



Foreign Direct Investment in Pharmaceutical Sector of India

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Abstract

Foreign Direct Investment (FDI) is higher proportion in pharma sector which has been an unbroken part of the economic development strategies of India. Indian Pharmaceutical sector observe higher levels of FDI in the recent past some times. The FDI is allow 100% in recent times so the field of pharmaceuticals induces some multinational pharma companies to conceive India as the pharmaceutical destination and among pharma hub in last some years. The Pharma sector's multinational companies of world level are participations with Indian companies brought new products, new drugs, high quality medicines, latest technology, higher investments, quality systems and knowledge of regulatory processes. Indian companies provide facilities at lowest cost of innovation, provide best medicines at fair rate, less capital needs, well-structured manufacturing units, R & D infrastructure conveniences and local market knowledge with help in major market share cover. So main reason behind increase in merger and acquisition & other associations in Pharma sector at globally emerged as a newly pharmaceutical companies of India due to its long term effect on generic competition which may lead to higher in price of generic drugs. The main effect on raised domestic capital income, technology and ability for fastly economic growth, changes in department of industrial policy and promotion to attract and promote foreign direct investment.

Key Words: Pharmaceutical sector, Foreign direct investment

Introduction

A foreign direct investment could be a direct investment by other country. Foreign Direct Investment is an acquired of physical capital by a firm from one nation to other nation. The FDI is an investment that enlarge to long-term relationship and control by a resident existence of one country in a firm located in a country other than that of the investing firm. There is high engaged to the direct investment than only money capital for illustration managerially, economically, financially or technically guidance or advice. Foreign Direct Investment (FDI) Foreign Direct Investment (FDI) attraction has become an without breakable part of the economically development strategies for India. As point of view all countries find FDI when domestic capital is inadequate or at lower for aim of economic growth, development and booster reforms in national level. So FDI generally brings technical know to work, how to work, business expertise, knowledge and intellectual property. The FDI was ascertain a major amount of domestic capital, higher production level and great employment opportunities in the developing countries, which are considered major steps towards the economic growth of the country. In pharma sector's FDI has been a booming factor that has strong the economic life of India but on the other words it is also being blamed for cancelled domestic inflows. The FDI inflow has been encouraging for India who has tremendous potential for greater flow of FDI in next coming years. FDI can be defined as a more higher investment, where foreign assets are invested into the domestic market excluding the investment in stock. This facilitates in bringing private funds from overseas into products or services.

Objectives

1. To get the information about FDI data in India.
2. To find out FDI investment in pharmaceutical sector in India level.
3. Effect of FDI in Pharmaceutical sector in India.

Literature Review

1. Tamma Koti Reddy (2013) studied on 'Foreign Direct Investments in Indian Pharmaceutical Industry' they said that, Although India has considerable liberal policies in its foreign investment policy, the foreign direct investment inflows had been much lower before sometimes but India has changed his FDI regulations after that the targets until recently. The other market leader companies in pharma industry should raise their expenditure towards R & D and academic connections would assist to the pharma industry with regard to Drug and medicines development.
2. Dr. Nishikant C. Dhande, Prof. Anshuman Vijay Magar studied that 'A Study of Foreign Direct Investment in Indian Pharmaceutical Industry', they apply that the foreign direct investment route is the greatest, fastest, safest and higher efficient mode of operating in the most latest technology in India. They are suggested to India is market of Generics, which will induced more inflow of FDI in next few years.
3. Ronny Thomas, K. Narayanan and Vinish Kathuria studied that 'FDI and R & D in the Pharmaceutical Sector in India', he said that Expenditure and cost on research and development (R&D) in pharma sector is identified as an important source for encouraging innovations and technological learning in developed as well as developing countries. Further, the scope of investment in R & D has raised with the progressive liberalization and increased flow of cross-border investment.
4. Harshvardhan Jain & Mayank Rautela (2018) research on 'FDI in Indian Pharmaceutical Sector' But policy should be such to minimum or even cancelled all objections or disadvantages from FDI inflows into a country. It is also needed because 100% FDI is allowed in this sector which artificially direct threat and more hurdles to the whole health and IPR framework of our country in terms of access and affordability of medicines, domination out of our pharmaceutical industry, undue demand and pressure on TRIPS arrangements as per parliament committee report.

Research Methodology

i) Sources of Data

This research data was secondary source we collect data from Internet searches or libraries, other researchers study for massive research survey, different published reports sources like printed books, online journals, research thesis, dissertations and various online websites were used like RBI, Make In India, Pharma industry, etc.

ii) Data Collection Method

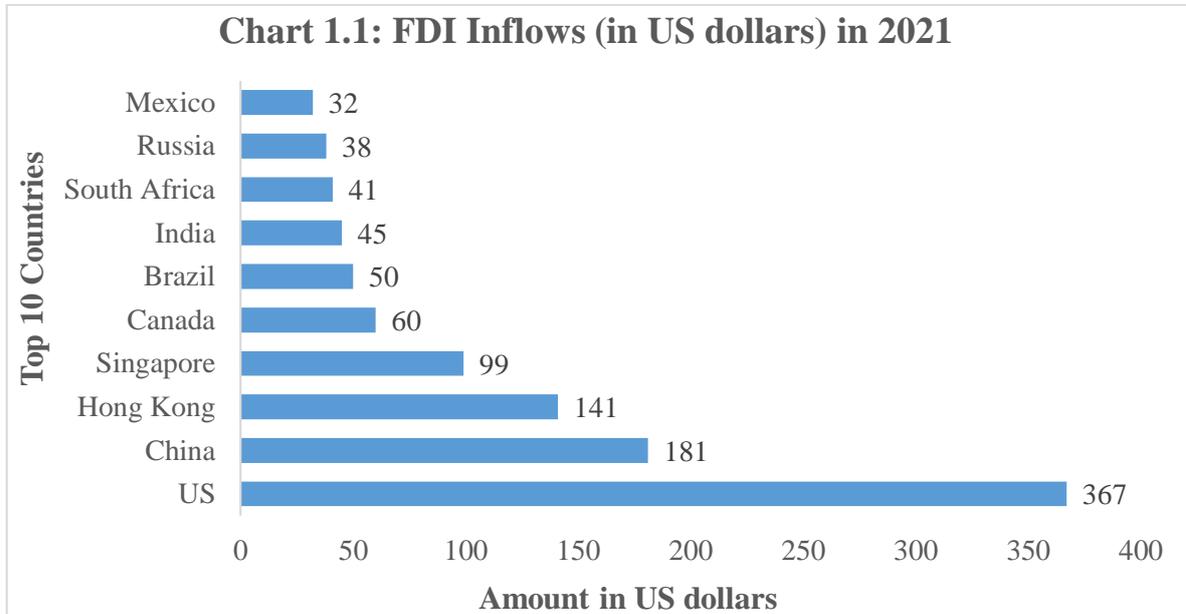
This study data are collected by other data Research Journals – like Economic times, Business Standard, Financial Chronicle, Financial Express newspapers, Outlook Money, Money Today, Wealth Insight magazines, research journals are meaning for an academic or methodological spectators, not common readers. A journal is a scholarly publication containing articles written by researchers, academicians, professors, and other experts. The data was collected by official documents and government sources who declared or published by state or central government. This all using data contained and collected by website articles tools which help in study depth of pharmaceutical industry with help of research papers, journals, articles, magazines, financial newspaper, bulletins, reference book, research report etc. and all available sources.

iii) Sample Design

In this study all data which mentioned in graph are taken from RBI site, in which there are almost all different sectors but main focused on drugs & pharmaceutical sector etc. which explained about how FDI inflow invested into different sector also into Pharma sector.

Data Analysis and Interpretation

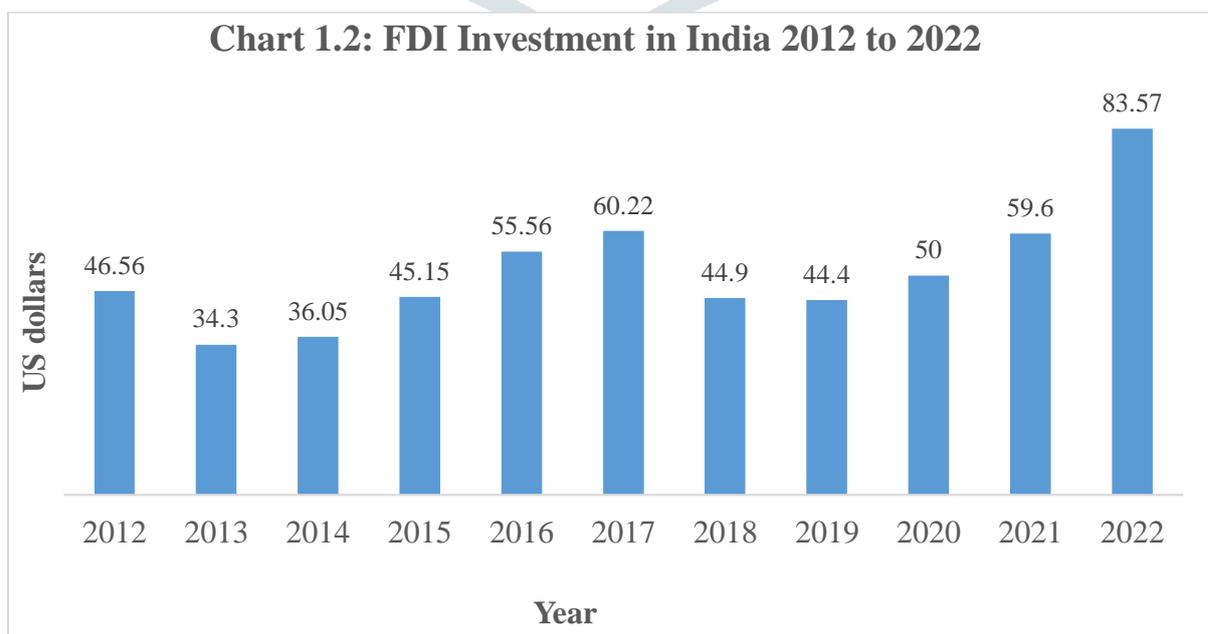
Top Countries FDI Inflows in the World



Source: www.timesofindia.indiatimes.com

The above chart 1.1 refers to top leader countries who highest inflows of FDI in the all over world so observed that US has main much more FDI attract to his country its reached at 367 dollars during 2021. Thereafter other countries like China was second highest with 181 dollars and Hong Kong was third largest 141 dollars after that India was 7th rank in world-wide FDI attract from other countries at 45 billion as large mergers and acquisitions. This is specially greatest reforms and achievement for India specially in the modern technology and drugs. On this chart concluded to India remains the preferred destination for digital multi-national companies looking to invest outside the developed world with the country.

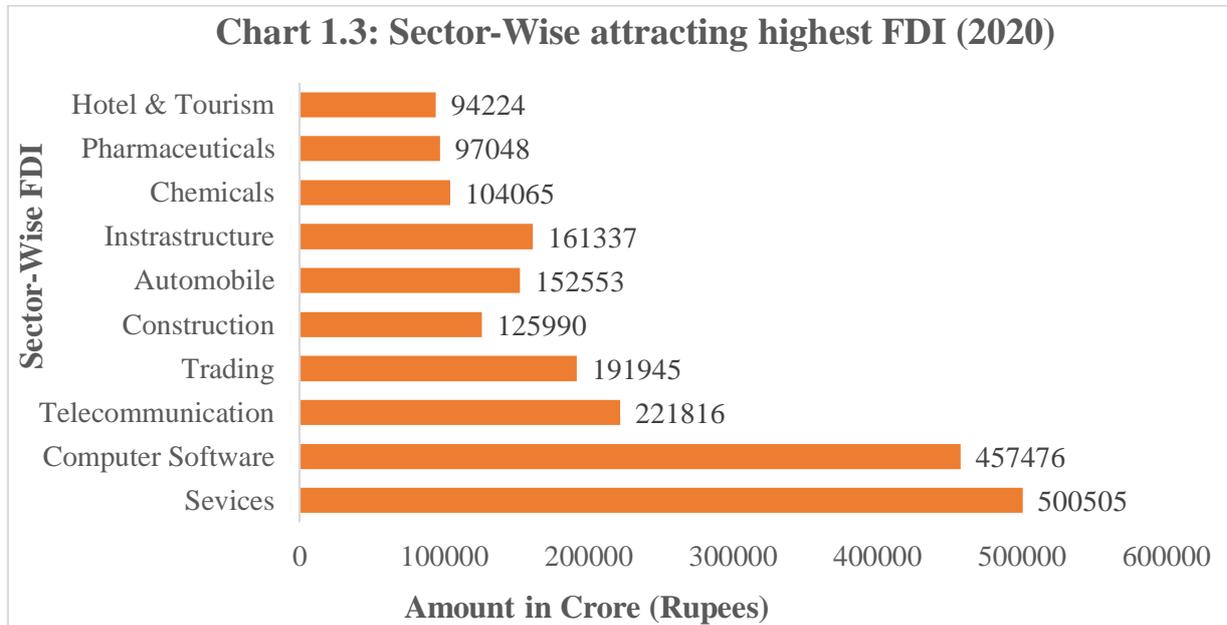
FDI Investment in India



Source: www.statista.com

FDI policy is an enlarged which was uniformly apply in the country. Government of India has put in place a liberal and transparent policy for Foreign Direct Investment (FDI), wherein most of the sectors are open to FDI under the automatic route and also increase FDI during 2012 to 2022. Specifically the Indian Government reviews the FDI policy and makes changes from time to time, to ensure that India remains an attractive and investors destination so higher investment at 83.57 dollars during 2022 its double from 2012. So India has reported highest foreign direct investment to the journey of 46 billions to 83 billions dollars in 2012 to 2022 so it a highest FDI investment recorded during whole financial years.

FDI Investment various Sector



Source: www.businesstoday.in

The above chart 1.3 indicates for different sector-wise FDI investment in Indian country. In this study the highest FDI collected by service sector its Rs.500505 crores then after computer, telecommunication, trading, construction, automobile, infrastructure, chemical and at 9th position of pharmaceutical sector. The pharmaceutical sector was also Rs.97048 crores amount of FDI collected by different countries in 2020 year. It's very higher amount invested of pharmaceutical sector and year by year raising along with other sectors and its positive effect on pharma sector and also Indian economy.

FDI in Pharmaceutical Sector

Foreign direct investments (FDI) have played a significant and vital role in developing the Indian pharmaceutical sector, and it has concluded in access to global capital markets and financial resources, access to more consumer markets, generation of new employment opportunities, increase in research and development and increase in net foreign exchange earnings. The FDI in brownfield projects (under automatic and approval route) will be subject to compliance with the conditions below:

- The production level of national list of essential medicines drugs and consumables items and their supply to the domestic market at the time of entering of FDI is to be sustained over the next five years at an outright measurable level.
- The research and development expenses was higher in value terms is to be maintained for the next five years at an absolute quantitative level as at the time of induction of FDI
- The related investor company shall provide all information and details concerned to the transfer of technology outdated to modern, if any along with entering of foreign investment into the investor company to the Ministry of Health and Family Welfare, Department of Pharmaceuticals.

This legally framework is with a view to protect the domestic pharma industry, efficiently that the supply of needed medicines is not negative impacted, and increase research and development. So attract larger amount of FDI in the pharmaceutical sector, the government reviews FDI policy on an

ongoing basis with a view to liberal and simplify it progressively and develop the country's investment environment by providing comfort of doing business.

Effect of FDI in India Pharma

A foreign or abroad multi-national companies collaboration with Indian companies brought new products, new drugs & medicines, modern technology, higher investments, quality systems for increasing knowledge of regulatory processes. Indian pharma companies provide local market knowledge, cost advantage, local scientific or medicines talent. FDI was such assist to have the potential to bring significant benefits to both parties and more valuable to society as a whole. The pharma companies such partnerships bring in new drugs and therapies to the market and increase patient's awareness about diseases and wider treatment choices available. The main effect of Foreign direct investments (FDI) have played a significant and vital role in developing for Indian pharma sector, and it has resulted in access to global capital markets and evaluate financial resources, access to larger consumer markets and find to new markets, rival strategies for competitors, generation of new employment opportunities, raised in research and development and increase in net foreign exchange incomes.

FDI has contributed considerably in Indian pharmaceutical sector. India is recent times to the third-largest pharmaceutical industry in terms of volume and tenth largest in terms of value, and it is the largest provider of generic medicines items at globally. FDI information's collect by way of information, it may be noted that 100 per cent FDI is permission in the pharma sector, and FDI up to 74 per cent in brownfield pharma projects is permitted under the automatic route.

Recently, there have been certain opportunities takeovers in the backdrop of the brittle economic situation caused by COVID-19, and in order to deal with the Government of India (GOI) has changed the FDI policy in April 2020 and mandated prior GOI approval for investment from bordering countries (including China). So this has factors a lot of inconvenience to Indian investor companies, including in the pharma sector. Other affected relevant administrative ministries and departments are requesting for declarations regarding direct and indirect investments and beneficial ownership from bordering companies and making such declarations is exceedingly challenging and time-consuming. FDI was global and cross-holding structures, it is difficult to ascertain who the ultimate beneficiaries of investments in India. Therefore in some cases, investments are held by various funds, and ensuring the beneficiary in such a situation becomes challenging. Hence. the time taken by the related administrative ministry to screen beneficial ownership data and ultimately approve or reject an application has brought uncertainty over ongoing transactions, which was executed and are yet to close new transactions.

India has recently banned many Chinese apps and is screening all that comes in from China or is China-related, be it investments, goods and services. So this has leading to uncertainty about the future of Indo-China trade relations, and this is already having a significant adverse effect on the pharma sector as India sources a substantial amount of raw material, active pharma ingredients and key starting materials from China. The consolidation and resultant of M&A is a key maker for the Indian pharma sector. The Indian pharma sector has owing to the global economic slump, weak investor confidence, lower demand, etc., FDI has generally been slow in the pharma sector and this has an impact on the growth of this sector. Some merger and acquisitions of Indian pharmaceutical multinational companies below.

Table 1: Mergers and Acquisitions (M&A) of Indian Pharmaceutical Companies

Sr. No.	Foreign company	Indian Company	Year	Amount
1.	Mylan Inc. US	Acrolab Ltd. Unichem Lab. Ltd.	2013	1.75 billion \$ Rs.160 crore
2.	Sanofi SA	Universal Medicares Ltd.	2011	100 million \$
3.	Abbott US	Piramal Healthcare	2010	3.8 billion \$

4.	Sanofi	Shanta Biotech	2009-2012	722 million \$
5.	Daiichi Sankyo Co. Ltd. Japan	Ranbaxy Lab. Ltd.	2008	4.6 billion \$
6.	Fresenius Kabi (Singapore)	Dabur Pharma	2008	219 million \$
7.	Hospira (USA)	Orchid Chemicals	2009	400 million \$
8.	Reckitt Benckiser's	Paras Pharmaceuticals	2010	726 million \$
9.	Danone	Wockhardt	2011	350 million \$

Source: www.livemint.com

Conclusions

- Increasing competition in Indian pharma sector also attracts foreign investors with newly system in healthcare spending such as healthcare insurance policies, life insurance policies results in growth in pharmaceutical industry which attracts investment.
- It has also raised to medical tourism, pharma packaging, biopharma and bio-generics are some of the emerging segments which may increase the growth and development of pharmaceutical industry.
- Pharmaceutical production cost is also cheap in India because reason behind as a result of world's second largest population, there are wide patterns of disease which attracts the pharmaceutical firms.
- Pharmaceutical demand of medicines raised domestically as a result of better literacy rates as comparison to earlier.
- FDI improves quality of medicines and drug products and also some companies production more progressive at large scale after changing policy of FDI.
- It has gradually changes Indian pharmaceutical scenario after allocation of FDI policies.

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