

THE FINANCING OF HEALTH CARE SERVICES BY THE NON-GOVERNMENTAL SECTOR IN INDIA

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Abstract:

Non-governmental, non-profit organizations have emerged as key players in the provision and funding of healthcare services, addressing societal needs within the constraints of limited resources. These organizations play a crucial role in bridging the gap between inadequate public sector facilities and the unaffordability of for-profit operations. The present study, which is based on a primary survey conducted at the national level in India, reveals that the non-governmental sector plays a crucial role in addressing gaps in healthcare provision, particularly in the realm of preventive and promotive services. The data reveals that this particular sector accounted for around 2.1% of the total health financing in the country, with notable disparities noted among different subnational states. These organizations primarily acquire funding from governmental entities and development partners in order to support the attainment of significant objectives and deliver desired outcomes to specific beneficiaries.

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Introduction:

The non-governmental sector is characterized as a collection of privately-owned entities that operate with the objective of serving the broader public. These institutions are inherently independent from the government and are not driven by profit motives. The growing prevalence of their existence in contemporary society can be attributed to the failure of the welfare state to adequately address societal demands within a laissez-faire market, as elucidated in the sociological and political economics literature (Piotrowicz & Cianciara, 2013). Due to the limitations of both the state and market systems, individuals worldwide have established "non-governmental and non-profit" groups in order to fulfill their collective objectives. In contemporary times, these organizations are widely acknowledged as significant entities exerting considerable influence on both social and economic aspects. Their extensive array of undertakings spans several sectors including social, economic, cultural, and scientific, and is evident throughout numerous nations. Numerous international development agencies, such as the World Bank and various United Nations organizations, have acknowledged the merit of these institutions based on their shown adaptability in implementing novel strategies and fostering community engagement (World Health Organization, 2001). The increasing significance of the non-governmental sector in both national and international development agencies has resulted in a notable rise in the number of organizations operating within this sector since the late 1970s (Central Statistics Office [CSO], 2012). Governments in developing countries during the period of decentralization have recognized them as significant, pioneering, and

community-based institutions that possess the motivation and capability to implement development initiatives in a participatory and citizen-focused manner. The sector's involvement in variety and its functioning with heterogeneity are significant factors. However, it is also crucial that the operations of these organizations are influenced by the level of civilization development, political system, resource requirements, traditions, and culture specific to a particular country or region. The extension of critical health care services through the non-governmental sector is frequently identified as a crucial option for achieving universal health coverage in low-resource settings within the developing world (Lepine et al., 2016). The presence of a mixed health care system in many low- and middle-income countries, characterized by limited government resources and unaffordable for-profit operations (Mackintosh et al., 2016), has created a need for non-governmental and non-profit organizations to play a crucial role in financing and delivering health care services. In terms of engagement in public health matters, these organizations exhibit a wide range of activities encompassing the provision of curative and preventive healthcare services, technical and financial administration, health promotion, advocacy, and other related areas. The functions of organizations exhibit small variations between industrialized and developing countries. Typically, these organizations exhibit a greater degree of specialization and primarily engage in clinical research, health advocacy, and lobbying activities within high-income countries. In developing countries, there is a greater emphasis on the delivery of health care services, the production of awareness, and the implementation of preventive measures. The delivery of healthcare services provided by non-governmental hospitals in developing countries appears to be crucial, as these hospitals are frequently recognized by the government as the primary providers of healthcare. The diversity and distinct orientations of non-governmental organizations (NGOs) are really considerable, making it difficult to draw overarching conclusions about this sector. In the context of India, the presence of diverse regulations within the legal framework pertaining to the scope and operations of non-governmental organizations adds an additional layer of intricacy. In addition to these formal organizations, there exist several informal entities that operate at the grassroots level. These groups are not officially recognized by legal rules but are frequently considered as part of the non-governmental sector. The industry in question exhibits a significant degree of variability and diversity, a characteristic that may be traced back to ancient times in India. The explicit reference of the role of this sector in the economy has been observed at the policy level during the Seventh Plan period. Since then, despite a few attempts made to evaluate this particular industry, it continues to lack proper accountability. The sector mentioned is implicitly included in the three institutional entities of government, corporate, and home, as accounted for in the "system of national accounts." In the past, the Reserve Bank of India, the central bank of the country, undertook a nationwide study on private non-governmental entities. However, the findings of this survey were deemed to have little value as evidence, as indicated by the CSO in 2012. The Central Statistics Office, Government of India, has initiated the fourth round of the economic census in order to provide statistical data on this sector. As part of this census, specific codes are being assigned to organizations, which enables the provision of basic directory information including operational area and employment size. However, financial variables are not included in this data. The National Sample Survey Office (NSSO), under the Government of

India, provides a comprehensive survey of "unincorporated non-agricultural enterprises" that encompasses their financial and physical activities. However, it is important to note that this survey has certain limitations in terms of its scope and coverage. For instance, recent national surveys such as the 73rd or 67th rounds have only included a small sample size, typically consisting of single-digit numbers per state, specifically focusing on health sector non-governmental organizations. However, in accordance with the global and domestic endeavors in the field of accounting for this industry, the National Accounts Division of the Central Statistics Office (CSO-NAD) has developed a "satellite account" through the implementation of a specialized census on the non-governmental sector. Despite the limitations of conducting a detailed analysis at the disaggregated level, particularly regarding the financial aspects of non-governmental organizations, such as estimating expenditure by functions in health care activities at both national and sub-national levels, the use of "special census" data is not feasible due to the unavailability of reliable information (CSO, 2012). The current study addresses the existing knowledge deficit on the non-governmental sector, specifically focusing on their involvement in the financing and provision of healthcare services. Moreover, in contrast to the predominantly case study approach adopted in previous literature, this article provides a thorough examination of the sector, encompassing all sub-national states and the entire country. The primary aim of this study is to examine the revenue generating patterns and resource consumption levels of non-governmental health care organizations.

Dataset and Methodology:

The research employs a combination of primary and secondary sources of data for the purpose of analysis. A primary survey was done at the national level to address the deficiencies in secondary data pertaining to the financial factors of non-governmental organizations operating in the health sector. The availability of secondary level information pertaining to the non-governmental sector from official sources is notably restricted. However, the special census conducted by the CSO-NAD on this particular sector can be regarded as the initial thorough official study, covering the reference period of 2017-2018. The Fifth and Sixth Economic Censuses include fundamental directory data pertaining to particular units of non-governmental organizations. In addition to the census data provided by the Central Statistics Office, other official sources of data include the survey conducted by the National Sample Survey Office on unincorporated non-agricultural enterprises, as well as the information available on listed organizations under the Foreign Contribution Regulation Act and the National Institution for Transforming India, known as NITI Aayog. The voluntary nature of organizational registration with national organizations such as FCRA and NITI Aayog limits the comprehensiveness of the information available on the non-governmental sector, particularly in terms of its scope and ongoing initiatives. Once again, it appears that the data obtained from the relevant national survey conducted by the National Sample Survey Office (NSSO) is significantly lacking in representation. As a result, the special census conducted by the Central Statistics Office - National Accounts Division (CSO-NAD) serves as a valuable source of information, consisting of two phases of research focused on the non-profit sector. The most up-to-date and detailed information regarding the directory of non-governmental organizations may be obtained from the Sixth Economic Census. However, it is important to note that the economic census does not encompass financial

variables, and the special non-governmental sector census is outdated and lacks comprehensive state-level financial data. The present study involved the implementation of a primary survey at the national level. However, the fifth and sixth rounds of the economic census, in addition to the special non-profit sector census, have yielded valuable data for analyzing the fundamental characteristics of non-governmental organizations in India.

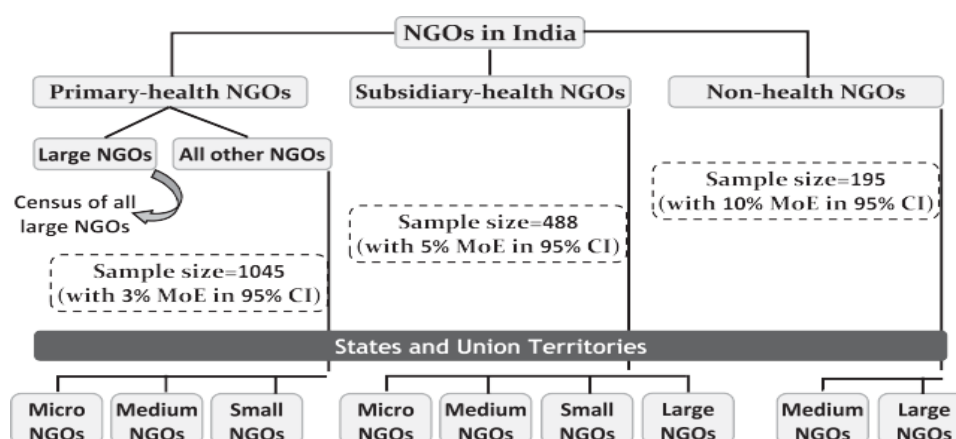


FIGURE 1 A systematic presentation of sampling techniques for primary survey. Note: CI, Confidence interval and MoE, Margin of error

Methodologies on Primary Survey:

The primary survey encompassed non-governmental organizations (NGOs) from various states and national union territories of India. Given that an organization can operate across various sectors such as health, education, environment, philanthropy, and others in a manner that is not mutually exclusive, this survey considers all such organizations that operate in the healthcare sector with the objective of directly serving the population. These organizations are commonly referred to as non-profit institutions serving households. This study focuses on non-profit institutions that serve households (NPISHs) and examines three distinct groups within this sector. The first group consists of primary health NGOs, which are organizations primarily engaged in health sector activities. These organizations are of particular interest in this study. The second category comprises subsidiary health non-governmental organizations (NGOs), which primarily engage in health care activities with a somewhat lower level of emphasis. The third group consists of non-health non-governmental organizations (NGOs) that may have occasional involvement in the health sector as an activity or give health benefits exclusively to their employees. Consequently, these organizations receive less emphasis in the study. The poll only includes a specific subset of non-health non-governmental organizations (NGOs) that are of significant size. The user's text is already academic. The survey design incorporates a multi-stage stratified random sampling technique, as illustrated in Figure 1, to ensure the inclusion of samples from various types of non-governmental organizations (NGOs). As anticipated, primary-health non-governmental organizations (NGOs) assume a crucial role in public health initiatives within the non-governmental sector. Consequently, a more

comprehensive sampling strategy is devised specifically for this group. The research encompasses a comprehensive analysis of major primary healthcare non-governmental organizations (NGOs). The sample size for the remaining primary health non-governmental organizations (NGOs) that cover micro-small- medium size organizations was determined based on a 3% margin of error at a 95% confidence interval. These organizations were then distributed proportionally across lower stages of stratification, including states and size-based strata as shown in Figure 1. The subsidiary-health non-governmental organizations (NGOs) are scheduled to be allocated a reasonable number of samples, with a 5% margin of error at a 95% confidence interval. These samples will be dispersed in accordance with the predetermined plan. Non-health non- governmental organizations (NGOs) exclusively include large and medium-sized organizations in this study. The sample size is determined based on a set margin of error of 10% and a confidence interval of 95%. Therefore, the samples allocated at the national level for each category are dispersed proportionally across subnational states and subsequently categorized based on size. In the final step, samples from each bottom-stratum are selected in a random manner, without replacement. Furthermore, it is imperative to ensure that a minimum of 30 samples are included in each state, and that there is a minimum quota of two samples in each size-stratum, in order to facilitate conventional statistical analysis. It is important to acknowledge the potential occurrence of a specific size-strata being absent in samples due to the absence of operational organizations within that stratum. Moreover, in the event of any occurrence of non-response in the sample, the replacement is selected based on similar features. The samples collected for this study encompass many subnational regions, including Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh, and West Bengal. The user's text is too short to be rewritten in an academic manner. In this study, a total of 1,699 non-governmental organizations were assessed, encompassing 6,975 individual units.

Role of Non-Governmental Organizations in Health Care:

According to the National Health Systems Resource Centre (2016), India allocates approximately 4% of its gross domestic product towards healthcare expenditure, with the non-governmental sector contributing only about 0.1% of this total. The significance of non-governmental organizations (NGOs) should not be just assessed based on their financial contributions, but also on their ability to engage with and impact the grassroots level of society. As previously said, these individuals engage in direct collaboration with local communities, thereby assuming a crucial role in expanding the adoption and scope of developmental projects. Additionally, they have the capacity to enhance understanding of various perspectives held by stakeholders. In the recent past, the central government implemented approximately ten public health initiatives, in which the non-governmental sector had an active role as providers of health services and financial administration, as exemplified by the Mother-NGO Scheme. The involvement of non-governmental organizations (NGOs) in the health sector is diverse and encompasses various aspects such as ownership, financing, and cost sharing. Their primary endeavors within healthcare and related domains include: (a) establishing healthcare institutions, (b) addressing the health and social requirements of the designated population, (c) tackling specific health concerns like alcoholism, (d)

implementing preventive health programs, (e) advocating for the rights of individuals in terms of health, and (f) managing healthcare financing and administration. Additionally, there are several organizations that engage in worldwide operations and focus on global health concerns. Furthermore, they play a significant role in delivering healthcare services during periods of emergencies and natural calamities. Based on data from the primary survey, it is estimated at a national level that around 1% of organizations, whether primarily or subsidiarily engaged in the health sector, possess a hospital facility. The outpatient clinic accounts for around 9% of the total, while associated support services make up approximately 16% (see to Figure 2). However, a significant majority of organizations, namely 83% or more, are actively involved in doing outreach initiatives. However, it should be noted that these activities conducted by the groups are not mutually exclusive, meaning that the total number of reported activities may surpass 100. It is widely recognized in the non-governmental sector that organizations frequently undertake multiple sub-activities in conjunction with public health services. For instance, a hospital regularly provides ancillary services such as laboratory and imaging testing, as well as ambulance services, among others.

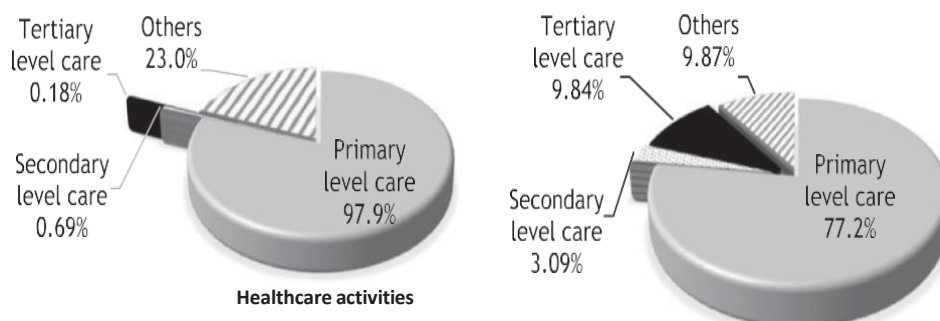


FIGURE 2 Observed outreach activities and expenditure of non- governmental organizations

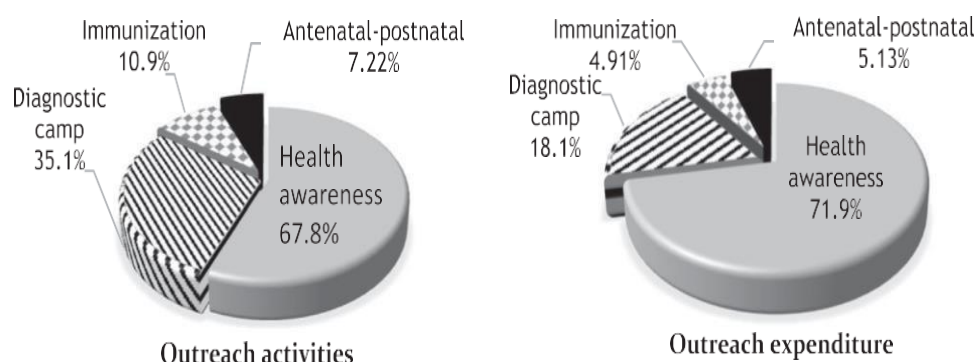


FIGURE 3 Observed healthcare activities and expenditure of non- governmental organizations

Pattern of Revenue:

It is widely recognized within the non-governmental sector that the acquisition of grants and donations serves as a fundamental means of generating cash to sustain organizational operations. In the preceding section, it has been noted, based on the CSO (2012) report, that the non-governmental sector, as a whole, derives 70% of its revenue from the aforementioned two sources. This study, utilizing original survey data at the national level, reveals that around 78% of revenue is derived from "grant and donation" sources, with grants comprising the majority. At the disaggregate level, it is anticipated that the predominant source of money for primary-health non-governmental organizations (NGOs) is the health grant, while non-health grants serve as the key source of revenue for other types of NGOs. Indeed, it is evident that non-health non-governmental organizations (NGOs) obtain a greater amount of grant funding unrelated to health compared to subsidiary health-focused NGOs. The data presented indicates that approximately 62% of revenue generated by health sector organizations is derived from grants and contributions. Considering that these organizations are offering healthcare services to the communities, they also impose fees on the users. It is important to note that the term "health output" in this context refers to the production of healthcare services, and the revenue generated from charging users for these services. This revenue accounts for approximately 10% of the total revenue receipts. Image 10 provides additional information regarding the health grants, specifically focusing on the right panel of the image. These grants are considered to be crucial components for companies operating in the health sector. The primary source of funding for health grants is derived from governmental entities, with international sources constituting a secondary contribution. The combined revenue from corporate grants, which encompass funds allocated for corporate social responsibility (CSR), and inter-NGO funds accounts for around 6% of the total revenue. It is worth noting that the survey findings indicate a prevalent trend among organizations, wherein their knowledge is primarily limited to their immediate sponsors. Consequently, the ability to track the original primary source of each gift is significantly constrained.

Extent of Expenditure:

The core focus of this study is to estimate health expenditure by non-governmental sector using an internationally compatible framework and boundary defined in the System of Health Accounts (SHA, 2011). In primary survey, both "activity based" approach and usual "gross value added" approach are employed simultaneously to apprehend the expenditures for validation with audited financial statements of sample organizations. Notably, current expenditure excludes all spending that are capital in nature including medical education and research on health by non-governmental organizations. As per data available it is imperative and comprehensive, and one can estimate almost all financial aspects of the non-governmental sector across subnational level states in India. As depicted from data, three large states, namely Andhra Pradesh, Maharashtra and Tamil Nadu together account for 37% of health expenditure by non-governmental sector. Each of them individually contributes about 10% to the health expenditure. There are four states in the next group, which are Goa, Karnataka, Uttar Pradesh and West Bengal, and each of them has a moderate share about 5% in health expenditure by the NGOs. The succeeding group involves 11 states (Assam, Bihar, Gujarat, Jammu & Kashmir,

Jharkhand, Kerala, Madhya Pradesh, Puducherry, Rajasthan, Telangana and Tripura), and they contribute individually a small share to the health expenditure ranging less 5% to more than 1%. Rest states and territories have very minor share, individually below 1% in the health expenditure by non-governmental sector in India.⁶ Noteworthy to mention, even with a large number of non-governmental organizations involved in health sector activities, some states like Rajasthan have a small share because most of them are either tiny in size or subsidiarily involved.

Conclusion:

Indian non-governmental organizations (NGOs) are actively engaged in a diverse array of activities encompassing social, economic, cultural, and scientific realms, with their presence extending to both rural and urban areas. With the objective of enhancing the socioeconomic well-being of communities, their health sector endeavors generally concentrate on delivering preventative and curative healthcare services through their own facilities and/or health camps in the designated regions. The study additionally revealed that a significant majority of firms are engaged in preventative care initiatives through the implementation of outreach programs. The majority of businesses operating primarily or subsidiary in the healthcare sector of India consider outreach expenditure to be quite significant. Out of the institutions surveyed, around 1% provide hospital services, while 9% offer outpatient clinic services. It is evident that the non-governmental sector accounts for the largest proportion of primary care cost, thereby constituting a significant portion of overall health expenditure in the majority of cases. The subject of discussion pertains to the states and union territories within the geographical boundaries of India. The organizations are additionally engaged in enabling various public health activities of other institutions, including governmental bodies. Government grants are a prevalent and significant source of revenue for this business. In certain states, such as Tamil Nadu, the primary sources of money for health care services are reported to be user charges, grants, and donations. The recurrent expenditures on healthcare activities by the non-governmental sector are projected to account for approximately 2% of the total current health expenditure in the country. There is considerable variance in health expenditure across subnational entities among states. For instance, larger states like Haryana have a significantly lower percentage compared to other large states such as Tamil Nadu or Andhra Pradesh. In the non-governmental sector, the significance of financial donations is not as crucial as their ability to effectively engage with the grassroots level of society. National and international policymakers hold the perspective that these groups often operate in close proximity to the vulnerable communities. The current study revealed that these organizations primarily engage in preventative care activities, such as community-level health awareness initiatives and disease detection programs targeting vulnerable groups. Due to the existence of many health schemes implemented by the national government, these groups are encouraged to participate in community-level initiatives aimed at reaching socially marginalized individuals. Nevertheless, there exist certain concerns linked to this particular industry. One primary concern pertains to the absence of a well delineated regulatory framework for these entities. Multiple legal provisions are concurrently accessible, but with a restricted monitoring system. Furthermore, it should be noted that there is currently no system in place for the deregistration of organizations that are not functioning. The current status of

most organizations is not easily accessible to competent governmental authorities. Ultimately, a multitude of small and micro-scale organizations, operating at the grassroots level, appear to lack legal recognition and the ability to uphold and assess their financial records in accordance with registration requirements. Additionally, the national statistics agencies have allocated limited attention to include this sector into their estimations. In the context of the predominantly private health care market in the country, there is currently a growing understanding of the features and operations of for-profit institutions. However, there is a lack of knowledge regarding the function and significance of not-for-profit institutions. The non-profit sector has assumed a crucial role, particularly in delivering preventive and promotive healthcare services, prioritizing outreach as a fundamental component of its operations. The organization's emphasis on delivering healthcare services to remote rural regions and economically unfeasible urban settings should be regarded as a means to address the gap resulting from insufficient government resources and financially burdensome for-profit enterprises. To enhance the involvement of the non-profit sector in development projects, it is imperative to possess comprehensive and up-to-date information pertaining to these organizations. Subsequently, the utilization of a decentralized and participatory strategy provided by the non-governmental sector would enable policymakers to effectively capitalize on the aforementioned opportunities. The current study is perceived as an initial and comprehensive endeavor to assess the operational performance of the non-governmental health sector in India, encompassing both national and subnational levels.

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