

"A man is
great by
deeds, not by
birth"

-Chanakya

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Medical Tourism: A Transaction Cost Economics

Perspective

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Medical Tourism: A Transaction Cost Economics Perspective

Abstract

Medical Tourism is a promising segment within the competitive and price-sensitive healthcare sector and is witnessing disruptive growth globally. It is also an intriguing research domain as it seeks to integrate the twin objectives of healthcare and tourism in a transnational context. This paper sets out to develop a set of exploratory propositions based on the theoretical paradigm of transaction cost economics (TCE) theory. The paper examines, first, whether specific-assets-based transactions create significant competitive advantages vis-à-vis generic-assets-based transactions in healthcare settings and, second, how the governance of these assets affects service quality and customer outcomes. The study finds that investment in specific assets is associated with higher satisfaction and better service quality, thus, building a strong case for specific assets vis-à-vis generic assets. Furthermore, the study also supports the relational form of governance as the most suitable mechanism given the uncertainty, asset specificity, and potential hold-up problems.

Keywords: Transaction Cost Economics, Medical Tourism, Asset Specificity, Hold-up Problem

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