



Strengthening R&D Capabilities in India - Exim Bank Study

Exim Bank's latest occasional paper, 'Strengthening R&D Capabilities in India', draws attention to a growing trend for sourcing of new technologies from developing countries by the global market place, and highlights tremendous potential for India to pitch in for a greater role by strengthening its R&D capabilities, and thereby emerging as an R&D hub for the world.

The study has analysed the growth in global R&D spending and noted that the compounded annual growth of 15% witnessed by developing countries is greater than the world average of 4%, during the period 1991-2002. China, Korea, Taiwan, India and Mexico are the leading spenders in R&D activities amongst developing countries.

The study has reviewed the R&D scenario in India, and observed that the national investment in R&D activities has attained a level of Rs. 21,639 crores in 2004-05, a share of less than 1% in national GDP. The study has observed that R&D intensity of business firms in India is estimated to be around 0.5%; however, sectors like pharmaceuticals, automobiles, electronics and auto-components have greater R&D intensity than others.

The study has observed that the decisions to undertake R&D investments in India are being governed by various factors such as the regulatory environment, availability of qualified researchers, educational and institutional framework, and the range of global alliances and sub-continental relationships forged by the Indian industry. In addition, factors such as manufacturing capabilities, availability of natural resources, large market base and proximity to many developing country markets of Asia, position India as an R&D base for developed countries.

The study has highlighted the role of Exim Bank in promoting firm level research and development. The study has also highlighted various strategies for strengthening R&D capabilities in India. These include strengthening innovation and education systems, skill development and enhancement, strengthening IPR regime, increasing government funding in R&D, increasing the involvement of business in R&D activities, commercialisation of university R&D, enhancing the incentive framework for R&D, and seeking international cooperation in science and technology.

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