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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

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IMPACT OF RECESSION ON INDIAN PHARMA SECTOR**SHRADDHA BHATT****STUDENT****SCHOOL OF PHARMACY AND TECHNOLOGY AND MANAGEMENT****NMIMS UNIVERSITY****SHIRPUR****DR. A. K. PANIGRAHI****ASSOCIATE PROFESSOR****SCHOOL OF PHARMACY AND TECHNOLOGY AND MANAGEMENT****NMIMS UNIVERSITY****SHIRPUR****ABSTRACT**

Every economy faces many economical downfalls and crisis in an era which affects the entire world and shakes its stability disastrously. Recession being the one, is a decline in the Gross Domestic Product of a nation for two or more consecutive quarters. The Great Recession was a global economic decline from 2008-2009. It initially began with financial liquidity crisis from 9th August 2007. It merely began as a national recession in United States from December 2007, but IMF's criteria for global recession met when there was a decline in annual per capita real World GDP in the single calendar year of 2009. The major cause of crisis of 2008 was the failure of the leading financial institutions globally, starting with the fall of investment bank Bear Stearns in March 2008, and failure of Lehman Bros. in 2008. The bursting of housing bubble in US was one of the primary causes. Decrease in consumer demand and consumption led to decline in production and raised unemployment. Soon it affected many other countries in Europe and Asia including India. But the matter of study is whether the Indian Pharmaceutical Sector which has always shown an accelerated trend in growth since the last few years is affected by recession or not. This study is designed to find out the impact of recession on Indian Pharmaceutical Sector. Looking into the growth trend of Indian Pharmaceutical Sector, we feel that, though recession affected all the sectors, Indian Pharmaceutical Sector is not affected to that extent.

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KEYWORDS

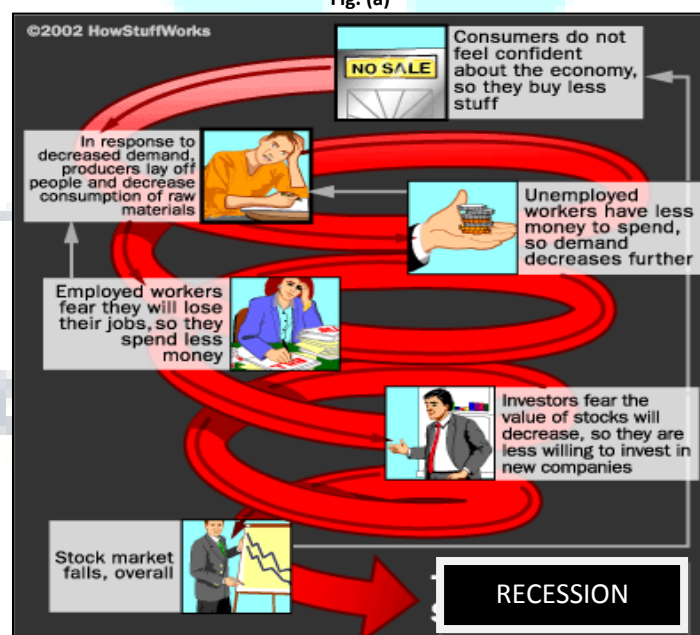
Economic Downfall, Gross Domestic Product, Indian Pharmaceutical Sector, Recession.

INTRODUCTION

India, a developing country got its much awaited freedom in 1947, and commenced with its Economic Planning since 1951-1952. Due to the economic crisis, the Liberalization, Privatization & Globalization (LPG) policy was adopted by the nation in the year 1991. The Great Recession of 2009 totally shook up the US economy and affected the rest of the world. This led to positive as well as negative effects on Indian Economy. This topic is discussed all over the world because it poses a threat to almost all the major fields. Industrialists as well as the common man are worried about their security and safety.

WHAT IS RECESSION?

Fig. (a)

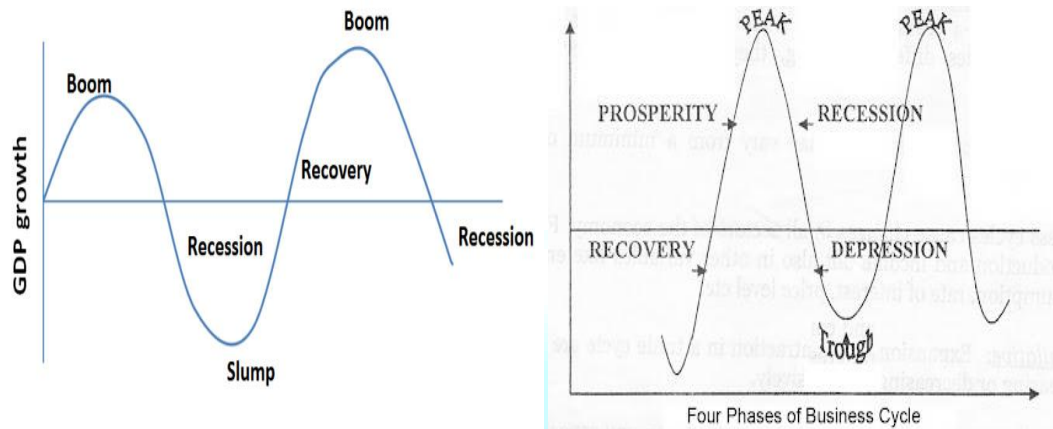


Source: Google images

Recession, a phenomenon which lately shook the entire economic world, is a process in which there is slowdown in the economic activity leading to business cycle contraction. International Monetary Fund (IMF) has changed the definition of Global Recession, the new definition is as follows, 'A decline in annual per-capita real World GDP (purchasing power parity weighted) which is backed up by a decline or worsening of one or more of the seven other global macro-economic indicators like industrial production, per-capita investment and per-capita consumption trade, capital flows, oil consumption, unemployment rate.' It

leads to a severe downfall of stock market, drop in employment rate leading to rise in unemployment and decline in housing market. Recession, a turning point from prosperity to depression is termed as Recession Phase in business cycle. Recession lasting for a longer time may result into Depression Phase (Slump).

Fig. (b & c): BUSINESS CYCLE



Source: Google images

WHAT ARE THE FEATURES OF RECESSIONS?

1. **RIISING UNEMPLOYMENT:** Unemployment is a major problem in this era and poses a threat to all age groups. Unemployment rate rises slowly and declines during recovery of economy.
2. **INCREASING GOVERNMENT BORROWING:** When a recession occurs it affects the Government Budget system as it leads to low tax revenues and high expenditure by the Government to provide benefits to the unemployed people.
3. **DECREASING SHARE PRICES:** Recession, one of the prime reasons for the fall in share prices make them less attractive. It leads to low profitability further causing a loss. The share prices usually fall when a market expects a recession.
4. **LOWER INFLATION:** Inflation and Recession are inversely proportional. Recession is caused due to Inflation and vice versa. Demand is low during recession whereas prices are high during inflation.
5. **FALLING INVESTMENT:** Investment is volatile than economic growth. Investment is hampered even if there is a slow growth rate of the economy.

WHAT ARE ITS CAUSES?

Every business cycle shows a drop in its growth over a specific time period.

Low demand for goods and services leads to low productivity which further increases unemployment. Low demand may be generated due to high prices and less purchasing power or low income. Another reason for low demand may be loss of confidence in the market leading to decreased spending power.

WHAT ARE ITS EFFECTS ON VARIOUS INCOME GROUPS?

Recession has various effects on the different income groups. The middle income groups faced a decline in their income, and retirement plans were taken aback. The recession leads to shrinkage of the middle class. The impact was majorly prominent on the 3rd fifth (Working Middle Class) or Middle of Middle class as compared to the other two classes. The middle and higher income groups which were largely dependent upon the labour market incomes were hit immediately, as there was a sharp decline in the net earnings. At the time of the post-recession fiscal consolidation, lower income groups were hit badly by the taxes and benefits measures.

WHAT ARE THE PAST RECESSIONS AFFECTING THE GLOBE?

US Economy has faced 10 recessions till date. There are about four global recessions since World War II:

- 1975
- 1982
- 1991
- 2009

Fig. (d)



Source: National Bureau of Economic Research

REVIEW OF LITERATURE

As per an article on 'Data Analysis Impact of Global Recession on Indian Economy with Special Reference to India's Exports' written by authors Jeet Singh & Preeti Yadav, the outcome was that recession had adverse effects on the exports of Pharmaceutical Industry. It showed a downfall in the value of exports by two dollars. Such an occurrence was observed for the first time as per the monthly analysis of Indian Pharmaceuticals' exports between April and October 2008, which was prepared by Pharmaceutical Exports Promotion Council. The exports by pharmaceuticals and fine chemicals deteriorated from end of October 2008, to a year ago, from \$646.41million to \$659.21 million and showed a decline as 1.9 %.

According to 'The Big Pharma Recession Report' based on a survey taken by Pharma IQ, recession mainly affected the high income countries in contrast to the middle and low income countries which showed no major effects. Asia was least affected. Hence Indian Pharmaceutical Sector is said to be immune to recession. According to the article 'Global pharma looks to India: Prospects for growth' by Price Waterhouse Cooper (PWC), despite of global crisis of 2008, the M&A in Indian pharmaceutical sector grew at a double pace. OTC medications have shown increase in the sales which has lead to high volumes and brand names in India.

In a report made by US BUREAU OF LABOUR STATISTICS named 'BLS SPOTLIGHT ON STATISTICS-THE RECESSION OF 2007-2009', the national unemployment rate drastically increased to 9.5 % in June 2009 from 5% in December 2007. It peaked in 2010 in October 2009 after a month of recession.

SCOPE OF THE STUDY

This paper will deal mainly with the Great Recession of 2009 and provide us with precise and accurate knowledge about its impact on Indian pharmaceutical sector. It will help us clear our dilemma about whether recession affects pharmaceutical sector with the help of statistical and theoretical data. The role of generics and domestic market during economic crisis is explained briefly along with the effects of increasing sedentary lifestyle on health care system. Few details about the GDP, stock market, investments, imports, exports is discussed with the use of statistical data.

OBJECTIVE

The study is designed to find out the impact of recession on Indian Pharmaceutical Sector and the future of Indian Pharmaceutical Sector by observing the growth trend and various macro-economical parameters.

WHAT IS THE RELATION BETWEEN RECESSION & INDIAN ECONOMY?

The Great Recession of 2009 has adverse effects on Indian Economy. The US economy's contribution is quarter part to the world's GDP. Any economic crisis in US economy leads the whole world to a state of panic and restlessness.

- The IT Sector was affected the most leading to a drop in the revenue of Indian IT firms, as they obtain 75% or more of it from United States.
- During the year 2008-2009, there was decline in India's export rate showing a fall in September 2008, and drastically turned out to be negative in October 2008. The condition was same till the end of the financial year. According to a survey by Ministry of Commerce, about 109,513 employees lost their jobs during the period from August to October 2008, majorly in export based industries like textile, gems and jewellery, leather, food processing & engineering.
- Tourism sector, health care sector and agriculture sector were affected too.

Fig. (e)



Source: Ministry of Statistics and Programme Implementations

The fig (e) shows detailed graphical representation of India's annual growth rate. This shows a decline between the years 2008 to 2009.

WHAT IS THE IMPACT OF RECESSION ON PHARMACEUTICAL SECTOR?

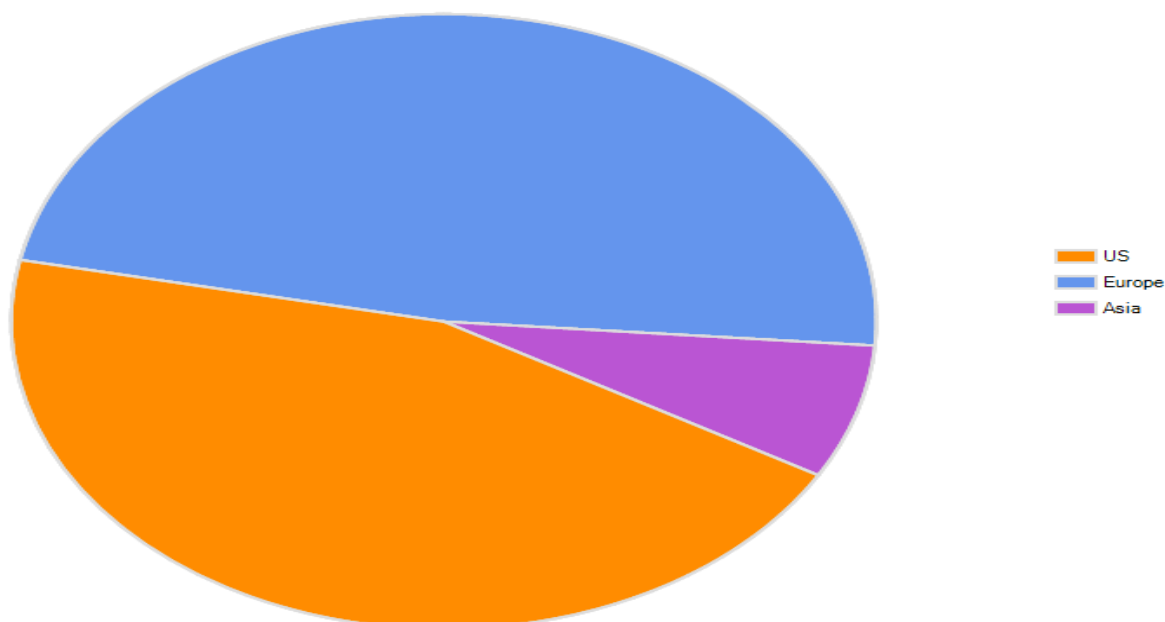
There is a dilemma whether recession affects the Pharmaceutical Sector. It has always been a matter of concern and discussion to industrialists, investors and the common man. History says that pharmaceutical sector is immune to recession as illness and diseases never take a vacation. Recession least affected the pharmaceutical sector mainly in case of export & investment. Investigation was done by IMS Health to study the changes in consumption of medicines, expenditure of pharmaceuticals and changes in process of 84 countries. This investigation was from the first quarter of 2007 till last quarter of 2009. The data was assessed by the World Bank Income category and the WHO regions. In order to establish a potential relationship between consumption (pharmaceuticals) and decline in GDP in European region, a linear regression analysis technique was used. The recession had substantial effects on the world. It adversely affected the high income countries and showed growth in the middle income and low income countries. Following are the changes in the countries:

| Countries | Increase / Decrease |
|-------------------------------|-------------------------------|
| High Income Countries | -3% (Q3 09 compared to Q1 08) |
| Upper Middle Income Countries | +7%(Q4 09 compared to Q1 08) |
| Low Income Countries | +17%(Q4 09 compared to Q1 08) |

The European Region showed a decline of -6%, Q3 09 compared to Q1 08 whereas South East Asian Region showed a tremendous increase of +28% in Q4 09. Countries like Estonia, Latvia & Lithuania showed the most drastic decline of -18%, -14% and -17% respectively in terms of consumption Q3 09 compared to Q1 08. Recession has caused job cut offs and closing of firms. Many small pharmaceutical companies entered into merger with big industries. Indian Pharmaceutical Sector has shown certain changes too. Let's have a look on certain important facts about this sector.

Fig. (f)

Which geographic region has been harder hit specifically with regards to pharma?

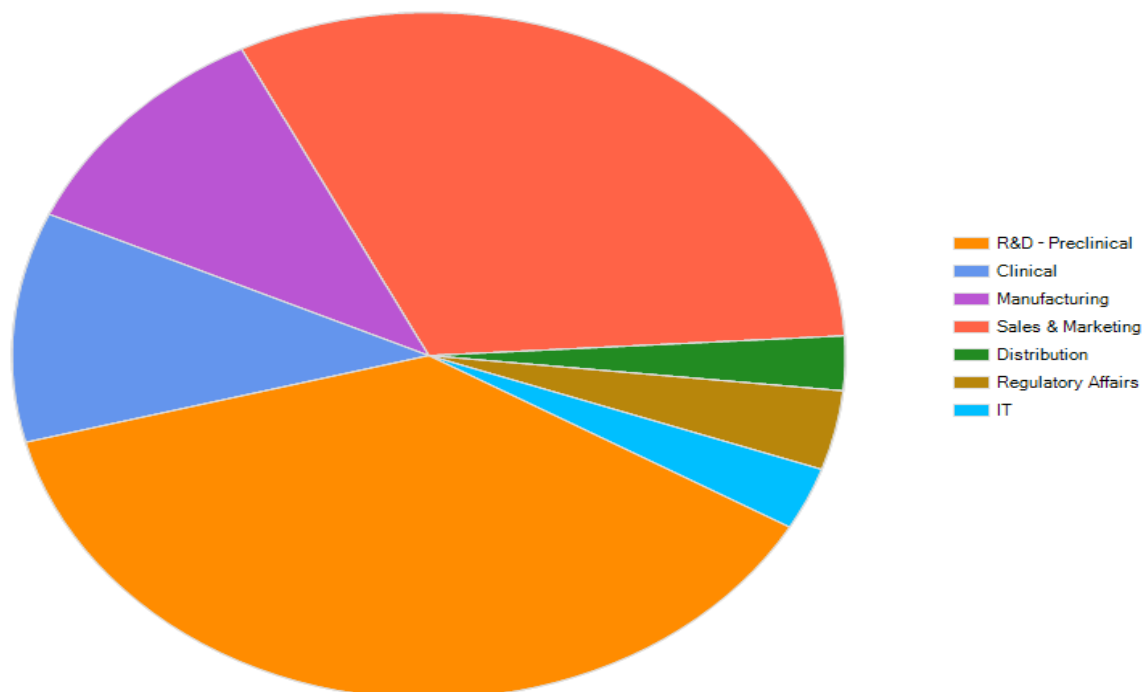


Source: *The Big Pharma Recession Report*

According to various surveys, the Asian Pharmaceutical Sector was affected the least.

Fig. (g)

Which area has the global economic crisis impacted the most?



Source: *The Big Pharma Recession Report*

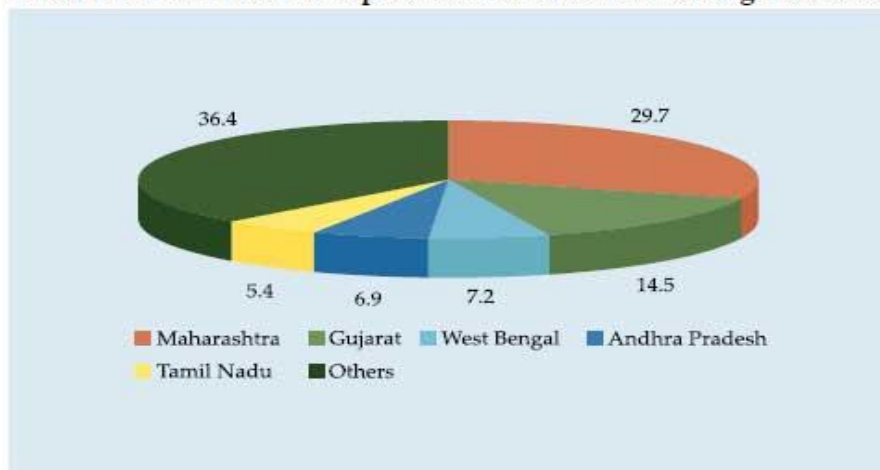
The R&D department was hit abruptly followed by sales and marketing. Pharmaceutical Companies are making a lot of efforts in attracting investors to enhance investments.

QUICK FACTS ABOUT INDIAN PHARMACEUTICAL INDUSTRY

- The Indian Pharmaceutical Industry (IPI) ranks fourth in terms of volume of sales with a share of 8% in global sales.
- In terms of value, it ranks 13th with a share of 1% of global sales.
- It produces 20-24% of globe's generic drugs.
- As per 2013, there are about 4655 manufacturing plants in India with 345 thousand workers.
- India has its own 42,291 patents.
- Indian Pharmaceutical Sector stands 17th in terms of export value and 4th in terms of generics.

Fig. (h)

Chart 2.2: Concentration of pharmaceutical manufacturing units in India (%)



Source: Department of Pharmaceuticals, GoI

Source: Department of Pharmaceuticals, GoI

THE KEY CHARACTERISTICS OF INDIAN PHARMACEUTICAL INDUSTRY

THE FIG. (i) SHOWS THE EVOLUTION OF INDIAN PHARMACEUTICAL SECTOR FROM 1970 TILL 2010.

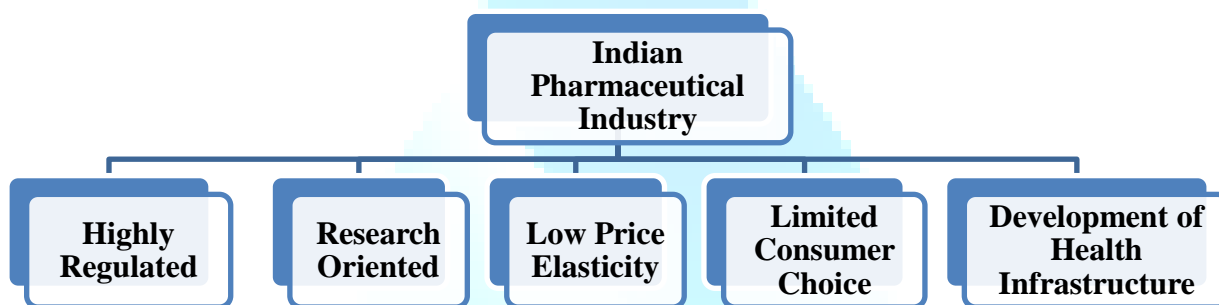
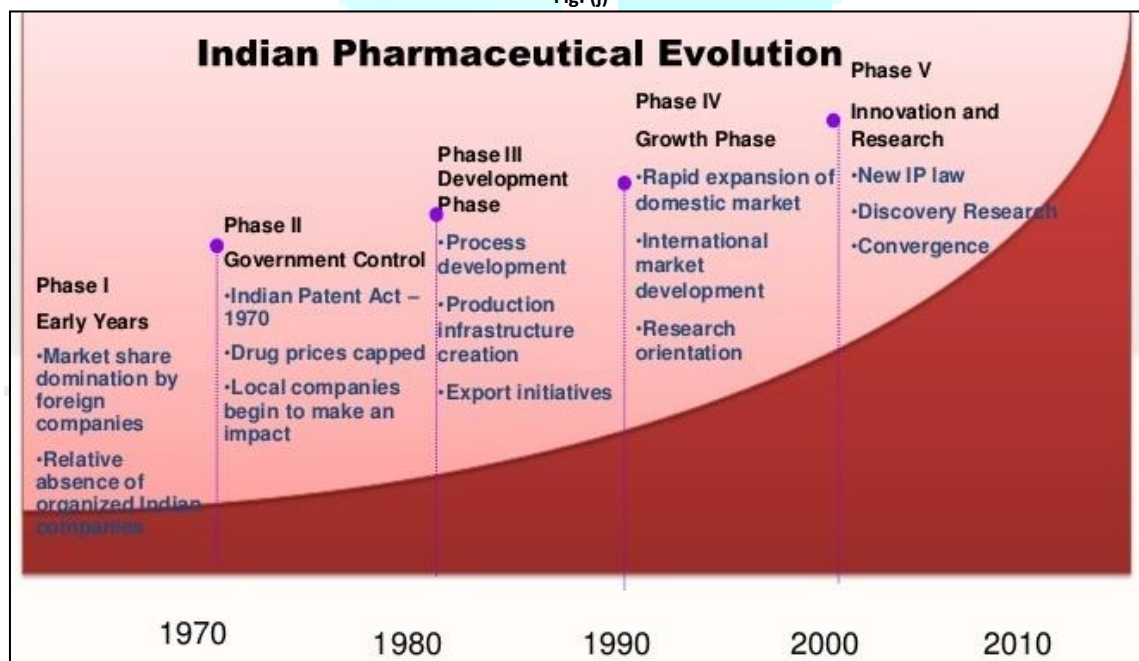


Fig. (j)



Source: Google images

As per Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, India's pharmaceutical industry had a total turnover of US\$21.04 billion between 2008 to September 2009, whereas the domestic market was worth US \$12.26 billion.

The Indian Pharmaceutical Sector was not affected adversely due to the dependency on the domestic market and generics. India is one of the largest producers of generics in the world. India being a developing country is benefited due to generics, as majority of people prefer cheap medications over branded ones. The cost of production is less and manpower is abundant due to which the MNCs have good advantage to increase their revenue and profit by setting up industries in India. Due to sedentary lifestyle, people are facing problems related to cardiovascular, hypertension, obesity and beauty enhancing medications which has led

to increase in the sale of concerned medications. There were some effects on the exports and drop in stock market but recovery was fast. The hiring rate has increased to 24% in the year 2014. The Indian Pharmaceutical Sector has shown good growth rate since the Great Recession of 2009. This study will provide justified statistical and theoretical data about its impact on Indian pharmaceutical sector.

DATA ANALYSIS

1. WHAT WAS THE EFFECT ON THE SALES TREND AND NUMBER OF EMPLOYEES DURING THE RECESSION GLOBALLY?

Fig. (k)

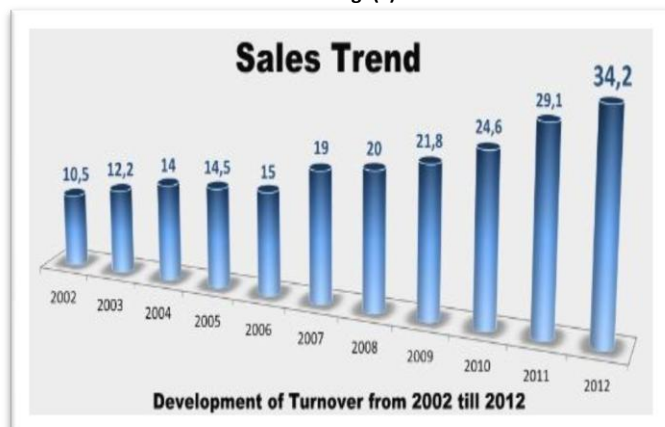
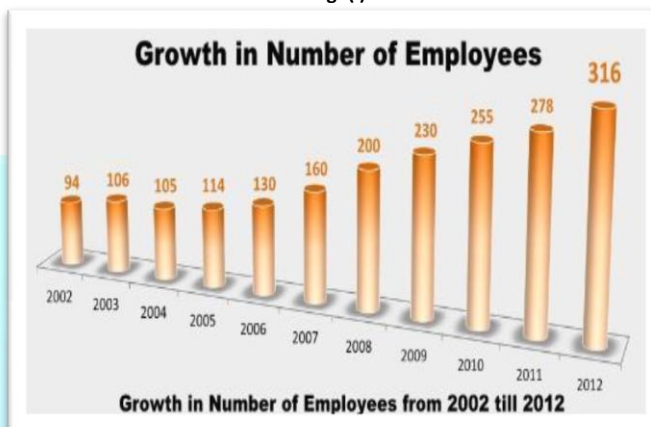


Fig. (l)



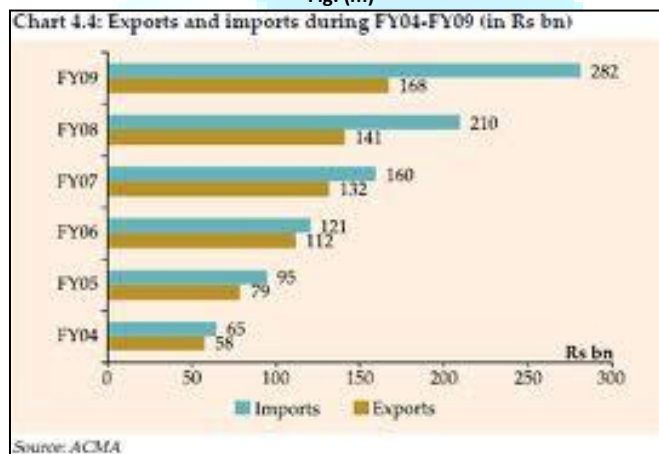
Source of both of above figures: Google images

The sales trend and the number of employees increased from year 2002 to 2012 which showed that recession had minimal impact on the pharmaceutical sector and showed gradual development.

WHAT WERE THE EFFECTS ON INDIAN PHARMACEUTICAL'S EXPORT & IMPORT RATE?

The export rate did not show much decline due to recession. In fact due to depreciation of US Dollar and Euro, Indian pharmaceutical industries are benefiting as they have taken loans. Indian Pharmaceutical Industries have shown an increase in their exports 50 % more than their revenues.

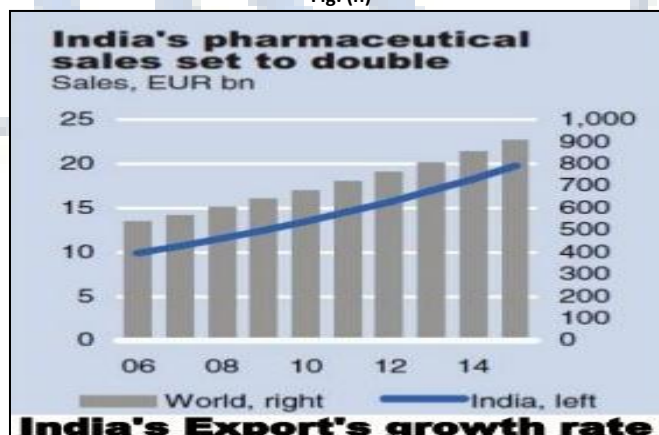
Fig. (m)



Source: ACMA

Fig (m) shows the gradual increase in the imports and the exports of the pharmaceutical products without major interruption in the growth rate. Even the pharmaceutical sales are set to double as per forecasted analysis. Indian Pharmaceutical is at a growth spree and is a major producer of medicines of this era. Indian Pharmaceutical industry is growing at almost the same rate as the world economy.

Fig. (n)

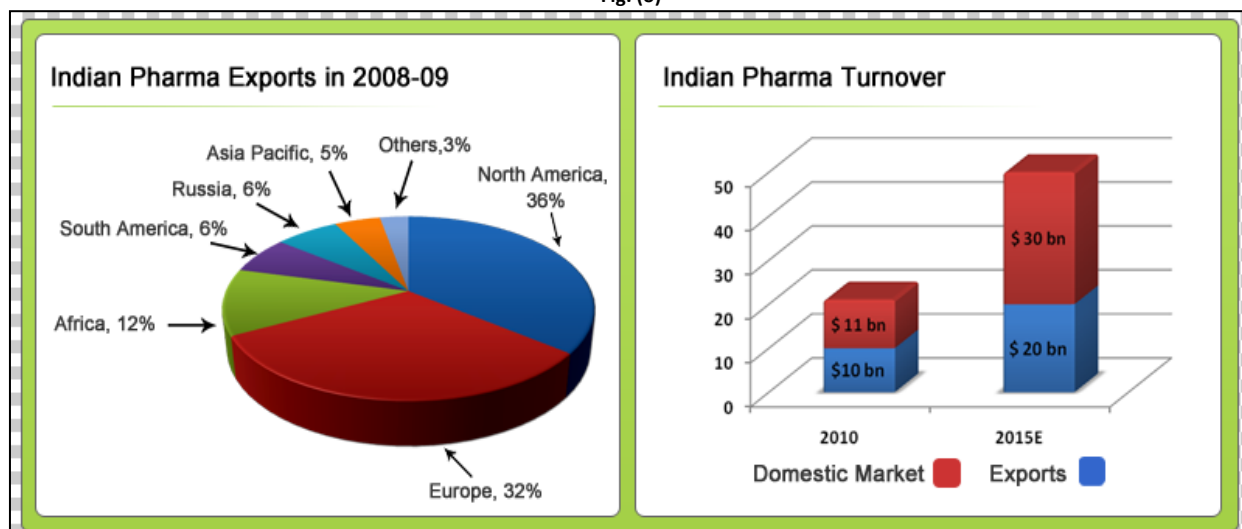


Source: Google Images

The Indian Pharmaceuticals exports during the period of Great Recession are as follows:

| COUNTRIES | PERCENTAGE OF PHARMACEUTICAL PRODUCTS EXPORTED |
|---------------|--|
| North America | 36% |
| Europe | 32% |
| Asia Pacific | 5% |
| South America | 6% |
| Russia | 6% |
| Africa | 12% |
| Others | 3% |

Fig. (o)



Source: Capitalline

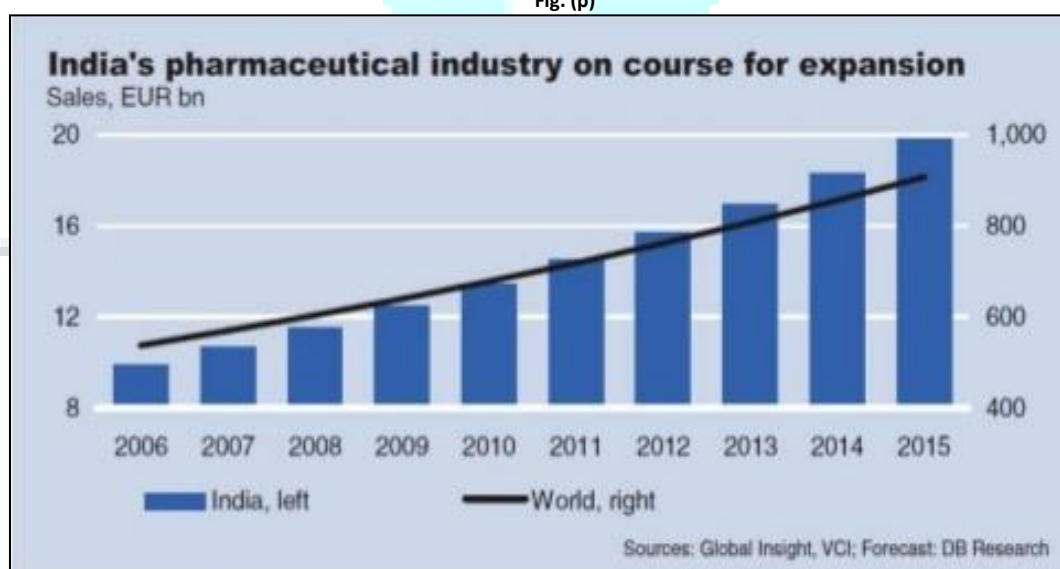
The Domestic Market as well as Indian Pharmaceutical Turnover shows a brilliant growth without an interruption.

The above data provides valid and appropriate information regarding the status of Indian Pharmaceutical Industry in terms of global development.

FUTURE PROSPECTS

- The Indian Pharmaceutical Sector is growing at a rate of 8-9 % annually.
- The Pharmaceutical market will grow at US\$ 55 billion, and if aggressive strategies are used it will grow to US\$ 70 billion by 2020.
- The Indian Pharmaceutical sector will be the sixth largest market by 2020.
- This market is expected to grow at CAGR of 14-17% by 2012-2016.
- Indian Pharmaceutical Industry will be considered as a major player in the world because of growing sales trend, heavy investment in R&D department, new technologies, expanding economy and globalisation.
- Hence investment in Indian Pharmaceutical Sector would prove beneficial because of the invasive domestic and generic market. Also MNCs are finding India to be best place to invest and set a business due to various profit parameters.

Fig. (p)



Source: Global Insights, VCI; Forecast: DB Research

The Indian Pharmaceutical Industry is on course of expansion from 2006 to 2015 as per fig (p).

CONCLUSION

Despite global crisis, the Great Recession of 2009 which affected the whole world and almost all sectors, the Pharmaceutical sector can be said to be immune to the changes and did not have adverse effects. The Indian Pharmaceutical Sector also showed certain changes but was not affected to that extent. The prime

reasons for Pharmaceutical Sector being immune to recession is the domestic pharmaceutical market experiencing a healthy growth due to sedentary lifestyle diseases and rising demand for generic medicines in international markets.

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Thanking you profoundly

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