

Foreign Direct Investments In Indian Medicinal And Pharmaceutical Industries

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ABSTRACT

Foreign Direct Investment is considered as an important instrument for economic development to the emerging and developing economies, as FDI provides bundle of benefits to the economy. According to FDI India Foreign Investment facilitators, India is positioned as an important stake holder in the global Pharmaceutical sector with 20% share in generic medicines supplies, meeting 50% of global demand for various vaccines, satisfying 40% generic demand in the US and supplying 25% medicines required by UK. The structure of Pharmacy sector, establishment of Bio Technology Parks and Special Economic Zones for Medicinal and Pharmaceutical Industries attracts the foreign direct investors to invest in the Pharmacy Industries in India. In this research paper an attempt was made by the researcher to analyse the impact and role of foreign direct investments in Indian Medicinal and Pharmaceutical Industries.

Key Words: Medicinal and Pharmaceutical Industries, FDI and Exports.

Introduction

According to India Brand Equity Foundation, in terms of volume indian pharmaceutical market positioned third in the world and in terms of value positioned thirteenth in the world. Within a period of 75 years from independence India has established as global manufacturing and research hub. The availability of raw material and skilled workforce provides the competitive advantage to the Indian Pharmaceutical Industries. And also Indian Pharmaceutical Industries are growing at Compound annual growth rate of 22.4%. Indian Pharmaceutical market is completely dominated by generic medicines since it covers 70% of Indian Pharmaceutical market whereas Over the Counter Medicines and Patented drugs covers 21% and 9% of Indian Market respectively.

As India Manufactures more than 60000 generic brands and exports of generic is one of the great strength of India many foreign direct Investors are trying to invest their money in Medicinal and Pharmaceutical Industries of India. At present 80% of antiretroviral drugs used to combat AIDS globally supplied by Indian Pharmaceutical Industries. Moreover Government of India allows Foreign Direct Investors to make 100% investment in Indian Pharmaceutical Industries through automatic route for green field pharma. What else a Foreign Direct Investor will expect from a government. Hence it attracts foreign direct investors to invest in tangible and intangible assets in India. In this paper the researcher made an attempt to analyse the impact of foreign direct investments on indian Medicinal and Pharmaceutical Industries.

Research Gap

Several studies have been undertaken by many researchers on the topics relevant to FDI in india, impact of FDI on different sectors, Comparative advantage of exports to other regions in the world, performance of indian medicinal and pharmaceutical industries but no researcher have undertaken a study on impact and role of FDI in Indian Medicinal and Pharmaceutical industries hence the study Role of FDI on Indian Medicinal and Pharmaceutical Industries was taken by the researcher.

Medicinal and Pharmaceutical Products

According to WHO Pharmaceutical products are more commonly known as medicines or drugs – are a fundamental component of both modern and traditional medicine. It is essential that such products are safe, effective, and of good quality, and are prescribed and used rationally. India exports six different types of Pharmaceutical products such as Drug formulations & Biologicals, Bulk Drugs & Drug intermediates, Vaccines, Surgicals, Herbals and Ayush.

Statement of the Problem

Recently the Union Cabinet has given its approval for the changes in the existing policies relating to foreign direct investments in the Medicinal and Pharmaceutical sectors by allowing 100% foreign direct investments through automatic route for the manufacturing of medicinal products but subject to certain conditions. According to the Department for promotion of Industry and Internal Trade India's Pharmaceutical sector attracts FDI Inflows worth of \$ 16.25 Billion between 2000 and 2019. Recent reforms and financial subsidies from government such as Affordable medicines under the Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP),Telangana government's Hyderabad Pharma City with financial assistance from Central government of Rs 3,418 crore (US\$ 489 million), Approval of Pharmaceuticals Purchase Policy (PPP), allocation to the Ministry of Health and Family Welfare Rs 65,012 crore (US\$ 9.30 billion) in 2020-21 budget, allocation of budget towards National Health Mission, Health Insurance scheme Ayushman Bharat, setting up of Pharma Parks, National Health Protection Scheme, single-window facility to provide consents, approvals and other information and 'Pharma Vision 2020'. Hence all these factors attracts the foreign direct investors to make their investment in Indian Medicinal and Pharmaceutical Industries. It has led the researcher to analyse the impact of Foreign Direct Investments in Indian Medicinal and Pharmaceutical Industries and its impact on Indian Economy.

Objectives of the Study

- ❖ To study the role of FDI in Medicinal and Pharmaceutical industries in the development of India.
- ❖ To analyse the contribution of Medicinal and Pharmaceutical products Exports to the total exports of India.

Methodology

The present is completely based on the secondary data, the data required for this study has been collected from different sources like UNCTAD, UNCOMTRADE, Ministry of Commerce of India, Ministry of Pharmacy, Pharmaceutical Products Exports promotion Council of India etc.. There are 6 types of products are manufactured in India as Medicinal and Pharmaceutical Products. In this research paper the research has taken all the six products together as Medicinal and Pharmaceutical Products. The period covered for the study is one decade from 2009-2018. The collected data were analysed with the help of the statistical tools like Index Number, Trend Analysis, and Regression analysis.

Results and Discussion

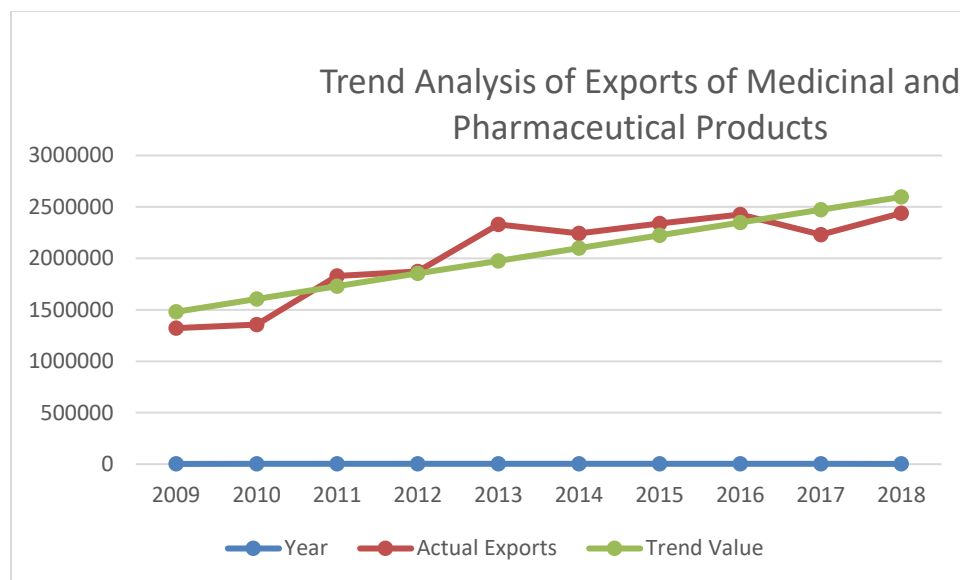
Comparison of India's Exports of Medicinal and Pharmaceutical Products and GDP

Table No.1

S.No	Year	Exports(\$ in '000')	GDP (\$ in '000')	Growth of Exports	Growth of GDP	Trend of Exports	Trend of GDP
1	2009	1322134	1315230000	100	100	1480195.127	1426402727
2	2010	1356857	1669620000	102.626284	126.9450971	1604289.188	1565314855
3	2011	1828554	1871918000	138.303228	142.3262851	1728383.248	1704226982
4	2012	1871002	1860877000	141.513795	141.4868122	1852477.309	1843139109
5	2013	2329708	1917054000	176.20816	145.7580803	1976571.37	1982051236
6	2014	2242896	2042939000	169.642109	155.3294101	2100665.43	2120963364
7	2015	2338926	2146759000	176.905367	163.2230865	2224759.491	2259875491
8	2016	2427128	2286233000	183.576551	173.8276195	2348853.552	2398787618
9	2017	2228958	2625091000	168.587904	199.5917824	2472947.612	2537699745
10	2018	2440021	2779352000	184.551717	211.3206055	2597041.673	2676611873

Source: UNCTAD

Figure No.1



The table shows above reveals the Trend and Growth of Exports of Medicinal and Pharmaceutical Products and GDP of India over a decade. Both GDP of India and Exports of Medicinal and Pharmaceutical Products are increasing in the positive direction. The rate of growth of both the parameters of Economy is also more or less same. But the rate of growth of Exports of Medicinal and Pharmaceutical products is little higher than the rate of growth of India’s GDP. Through that it can be proclaimed that the demand for Medicinal and Pharmaceutical Products is very high in the global market. The trend of Exports of Medicinal and Pharmaceutical Products is also in the increasing even there is a fluctuation in the actual exports still trend is in the increasing direction.

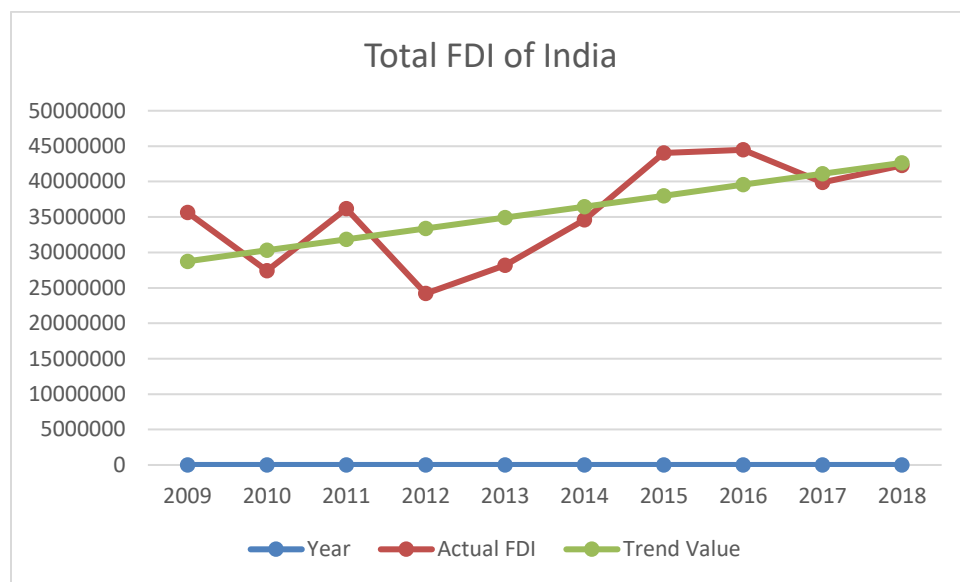
Inflow of Foreign Direct Investment in India Comparison with world FDI

Table No.2

S.No	Year	FDI (\$ in ‘000’)	World FDI (\$ in ‘000’)	Growth of India’s FDI	Percentage of India’s FDI	Trend of India’s FDI
1	2009	35634000	1172234000	100	3.039836756	28748418.18
2	2010	27417000	1365107000	76.9405624	2.008413992	30292169.7
3	2011	36190000	1561354000	101.560308	2.317860011	31835921.21
4	2012	24196000	1470334000	67.9014424	1.645612493	33379672.73
5	2013	28199000	1431164000	79.1350957	1.970354201	34923424.24
6	2014	34582000	1357240000	97.0477634	2.547964988	36467175.76
7	2015	44064000	2033803000	123.657181	2.166581522	38010927.27
8	2016	44481000	1918679000	124.827412	2.318313798	39554678.79
9	2017	39904000	1497371000	111.982938	2.664937414	41098430.3
10	2018	42286000	1297153000	118.667565	3.25990843	42642181.82

Source: UNCTAD

Figure No.2



The table shows above explains the inflow of Foreign Direct Investment into India and the world Foreign Direct Investment over a period of ten years. The inflow of Foreign Direct Investment into india does not have even growth and it has many fluctuations over a period of time but still India maintains a considerable share in the total foreign Direct Investments of the entire world. India Maintains more than 3% share in the total foreign direct investments of the world. Hence it can be concluded that India is an attractive destination for the foreign direct investors.

FDI in Medicinal and Pharmaceutical Industries in India

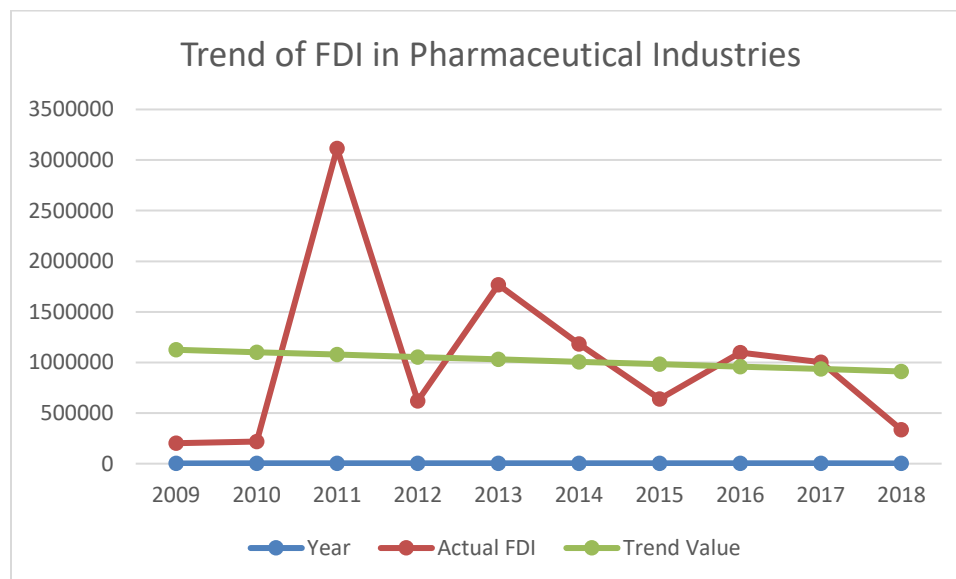
Table No.3

S.No	Year	FDI in Pharma Industries(\$ in '000')	Total FDI (\$ in '000')	Growth of FDI in Pharma Industries	Share in India's Total FDI	Trend Value of FDI in Pharma Industries
1	2009	202098.1202	35634000	100	0.567149689	1125400.858
2	2010	219541.8762	27417000	108.63133	0.800750907	1101562.785
3	2011	3113666.167	36190000	1540.67052	8.603664457	1077724.712
4	2012	619707.3353	24196000	306.636863	2.561197451	1053886.639
5	2013	1768686.583	28199000	875.162313	6.272160655	1030048.566
6	2014	1183442.965	34582000	585.578413	3.422135692	1006210.493
7	2015	639488.0102	44064000	316.424522	1.451270902	982372.4197
8	2016	1097255.642	44481000	542.932137	2.466796255	958534.3467
9	2017	1003164.479	39904000	496.374968	2.513944665	934696.2737

10	2018	334244.1147	42286000	165.387048	0.790436822	910858.2007
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Source: UNCTAD& CEIC

Figure No.3



The table shows above Compares the Foreign Direct Investment of India and Foreign Direct Investments in Indian Medicinal and Pharmaceutical Industries. Comparing to the total FDI in India FDI in Medicinal and Pharmaceutical Industries is not growing in uniform rate. There are huge fluctuation in the last 10 years. But still there is a growth in the foreign direct investments inflows into Medicinal and Pharmaceutical Industries.

Comparison of India’s Exports of Medicinal and Pharmaceutical Products and FDI in Medicinal and Pharmaceutical Products Industries

Table No.4

S.No	Year	Exports(\$ in '000')	FDI in Pharma Industries(\$ in '000')	Growth of FDI in Pharma Industries	Growth of Exports
1	2009	1322134	202098.1202	100	100
2	2010	1356857	219541.8762	108.63133	102.626284
3	2011	1828554	3113666.167	1540.67052	138.303228
4	2012	1871002	619707.3353	306.636863	141.513795
5	2013	2329708	1768686.583	875.162313	176.20816
6	2014	2242896	1183442.965	585.578413	169.642109
7	2015	2338926	639488.0102	316.424522	176.905367
8	2016	2427128	1097255.642	542.932137	183.576551
9	2017	2228958	1003164.479	496.374968	168.587904

10	2018	2440021	334244.1147	165.387048	184.551717
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Source: UNCTAD& CEIC

The table shows above compares the Foreign Direct Investments into Medicinal and Pharmaceutical Industries and Exports of Medicinal and Pharmaceutical Products. There is a huge difference between the growth of Foreign Direct Investments into Medicinal and Pharmaceutical Industries and Exports of Medicinal and Pharmaceutical Products the exports of Medicinal and Pharmaceutical Products is increasing at a uniform rate but there is a huge fluctuation in case of FDI. As per the regression Analysis if the Foreign Direct Investments into Medicinal and Pharmaceutical industries will be 1000000 thousand \$ then the exports of Medicinal and Pharmaceutical Products will be 601717.8261 thousand \$ in 2020.

Conclusion

In this research paper the researcher made an attempt to analyse the impact of Foreign Direct Investments into Indian Medicinal and Pharmaceutical Industries. As India is a third largest supplier of Pharmaceutical products and supplies 50% of vaccines to the whole world, India has become an attractive destination to the foreign direct investors. But the foreign direct investments into Medicinal and Pharmaceutical industries is not increasing at a uniform rate. But still India has competitive advantage in Pharmaceutical Industries because of skilled labour force and the support from government of India for the promotion of Drug and Pharmaceutical Industries.

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