



**NCAER | National Council of Applied Economic Research**  
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**THE CHALLENGE OF IMPROVING HEALTH IN INDIA**

Lecture by Professor Abhijit Banerjee, Massachusetts Institute of Technology  
Second in the NCAER Distinguished Lecture Series

**New Delhi, July 28, 2011: Prof. Abhijit V. Banerjee**, the Ford Foundation International Professor of Economics at the Massachusetts Institute of Technology (MIT) and co-founder of the Abdul Latif Jameel Poverty Action Lab (J-PAL) at MIT, delivered the second lecture in the Distinguished Lecture series at NCAER today. Prof. Banerjee spoke about “The Challenges of Improving Health in India”. **Mr. Swaminathan S. Anklesaria Aiyar**, Consulting Editor, *The Economics Times*, provided his comments after the Lecture.

Introducing the Lecture Series and Professor Banerjee, **Dr. Shekhar Shah**, the Director-General of NCAER, noted “*the emphasis that NCAER increasingly places on sound, evidence-based policymaking and the role it plays with government and the private sector in providing the kind of field-based, analytical evidence that matters.*” He noted that the Distinguished Lecture Series was designed precisely to have scholars like Prof. Banerjee contribute to the policy debate around key issues such as health.

In a far reaching and impassioned talk, Prof. Banerjee spoke with great insight about the many challenges that remain unaddressed in improving health outcomes in India, particularly for poor people, children, and mothers. The key message of the talk was that Indian policymakers should be paying much more attention to what works and doesn't on the ground, and why, in seeking to meet the challenge of improving health outcomes in India. As Prof. Banerjee noted, “*Evidence matters, and yet is often ignored in making and implementing policies.*” A significant proportion of the Indian population, especially poor women and children, suffer from easily preventable non-communicable diseases, childhood malnutrition, and lack of access to quality and affordable health care.

“*There is a lot of talk now about the need to offer comprehensive health coverage for all Indians. However, this conversation seems to entirely ignore the large body of accumulated knowledge about the supply and demand for healthcare in India. This knowledge makes it very clear that offering comprehensive health coverage will be an extraordinarily challenging proposition without substantial prior changes in the demand and the supply of healthcare, both requiring major reforms in policy, implementation, and the accountability of the healthcare giver,*” Prof. Banerjee said.

The NCAER talk took place against the backdrop of Prof. Banerjee's recently published book, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, co-authored with Professor Esther Duflo, also at MIT and a co-founder of J-PAL. In that book, Banerjee and Duflo argue with great persuasion that while there are many grand generalizations about what is required for economic development, it is far more important to observe and experiment on the ground to learn how poor people actually cope with their

poverty, what they know, what they seem (or don't seem) to want, what they expect of themselves and others, and how they make the choices they make.

On health, in his book as well as in his NCAER talk, Prof. Banerjee emphasized the many “low-hanging fruits,” such as immunization, bed nets, oral rehydration, and food supplements like iodized salt and special weaning foods for infants that could save many lives and vastly improve health outcomes for children, women, and poor people. Despite their low cost and easy availability, all too few people make use of such preventive technologies. In his talk, Prof. Banerjee gave his views on why this happens, and the priorities for improving health outcomes that this implies. The high absenteeism rates and low motivation of government health providers are two reasons why we don't see more preventive care being delivered. But rather than fix this problem first, health priorities in India seem to be turning to even tougher challenges of providing universal health coverage, a challenge that will be hard to meet on weak foundations.

Prof. Banerjee pointed out that the biggest challenge to improving health in India is the poor use of public resources and the poor regulation of treatment quality. Households can spend their own money to look after their health or avail of government health services. Unfortunately, for a variety of reasons that we need to understand better, people seem to be avoiding the free public health system. In recent years, at 71 percent of all health expenditures, India has one of the highest out-of-pocket private household expenditures on healthcare. This is unfortunately mostly spent on purchasing drugs that are then often used inappropriately, such as taking one or two antibiotic pills rather than completing the full recommended course. One major problem in usage of government health system is huge demand for curative rather than preventive services. Other health-related financial burdens for poor people include the costs of foregone wages, transportation costs to inaccessible facilities, and the bribes to be paid to obtain services.

Often the solutions to improved health lie outside the health establishment. Reliable access to piped water, sanitation, and appropriate nutrition can improve health dramatically and at far less cost than universal curative health coverage. According to Prof. Banerjee, inexpensive prevention of diseases should always be the first step before a country can ensure the efficacy of expensive cures for all. The first goal of health care policy in India should be to make preventive care easily available for the poor and enforce stringent regulation of the quality of treatment. While other objectives can be pursued and should be pursued, we should not let other concerns divert our attention from these fundamental goals.

Commenting on the lecture and the proposals for right to health approaches, **Mr. Aiyar** noted that the need of the hour is to spend ‘smartly’ rather than spending ‘more’. Given the lack of state capacity, it is better not to over burden it. He mentioned that it is the tasty packaging of the nutritious food that would matter to the poor rather than just the same morsel of bread everyday. He also pointed out that if we intend the beneficiary groups to act, then it is imperative for these groups to be empowered so that they are able to change the system.

**About NCAER:** NCAER, established in 1956, is an independent, non-profit policy research institute committed to assist government, civil society and the private sector in generating, implementing and evaluating informed, evidence-based policy and programme choices. It is India's oldest and one of its largest public policy research institutes. Its faculty undertake research studies at the request of government, industry, and corporate clients and pursue

independent policy research on a number of priority themes. NCAER is particularly strong in the analysis and collection of large-scale data at the national, state, sector, industry, firm, and household levels. For more information, please visit [www.ncaer.org](http://www.ncaer.org).

**Media contact:**

Shikha Vasudeva

NCAER| National Council of Applied Economic Research

11 IP Estate, New Delhi 110002, India

(T) 011-2345-2643 (D), 011-2337-9861, Email: [ssvasudeva@ncaer.org](mailto:ssvasudeva@ncaer.org)