

## **ABSTRACT**

This study is an attempt to examine the role of Total Factor Productivity in determination of R&D expenditure in Indian Pharmaceutical Industry. A multitude of firm variables like firm age, size, advertisement intensity, profit margin are also taken. We have used panel data from 2000-2015 to analyse the causality of TFP in R&D intensity. The data set consists of an unbalanced panel of 394 firms. FGLS (Feasible Generalized Least Square) is used for analysis, of TFP as a determinant. FE (Fixed Effects Estimator). The findings of the study implies that Total Factor Productivity does not play a significant role in determining R&D and a major portion of the R&D expenditure is spent on process development. It is imperative to shift the focus from producing generics to new formulations in order to improve and provide affordable healthcare in India.

**Keywords:** Indian Pharmaceutical Industry, R&D, Total Factor Productivity