Chapter 11
Indian Economic Growth Concerning the Impact on FDI (Foreign Direct Investment):
Impact of FDI on Indian Economic Growth in the Pharmaceutical Sector

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ABSTRACT

The present empirical study has explained the part of foreign direct investment (FDI) in India's economic growth in the pharmaceutical sector. The study has detailed information about the relationship, impact, and forthcoming action of the FDI on the Indian economy. This study applies the e-views software concerning statistical tools used are VECM, ordinary least squares, and VAR. It has considered the secondary data with the year starting from 2011 to 2021. The study has evaluated the results as a good association between the FDI and the pharmaceutical sector. This study suggests that it affected the positive long-term connection of FDI in the pharmaceutical industry and the short-term affinity between FDI and GDP. The study also concluded that the outcomes of foreign direct investment would have positive future movements in GDP.

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INTRODUCTION

Foreign Direct Investment (FDI) is described as "cross-border expenditures to acquire or extend corporate ownership of productive assets." FDI is paramount to a nation's economic growth. Foreign investors' money helps India enhance infrastructure, raise production, and deliver career opportunities. Furthermore, FDI performs as a conduit for formulating sophisticated technology and mobilizing foreign currency resources. The country's foreign trade aid allows the RBI (Reserve Bank of India) to intervene in the foreign exchange market and limit adverse movements to stabilize exchange rates. Consequently, it creates a more favorable economic climate for the growth of the Indian economy.

India is regarded as a worldwide center for low-cost generic pharmaceuticals, which is critical in ensuring the right to health in impoverished nations. Foreign direct investment (FDI) is required to introduce newer and safer technologies to India. However, India's current FDI laws need to be reviewed. The Indian government should also ensure that excessive foreign investment does not harm local businesses and enterprises (particularly those engaged in generic medication), the market, and the price of pharmaceuticals in India. The present NDA government's start-up policies, Pharma Vision 2020, and their effective execution are critical. If the recommendations mentioned earlier are effectively executed, FDI in the pharmaceutical industry will fulfill its objective. The pharmaceutical business in India is significant in implementing the people's welfare state. Economic development in the sector, the availability of generic products, and robust competition are critical for India. After weighing the benefits and drawbacks of FDI in the Indian pharmaceutical industry, it has been determined that India needs sufficient FDI and its spillovers for the industry's development. The government has been engaged in developing policies to guarantee the industry's overall growth. Since 2001, 100 percent of FDI in the pharmaceutical industry has been permitted. This has benefited the pharmaceutical industry. MNCs bought as many as six major Indian companies between 2006 and 2010. This has not resulted in price increases or a scarcity of generic products. With skilled and inexpensive labor, India is a big prospective market for MNCs. However, worries about FDI in the pharmaceutical industry persist. Though the data do not indicate them, they may emerge over time (Bhogaraju et al., 2021; Seeja et al., 2021).

Some government supervision over FDI in the pharmaceutical industry was required. The Central Government has announced that FDI would be permitted via the FIPB clearance route for up to six months in instances of Brownfield investments in the pharmaceutical industry. During this time, the government would put the necessary enabling framework for supervision by the Indian Competition Commission. After six months, the Competition Commission of India (CCI) would oversee the process in line with the country's competition rules. The existing (FIPB) and planned (CCI)