALITY AND HEALTH SPENDING**

Health sector concentrates on life expectancy. The concept of the value of life and the willingness to pay are criteria to reduce mortality risk. Economic welfare depends not only on income but also on the number of years over which this income is enjoyed. Health literature focuses on the value of life savings, it is treated as a commodity to increase their utility.

When income is low, people do not spend in health care, whereas for high level of income prefer to devote a higher proportion of their income to additional years of life rather than to the consumption

### **1.4 HISTORIC HEALTH AND WEALTH EVOLUTIONS**

Last two centuries are evidence for the global transformation in human health which encourages researchers to focus on population health and economic development. It was history that increased the rate of mortality, mortality differences between rich and poor countries, differences in mortality within countries. Now slowly the situation has been changing.

Fogel (1994), Barro and Sala (1995) and Barro (1996) who were the first in examining the relationship between economic growth and health who focus on evolution of the population body size i.e. height and weight, food supply and long term labour productivity. As per his investigation on Great Britain and France, he suggests increase in the calories available for work have made Vital contribute to decline in the mortality rate which results in the growth rate of the per capita income. Increased calorie intake increased the productive labour force and also allowed those to be more productive.

Arora (2001) finds that changes in health increase the individual pace of growth by 30 to 40 percent. Wodon (2007) gives Microeconomic and macroeconomic studies as two approaches to estimating the effect of health care on economic development. Microeconomic studies use an aggregate level where macroeconomics estimate the aggregate relationship. The relationship between health and economic outcomes, at either the individual or national level.

### **1.5 OVERVIEW ON HEALTH AND ECONOMIC GROWTH**

The role of human capital is an absolutely important factor for economic growth. Sustainable growth depends on levels of human capital which includes better education, higher levels of health and new learning and training procedures. Minimum levels of education and health will not help for maintaining a continuous growth. More highly qualified, educated, healthier labour force can absorb new technology and easily create,

use and adapt new technologies. Poor countries with low levels of human capital find it difficult to compete with highly developed countries.

Good health increases human capital efficiency which helps to raise the economic productivity of individuals and country's economic growth rate. Good health energizes workforce productivity by reducing incapacity and debility. It also helps to improve schooling levels and scholastic performance. Better health and education make individuals take preventative health treatments. If good health is considered as a form of human capital which has a beneficial effect on productivity, income and also influences health in a positive way. Higher earnings individuals facilitate the spending of health related goods and services.

In the economic development equation, real income per capita is assumed to depend on various factors like investment, life expectancy at birth, infant and child mortality, total death rate, school enrolment, terms of trade volatility, health expenditure to total expenditure and per capita health expenditure. On the other hand, in the health equation, life expectancy is assumed to be a function of real per capita income, per capita health expenditure, and number of doctors per capita.

Average number of years of schooling and school enrolment, working age of the population positively affect economic growth. In India as the young people population is more so the growth in the share of working age over total population is positive. But health expenditure is low as a ratio of total government expenditure.

Technological advancement and increases in institutional quality tends to increase per capita incomes and lead to health improvements.

## **1.6 IMPACT OF COVID-19**

The COVID-19 has badly impacted on economic and social things including public health, food systems and the world of work. People are at risk of going down towards the poverty line. Many companies, industries, service sectors, and the educational sector suffered loss due this pandemic, which caused unemployment, reduction in income level, low purchasing power and decrease the standard of living. Border closures impacted on domestic and international trade and commerce. Gross Domestic Product impacted due to this changed environment.

Indian economy is totally disturbed due to covid-19. Last quarter of 2020, India's growth went down to 3.1% according to the Ministry of Statistics. As per CRISIL, this is the worst recession since independence due to this pandemic. In lockdown many people lost their employment and cut their salary. More than 45 percent of people drop their income level as compared to previous year. Government India Launched variety of measures to overcome the situation from food security, extra funds for the healthcare sector, incentives and tax deadline extension etc.

## **1.7 POLICY IMPLICATIONS**

Health and economic growth relationships depend on the various dimensions of health like mortality vs. morbidity and are affected by individual factors like age, gender, and socioeconomic status. Countries who hold better health status emerges higher income than countries who holds worse health status.

- Investment: Reducing the death rate requires high investment in the health care sector.
- Macroeconomic policy: for development of an efficient health sector, fiscal and monetary policies can be designed and implemented in a systematic manner.
- Good Governance: Effective governance plays an important role for efficient and equitable health systems. But many times it faces problems due to political interference, poor human resources , poor allocation of resources, and corruption which leads to much misallocation of resources. In order to improve health and promote growth, we need to give priority to improving governance at all levels.
- Health Systems development: Development of health infrastructure and improvement in quality health services should be given first priority. Inadequate health infrastructure adversely affects society. labour productivity can be increased by investing in human capital and public health which generates economic growth and income. Fiscal and monetary policy measures need to be implement during coronavirus pandemic. Raised healthcare bills come under fiscal measures where need to provide masks, gloves, ICU beds, ventilators, quarantine wards, medicines and other equipment, testing kits, personal protection equipment etc. require huge spending. Less than 2percent of GDP is spent on healthcare which needs to be increased in the current fiscal year.

## **1.8 CONCLUSION**

Improvement in the health care sector encourages labour productivity which leads to gains in economic growth. Though developed health outcomes alone are not enough for high economic growth but education, strong macroeconomic policies, fiscal policies and efficient and effective institutional set-ups are equally important. For reducing poverty, improvement in public health can be an important tool. For effective and efficient health sector improvement is required at the local government, state and national levels.

COVID-19 is a big crisis in both the economy and India's health care sector. Year 2020 is a witness of the loss of the economy by reducing income across all sectors. People lose their jobs. Though we have an inadequate healthcare system, India did considerable achievements for covid-19 related hospitalisation and mortality. India has started with successful vaccination for covid-19 is a big satisfactory achievement which will boost the confidence in the minds of the people and provide a psychological boost for its citizens.

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