

# Human Capital Situation in Indian Pharmaceutical Sector

Mohammed Irfan, Jaladi Ravi, Pulidindi Venugopal

**Abstract:** *In the global scenario, the companies are controlled by challenger, despite of industry. The highly aggressive market has made impression on the companies to have competitive advantage. The unique challenging edge is company's human capital. The human capital play significant role in increasing organizational performance. Now organizations have to take moment to enhance their workforce by imparting training and development program to upgrade skills, talents and knowledge to make their human capital effective. It also examines on the mindset of the employees and gives high attainment in their workforce planning. An employee is most valued resource to a company and provides tangible base needed to build long-term profitability and continuous success. Hence the study determines the significance importance of human capital investment in Indian pharmaceutical sectors. The situation of current human capital investment are explore and conclusion drawn from the study*

**Keywords:** *Human Capital, Investment in Human Capital, Pharmaceutical Industry*

## I. INTRODUCTION

*"Employees are the lifeline of an organization"*

The roots of human capital come from the economic just like other concepts. So it is not defined clearly. Becker (1962) felt difficult to determine human capital in his theory. From the literature review provide/purvey intuition on human capital definition. The most premier definition in human capital covers:

"Human capital consist of knowledge, skills attitude, experience and other traits which contribute to the production and productive in the organization" (Goode, 1959)

According to the author Roos and Roos (1997) define the human capital as a combination of intangible assets that are acquired by the people in the organization. These intangible assets are classified into three types, which are competencies, attitude and intellectual skills and knowledge.

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Laroche et al. (1999) explain human capital in eight specific components of the broad understanding and pay special attention that are analyze as human capital comprises an innate and an acquired component which is not tradable but available to acquire human capital from different channel through formally or informally. The human capital may have both qualitative and quantitative aspects which can be specific or general. The knowledge and abilities which are acquired by the human beings are not utilized fully in all aspects. But human capital may effect from the external factors.

Chen et al. (2004) define Human capital as a combination of peoples competences, peoples attitude and peoples creativity. It is also mention that individual knowledge and skills, talent are creating value to the organization. Litschka et al. (2006) ascertain that human capital is a combination of elements which consists of individual skills, knowledge and abilities to work, which covers the psychological aspects and somatic aspect. The potential abilities of individual are used for the growth and development of organization performance but these resources are not owned by the organization.

## II. HUMAN CAPITAL SIGNIFICANCE

Physical capital plays a very significance contribution in the industrial revolution. In this context, what will influence in the information era to create wealth to the knowledge based industries. This can be created wealth with help of Human Capital. In 1995 world bank conducted a research study to know the global wealth of 192 countries and concluded that global wealth provide 16 percent share of physical capital, 20 percent share of natural capital and 64 percent share of human and social capital. Nafukho et al. (2004) proposed that the development of individual, organization and nation can be achieved by investing in education and training which will create human capital.

Weathelrly (2003) reveals that new vision in Information era is Human Capital Management. Human being has to take a terse decision to perform the activities to be happened. According to the Johnson (2002) disclose the human capital importance and expressed that all innovation are human innovation. In economy and business system are maintain by the peoples. In this view, it says that without humans there is no structural capital and intellectual capital. The research author Lucas (1988) disclose that human capital have significant impact in the growth rate of the countries.

## III. INVESTMENT IN HUMAN CAPITAL

According to the Mincer, Schultz, and Becker have provides a clear analysis on investment in human capital.



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Schultz (1971) concluded that investment in human capital can be classified into five categories. Investment in education (schooling and higher education), invest in upgrading skills and knowledge (on the job training) invest on migration, and investment on health and economic information. The author believed that individuals can invest as per their choice to improving themselves.

This is the way to enhance the welfare of the society and nation. According to the Becker's (1962) prediction, organization development can be possible with specific skills, knowledge, competence and willing to invest in human capital will upgrade the productivity. When organization is willing to develop in general skill but troubles are created by the employees turnover than cost for the general skills have to be bear by the workers directly getting low wages.

### IV. SIGNIFICANCE OF HUMAN CAPITAL INVESTMENT

In developed countries like US there is a tremendous growth since 1927 to 1956 in the investment of human capital. Schultz (1962) in his article found that investment in human capital significantly changes the inequality factors in allocation of individual income. Becker et al. (1990) identified growth variable i.e. Human capital investment. The author stated that by increasing in the investment of human capital it will leads to equilibrium development in the country. Lee et al. (1994) concluded that the gradual development of human capital have a significant effect on output growth and reducing income inequality in Taiwan. The empirical work provided support in human capital accumulation and continuous learning process have been accountable in creating phenomena in industrial economies like Taiwan and Korea, and leads to investment in human capital. Schultz, Blinder and Liu postulated in their studies that investment in human capital leads to improvement in education; social mobility and it raise employees' productivity. The theories are presented by the World Bank's report and further upheld in Taiwan study.

Khan (2005) concluded that development of the countries can be held by maintaining a healthy environment and skilled work force which will lead in productivity by investing in human capital. From the above discussion, it give immense importance to the human capital and investment in the economic growth of the countries. Bontis (2004) concluded that intellectual capital is a key element for the growth and development in the global economy, and create value to the nation.

### V. HUMAN CAPITAL SITUATION IN INDIA

The importance of Human capital has recognized long back in economic growth of India. According to the seventh five year plan human capital development play a key role in developing strategy, providing education and training to the large population in the country. It accelerates the economic growth and changing the scenario in desired way. It is very difficult to establish a association between cause and effect from the human capital growth to economic growth. The growth in each sector has impact on other sectors growth.

#### A. Understanding India's human capital

According to the world economic forum discloses the report of human capital index of 2016 which state that the

progress of development and deployment of human capital in 130 countries. Indian ranks 105 with a score 57.73, though its rank has dropped by 5 positions when compare to the last year 2015. In the south Asian region, India is way behind Srilanka and Bhutan, almost at par with Bangladesh; but ahead of Nepal and Pakistan. In compare to the Indian, Srilanka hold a 50<sup>th</sup> position with a score of 71.69, while Bhutan holds 91<sup>st</sup> position with a score of 61.83 and Bangladesh hold one position better than India. The literacy rate is about 90 percent and educational attainment has improving in different age groups. But still it ranked 103 positions globally in the emerging markets.

India fails to increase the workforce participation and generating employment and ranked 121 positions among the 130 countries. Due to the insufficient enrolment in educational rate and poor quality in primary schools are lagging behind in India. But literacy rate of youth is 89 percent respectively. The educational performance of India is better in tertiary level but in the university graduates level is low. This implies that specialization subject is limited in academic and influence significantly on employment gender gaps. It faces difficulties in generating skilled employees. In case of skilled employees in India perform a score of 55.71 and ranked 45 positions which is a normal. Our neighbouring countries Pakistan and Bangladesh score 44.05 and 43.44 with a rank of 93 and 97 positions. India got better rank in quality of education system with a score of 53.24 and ranked 39<sup>th</sup>. These indicators help for skilled employees as 45<sup>th</sup> and staff training as 46<sup>th</sup> which create a venue for improving and expanding its learning and employment opportunities.

In the global distribution of tertiary degree holders have largest share by India which are nearly 78 million. In compare to the china, India is a second largest on graduates in STEM subjects of 2.5 million. In the global situation, nearly 65 percent of the world talent people are optimising from education, skills development and deployment during lifetimes.

The global innovative index report of 2014 mention that India had fall down 10 place from his current position and secure 76<sup>th</sup> position. This was published jointly by Cornel University and the world intellectual property organization. According to the Soumitra Dutta focus on investment of human capital in India and research on STEM subject. In last five year, India did not perform program in multiple innovations. India has to focus on multiple dimensions for the development of the country. In other aspect India is have less competitive edge because of corruption, scandals and retrospective taxes. These activities will not build confidence to invest in our country. In this context, India is losing competitive edge for foreign investment.

In India, investment in research and development gave less priority in industries as much as they required. They need to improve education, infrastructure and built healthy environment to attract more foreign investment and avoid corruption and scandals. From the last five year report where we stand on the global scenario can be analyzed and India is three times lagging behind China on investment of human capital and research. In India so many IIMs and IIT are started without facilities and quality faculties.

Very less investment has done on faculties. Only branding of Institution but not proper facilities, know it's time to take challenges to improve quality of the Institution.

Indian organization has not invested enough in department of Research and development. There is a weak link between Indian industries and universities. In the corporate world the mindset and changing situation are focusing on innovative driven.

All the corporate organizations have to take innovative steps to be in the competition. India is having favourable advantage of demographic area; to take advantage public should invest in human capital like spending on health, education and skills development. According to the economic survey it has recognizes that there is a positive correlation between investment in maternal, health and nutrition which have rapid economic growth. India has to take a setup to rising and attracting the young population to make investment in human capital.

### **B. Pumping Investment to better India's human capital**

According to the economic survey identified and determine a quality of education in both the sector (public and private) and to leverage private investment in social sectors. Nearly 4 percent of its GDP has spent on education in India against a long standing target of 6 percent. Indian education sector is the biggest education sector in the world and it covers 1.4 million schools, 45000 colleges and more than 700 universities. The biggest drawback of our education sector is quality. Over 300 million students have an opportunity to help the country with help of human capital advantages. There is a gap in Indian social infrastructure and education, health and housing amenities. The specific growth of India is based on the educational output and health improvement of the population.

The Indian workforce will reach 249 million in between 2015 to 2050 but china will come down to 166 million respectively in that period. India have potential workforce to achieve economic growth and dominate china by 2030. This can be possible, when the policy makers take serious measure on human capital. There is a widest opportunity in respect to the segment of the population to enter in the workforce in between 2030 to 2050.

Politicians have very important role in influencing the youth to come into the polities or graduate them. India has advantage of demographic factors which are influencing the policy maker to take decision and have a slogan "Make in India" and "Think in India". With this thought the reputation of India can be retain and have abundant supply of human capital to develop knowledge based economy. India have high skilled workforce but our policy maker deviate the mind set to different issues. In knowledge based economy investment in business and investment in human capital should have strong relationship for the economic growth but in India have weak relationship in investment of human capital.

According to the economic survey report, rising portfolio investment and budget deficit have resulted in weak investments in human capital and business as compared to the country's economic needs. However, robust service and manufacturing sectors have helped in achieving strong economic growth.

## **VI. INDIAN PHARMACEUTICAL INDUSTRY**

Pharmaceutical industries have major impact on the annual turnover of Indian economy. These industries are backbone to the economy and also play very important role in relation with public health. The pharma industries are not working in smooth manner then the entire organization will collapse and it effects the employees' career growth. It also influences the customers and directly impact on public health. The Indian government policies have given privilege to the expansion of business based on globalization, privatization and liberalization. The small, middle and large scale pharmaceutical companies are on the way of expansion, amalgamation, joint ventures, and enriching present market with penetration and concentration therein.

The Indian Pharmaceutical Industry has witnessed a robust growth over the past few years with a registering growth of 29 per cent and moving on from a turnover of US \$ 1 billion in 1990 to over US \$55 billion in 2020 of which the export turnover is approximately US \$ 15 billion. The country now ranks 3rd worldwide by volume of production and 14th by value, thereby accounting for around 10% of world's production by volume and 1.5% by value. Globally, it ranks 4th in terms of generic production and 17th in terms of export value of bulk actives and dosage forms. The exports of Indian pharmaceutical products are reaching more than 200 countries around the globe including highly regulated markets of US, West Europe, Japan and Australia.

## **VII. CONCLUSION**

According to Ila Patnaik, state that India will emerge as a country with the largest young workforce in the world. The quality of labour (workforce) will improve in coming years, she stressed on the need for a healthy workforce. There had been a rapid improvement in the literacy rate and nowadays around 70% of workforce is literate.

"We hear how India is only second to China in economic growth. We also hear that there is a slump in job creation, investments and bank credits. How both the stories coexist is a puzzle. While one is about India's potential long-term growth, the other is about the growth that we are experiencing at present," The country has in its favour three major economic advantages - a growing human capital, rising capital stock and numerous micro-economic drivers of productivity. India's literacy rate has risen from 41 percent in 1980 to 90 percent in 2015. The rapid improvement in literacy will lead to increased supply and quality of labour. In the next decade, everyone entering the labour force will be literate and 20% of entrants to the workforce will be graduates. India is also slated to achieve 100% female literacy rate. In the global space, India has an advantage of high-end scientific and technical labour force. Slowdown in industrial production does not go with the healthy growth rate that is predicted for India. The net sales of firms are subdued. There is also a slide in bank credit to the commercial sector and under-implementation projects. This proves the dearth of major investments in the country.

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