

Banking for health- a case study of social lending for health care sector in India

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Banking for a person means place of money circulation, but in the recent years the banking has seen changes in its role and functionality. Banking has undergone an evolution in its existence, from normal banking function its has stretched to social lending making a responsible movement towards society. In this context this research tries to explore an organisation which has broke into a venue which was not explored from ages in India. Lending for the purpose of affording health care service by the poor people of India this is been undertaken by a social lending firm called Arogya finance. This paper tries to understand the process and educate people about the innovation in social lending space.

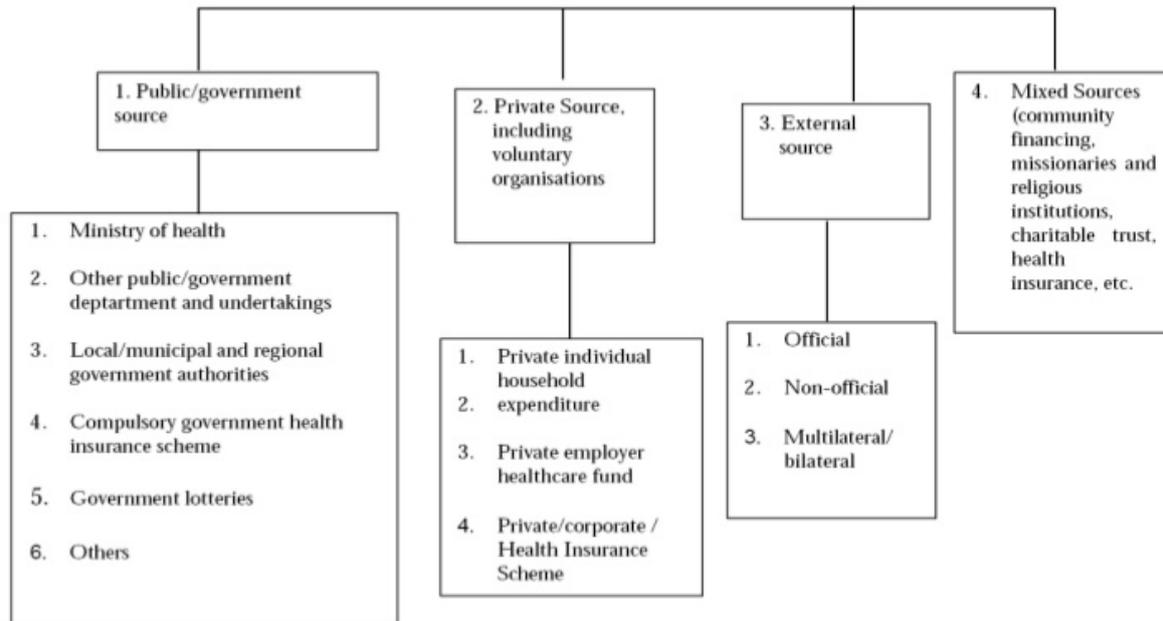
Key words-social lending, health care, arogya finance, India

Introduction

The concept of health has been defined by WHO as “Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity” so this clearly states that health care is primary need of every nation. The health as a product is provided by healthcare delivery system which consists of hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. In Indian healthcare delivery system is categorised into two major components - public and private. The public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas and the private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities. The overall Indian healthcare market is worth around US\$ 100 billion and is expected to grow to US\$ 280 billion by 2020, a Compound Annual Growth Rate (CAGR) of 22.9 per cent. The Indian Healthcare Information Technology (IT) market which is valued at US\$ 1 billion currently is expected to grow 1.5 times by 2020. Based on the growth of gross domestic product in India there is a significant scope for enhancing healthcare services, The Rural India, which accounts for over 70 per cent of the population, is set to emerge as a potential demand source. But when all this spending and investment is happening in health care space the health care financing in India has develop with equal speed to provide scope for people to access all this development .The health care financing system of India when deeply probed consist of two main source at individual level that are out of pocket cost and the health insurance.

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What are the sources of health financing in India?



Source: Kataria, M., Finances of Health Care Services (BOP-WHO Workshop-1995)

The health insurance market of India consist of private insurance companies ,public insurance companies, third party administrators and the various government insurance schemes run by state and central government. In spite of liberalization of insurance sector and government actively launching insurance schemes still Over 80 per cent of India’s population is not covered under any health insurance scheme, says the latest National Sample Survey (NSS).The Nss data also reveals that despite seven years of the Centre-run Rashtriya Swasthya Bima Yojana (RSBY), only 12 per cent of the urban and 13 per cent of the rural population had access to insurance cover and Around 86 per cent of the rural population and 82 per cent of the urban population were not covered under any scheme of health expenditure support by the government.

This clearly proves that insurance tool has not yet proved its effectiveness in India in providing access to quality health care to people as a evidence the out of pocket cost is on rise. Among these two dimension of insurance and out of pocket cost the real people who are suffering are the below poverty line population who are not aware about insurance or capable of spending money in times of health crises.

In this gap of health handicap one financial innovation has merged in India a company called as arogya finance, which is a platform that offers medical loans to those who are traditionally believed to be un-bankable. This company was formed in order to tackle a problem where in India, every year, over 40 million people fall into poverty, due to out-of-pocket spending on medical emergencies. So realising that something needed to be done about this problem, Jose Peter and Dheeraj Batra decided to work on Arogya Finance in 2011 in Mumbai.

Objectives of the study-

This research intends to educate the people about the social and financial innovation happening in India which is becoming an aid for the upliftment of poor population. This studies also intends to spread awareness about the health care financing status in India in its present state and also tries to highlight the probable development in the future.

Research design-

Research method-This research is descriptive in nature and case based as its main intention was to explorer and brings forth the company in terms of its existence, functioning and innovation which it has formulated and adapted.

Source of data-In this study primary data was collected by interacting with Arogya finance company financial counsellor and the secondary data was collected from the company website, research articles and new paper articles about the company.

What is Arogya finance concept-

Arogya Finance is a social healthcare venture, which offers medical loans to the traditionally un-banked, using innovative risk assessment tools that allow them to finance people outside the formal banking system. The business model is structured such that it directly pays the medical bills of an individual to the hospital or the healthcare service provider. Arogya Finance has partnered with hospitals and other healthcare providers to ensure that people can access medical loans for themselves and their families. Arogya Finance has developed a path-breaking proprietary approach, which enables it to lend to even those who fall outside the formal sector.

Who are the founders of this innovative concept-

Jose Peter, Co-Founder and Chief Executive Officer-

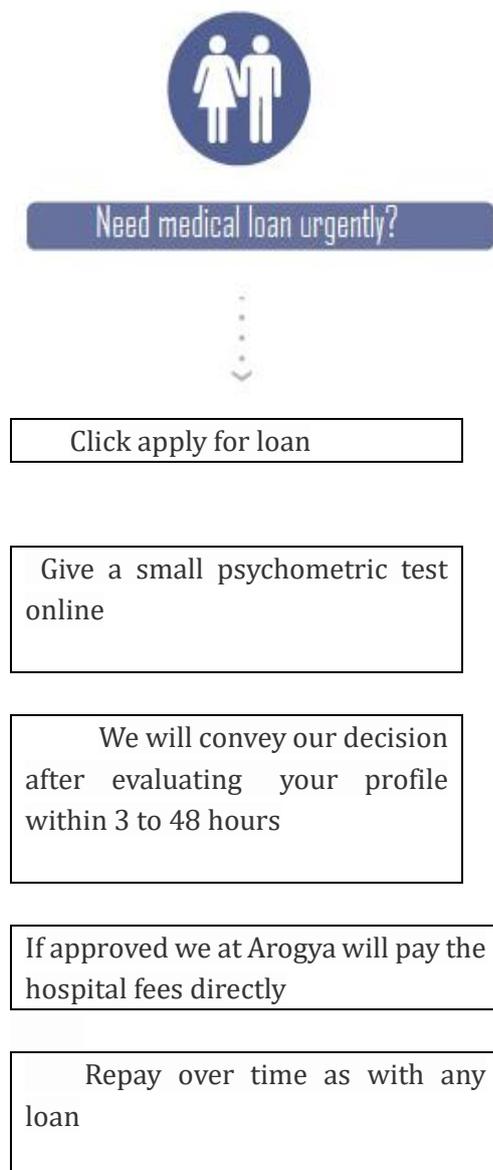
Prior to Arogya, Jose has over 30 years of experience in Finance in a variety of roles ranging from Analyst to CFO. He has extensive hands-on experience in the retail lending business, leading different functions such as credit & risk management, collections, legal & regulatory compliance, back office management, etc. Most recently, Jose, as a Co-Founder of Index Advisory, lead the financial advisory of the consulting firm and helped organisations such as Daimler Financial Services and Medtronic to develop and launch finance offerings in India.

Prior to launching Index, Jose was the CFO of Tata Motor Finance, a retail finance company with a loan book in excess of \$3 billion with a pan India operation.

Dheeraj Batra, Co-Founder and VP Business Development-

Over the past few years, Dheeraj was involved with several start-ups. Until recently, Dheeraj was the Head of Business Design, India at IDEO, where he was part of a core team of people which helped establish the office in India. Prior to IDEO, Dheeraj worked at Innosight Ventures focused on building businesses in India. He led and was part of several ventures that cut across a wide range of industries from agriculture to financial services to men's grooming and medical devices. His work gave him exposure to people from all walks of life - ranging from farmers in rural India to CEOs in executive boardrooms. Dheeraj holds an MBA from the Wharton Business School and BS degrees in both Finance and Computer Science from the University of Maryland

How does Arogya finance model work-?



Source- <https://arogyafinance.com/>

Arogya finance has been a innovative social lending plat form which is unique in its own space the lending model is unique firstly the target customers are the one who are not covered in formal lending area and underprivileged people who are working in informal sector, who do not have any salary slips and assets to collateralize and Some beneficiaries may not even have a bank account. Costumers like a maid, a peon, a watchman, a plumber or an auto-rickshaw driver need urgent medical attention but have no money for the treatment they could well knock the doors of Arogya Finance.

If anyone among these target family happens to encounter a health crisis then the family members of patient can get in touch with the arogya finance, to avail their health loan which is specially given for health care needs. Once a costumer applies for the loan then the company sends a finance counsellor who is a person with experience in credit processing. He is the one who assesses the borrower's repaying capacity, evaluates the loan and does all the paper work. The counselor interviews them and the decision on whether to finance or not is taken within 24 hours. For testing the potential of a borrower they look for four traits like basic integrity of the person, his intention, his risk taking nature and his ability to pay. Though documents like address proof, ID proof and proof of income is desirable, in the absence of some documents, Arogya is flexible and would work out other ways to assess repayment capacity. The health loan can be used only for medical needs. The loan, once approved, is disbursed directly to the caregiver i.e. hospitals, nursing homes, ensuring proper use.

The health loan varies from case to case and extends from 6 months to 3 years. The health loan is given up to 75 percent of the hospital bill and will not exceed above Rs 2 lakhs. Loans are disbursed taking into account the family income of the patient. arogya charges a one-time 2 percent processing fee and the EMIs are calculated in such a way that it is not more than 25 percent of the family income and the first payment starts one month after the patient is discharged from the hospital.

What does Arogya has contributed from inception-

Arogya Finances claims that its programmes and schemes have helped over 20,000 patients availing therapy. Till February, the team claims it disbursed 934 loans with an overall value of approximately 9.5 crore and the arogya team proposes to reach around 1,00,000 loan by the year 2018.

How does arogya been able to achieve its belief –“Every Indian deserves quality healthcare”

Arogya finance from its time of inception as an idea has partnered with 50 health care providers which include super speciality hospitals, nursing homes, surgery centres, clinics, and dental clinics, super speciality clinics which are spread widely among places like Mumbai, Bangalore west Bengal, Mysore, Chennai, and Delhi etc. In a single context the arogya health loans are been available in almost among all the major to smaller cities of India proving that it's in the path of making everyone to deserve health care at the time needed at the place chosen. As part of helping the needy and spreading awareness of their scheme, Arogya pates posters,

distributes leaflets and meets with physicians to tell about their loan plan. They also hope the media would spread the good word about them among the poor.

Recognition to this innovative idea-

Due to the innovative approach, which includes the use of a psychometric test as a risk assessment tool, enabling evaluation of the credit risk profile of people outside the formal banking system, Arogya Finance has been recognized as one of India's most unique social innovators by-

1. Innovations in Healthcare, an organization funded by McKinsey, USAID, and the World Economic Forum and
2. Social Entrepreneurship Accelerator at Duke (SEAD)

What people has to say about this innovation-

Take Ramesh Bhagwan Waghmare, who earns about Rs. 16,000 per month from repairing footwear near Andheri station in Mumbai.

He treated his 14-year-old daughter Shreya at a specialty childcare hospital. Medical tests confirmed his daughter suffered from meningitis and doctors advised a surgery. But Waghmare delayed the surgery since he did not have the money. He needed Rs 65000 and he was hesitant to borrow from private money-lenders who charged 5-10 percent interest per month.

"I came to know about 'Arogya Finance' from Mukund hospital in Marol and took Rs 45000 from them at just 1 percent interest per month. I am so happy and relieved, and my daughter has recovered too," he says with tears of happiness in his eyes.

Bharat Pandit, 34, was in a fix when his father required immediate surgery for prostate cancer. A manager in the billing section of a private firm with a salary of Rs18,000, he could not, at short notice, raise Rs50,000 for the operation. At the hospital, he saw a poster about loans for needy patients and decided to try his luck. "Within 24 hours of approaching Arogya Finance, a loan of Rs35,000 was approved and we could go ahead with my father's surgery," says Pandit. "I am happy that I didn't have to borrow money or be dependent on anyone." He has the option of paying back the loan in easy instalments over three years, and if he has difficulty paying in any particular month, he can inform Arogya Finance and pay it off the next month. The timely surgery was successful and his father is now doing well

Future of Arogya finance-

The pre-approved medical loan “Arogya Card” was launched in June 2015. The Arogya Card has a pre-approved medical loan of up to Rs. 2 lakh for cardholders and their family members. The card is designed with a vision to ease the medical finance burden for the weaker sections, which pushes them into poverty. Unexpected healthcare expenses result in over forty million people being pushed into poverty every year. With the Arogya Card, pre-approved medical loan is now available at the right time and place of need to those who lack collateral or formal income proof, i.e., the traditionally un-banked. Through this effort, the company is creating a lifeline for millions of people in India facing poverty due to high expenses incurred on healthcare. The borrowers can repay the loans in easy monthly instalments of up to 36 months

Social innovations Impact on society-

Arogya comes as a boon to the poor people working in the informal sector, who otherwise have to turn either to private lenders who charge exorbitant interest, or the banks that insist on a number of formal documents. But there is a basic assumption that with no salary slips and assets to collateralize, lending to the bottom of the pyramid segment of the society is fraught with risk. But the concept of Arogya could well silence the critics, for it has a 97 percent recovery rate. Even the 3 percent defaulters are not actual defaulters, as the founder Peter points out that there is only delay in repayment and he is confident that they will recover the amount.

Conclusion of the study-

India has long been a place where you have to be either very rich or very poor to be able to attract the attention of the government. But studies in India has reveal that around 30 million to 50 million people fall into poverty every year because of medical shocks faced by their families because they lack insurance and their inability to pay for such events out-of-pocket expenses. So this situation gave an opportunity for a social innovation called as arogya finance which has become the first organisation in India which lends to health or medical loans to people with a cumulative household income between Rs 10,000 and Rs 20,000. This innovation has become a boon to the poor as it enables the needy to get medical treatment as and when needed and also at the place of their choice which has made the poor to access the quality health care service through the help of medical loans. So it can be observed through the study that India is a place where there are lot of opportunities for innovation in social and financial space and we can expect with time that India will be among the top countries in the world in terms on new ideas to support and sustain a good life.

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