ABSTRACT

The Foreign Direct Investment (FDI) has become a main source of foreign capital flow for developing economies and leading source of external financing. Since 1991, due to liberalization of policies towards foreign investment, there was a positive response from capital exporting countries and India also witnessed an increasing trend of FDI inflows. The inward FDI flows can result in a bundle economic advantages i.e., helps in increasing the productivity, efficiency in utilization of resources, market expansion and favorable balance of payment etc. It is also observed that the liberalization of FDI policies offers opportunities as well as threats for firms. The most important aspect is the impact of FDI inflows on the growth of the Sectors and its contribution to the economy. It is a fact that the importance of FDI extends beyond the financial capital that flows into the firms. The Indian Pharmaceutical Sector is also an interesting and relevant context for several reasons. It is one of the most vibrant knowledge driven industries in India with consistent growth over the past thirty years. In the global market, it ranks 4th in terms of volume and 13th in terms of value. FDI in pharmaceutical sector in India is also an interesting area for research due to many reasons. Taking into consideration the important of FDI and the significance attached, the present study is carried out to assess the impact of FDI on the growth of Pharmaceutical Sector in India in the post-liberalisation period. Regression analysis has been carried out to assess the impact of FDI on the financial performance of select FDI-based companies. Financial Performance of the select-FDI based companies has been analyzed from various angles such as profitability, liquidity, solvency, efficiency, expenses and growth. The analysis has been done both at individual and aggregate level. A comparative study between FDI and Non-FDI companies has also been carried out. A sample of 18 FDI-based companies and 152 Non-FDI based companies from listed companies is considered for the study. The study is carried out for a period of 10 years from 2000-01 to 2009-2010.