

# **Impact of Medical Tourism on Economic Growth and Foreign Exchange Earnings**

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**Abstract:** *Medical tourism has emerged as a significant contributor to economic growth and foreign exchange earnings for developing economies. This paper examines the impact of medical tourism on economic growth and foreign exchange earnings during the 2019–2021 period, a timeframe marked by pre-pandemic peak performance and subsequent COVID-19 disruption. Through analysis of secondary data from India, Malaysia, and other key destinations, the study finds that medical tourism generated substantial foreign exchange earnings—approximately USD 6 billion for India and USD 1.7 billion (RM1.7 billion) for Malaysia in 2019—with severe contractions of 50–80% in 2020 due to travel restrictions. The paper presents a comparative analysis of medical tourist arrivals, revenue trends, and foreign exchange contributions, demonstrating that medical tourism serves as a critical foreign exchange earner and employment generator. Empirical evidence from cross-country panel data supports that a one-point increase in health tourism revenues as a percentage of GDP causes an increase of 4.93% in GDP growth rate. The research concludes that while COVID-19 severely impacted the sector, medical tourism remains a viable economic diversification strategy for developing nations, with India projected to reach USD 13 billion by 2026.*

**Keywords:** Medical Tourism, Economic Growth, Foreign Exchange Earnings, COVID-19 Impact, GDP, Healthcare Services