

Determinants of Profitability in Indian Pharmaceutical Firms in the New Intellectual Property Rights Regime

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Abstract : This study investigates the firm level determinants of profitability of Indian drug and pharmaceutical industry. The study uses inflation adjusted panel data for a period 2000-2013 and applies OLS regression model with Driscoll-Kraay standard errors. It has been found that export intensity, A&M intensity, firm's market power and stronger patent regime dummy have exercised positive influence on profitability. The negative and statistically significant influence of R&D intensity and raw material import intensity points to the need for firms to adopt suitable investment strategies. The study suggests that firms are required to pay far more attention to optimize their operating expenditures, advertisement and marketing expenditures and improve their export orientation, as part of the long term strategy.

Keywords : Indian pharmaceutical industry, profits, TRIPS, performance

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