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Why Do India’s Urban Poor Choose to Go Private?
Health Policy Simulations in Slums of Hyderabad
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Collaboration with European Microfinance Platform

In 2010 the European Microfinance Platform (e-MFP) has set up an e-MFP Action Group “University Meets Microfinance” for practitioners to work with European universities and further enhance students’ research and microfinance professionalization.
The "University Meets Microfinance" Programme (UMM) presents its ninth "UMM Award": Each year the UMM Awards honour outstanding theses on microfinance and give recognition to the work of young researchers. The UMM Award winners are selected by a committee of professors and microfinance practitioners, to recognize these presenting innovative research topics and approaches. Microfinance has gained scale and recognition over the last decade. Today, Microfinance Institutions reach approximately 190 million low-income people, who were previously excluded from formal banking systems, with financial services which include credit, savings, insurance and money transfer. This rapid expansion has also come with increasing challenges. Research on microfinance provides new insights into these challenges and can foster innovation in the sector. As of today UMM events gathered 1886 students, professors and practitioners from 10 European countries. The Programme is co-financed by the European Union and was initiated by PlaNet Finance and Freie Universität Berlin with the aim of strengthening the cooperation between European universities and microfinance practitioners. In addition to promoting research publications, UMM offers microfinance seminars in partnership with European universities, mentorship and field research scholarship for Bachelor, Master and PhD students and organizes regular workshops with UMM participants.

More information can be found at www.universitymeetsmicrofinance.eu and www.planetfinance.org

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WHY DO INDIA’S URBAN POOR CHOOSE TO GO PRIVATE?

Health Policy Simulations in Slums of Hyderabad
Abstract

This dissertation contributes to the resolution of a puzzle. Why does a large proportion of India’s urban poor choose to pay for private health services when public services are essentially free of charge? Drawing from previous research, this study takes the underprovision of the medication component in public health packages as a starting point. Field evidence shows that patients in public health facilities often have to get external medication, whereas private hospitals offer a menu of pre-specified care packages.

We contribute an answer as to why the poor choose to go private by investigating their risk-aversion and demand for insurance in the choice of health facilities.

In discrete choice experiments on maternity care in the slums of Hyderabad, we find that the lowest income group attaches significantly higher importance to “full medication” maternity care packages. In line with Expected Utility theory, we further find empirical evidence that this insurance demand of the poor is partially explained by their risk-aversion.

Using health care market simulations, we show that sufficient provision of medicines can increase the market share of a public hospital option from the current 57% up to 100%. Further, “willingness to pay” estimates for such a medical insurance package exceed the median price currently paid for external medication by a large margin.

These findings suggest that an effective pro-poor policy should provide insurance cover for medication-related expenses. They have significant implications for the provision of public health care to the poor and are important for policy-makers and health management alike.