



REVISITING THE KERALA AYURVEDIC SECTOR: BOTTLENECKS TO BE ADDRESSED

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Abstract

Traditional medicines play an important role in healthcare in both developed and developing countries. Traditional medicine is the totality of all knowledge and practices whether explicable or not used in diagnosing, preventing or eliminating physical, mental or social disequilibria and which rely exclusively on past experience and observation handed down from generation to generation (Good, et al., cited in Trotskie et al., 1997) It is the availability and affordability of traditional medicines that attracts people to it (Zhang, 2004). The rapid acceptance of traditional medicines was augmented especially since it was first recognized by W.H.O at Alma Ata in 1978 and has been globally addressed since 1976 by the Traditional Medicine Programme of the W.H.O. Traditional medicine came into being long before the development of Western medicine that originated in Europe after the development and spread of modern science and technology. Ayurveda forms an important segment of the traditional medicine in the world. Kerala is often known as the hotspot of authentic Ayurveda.

INTRODUCTION

Globalisation has brought in a large number of opportunities for the Ayurvedic industry but at the same time it is in deep crisis. Competition among firms has accelerated the demand for raw materials and intense need for investment in R & D. The paper examines the inherent problems faced by the industry amidst globalisation. The results are analysed on the basis of a

primary survey which was conducted to identify the problems faced by the units. Thus, 130 manufacturing units were selected based on random sampling which formed ten percent of the total manufacturers in the state. They were classified into tiny/small, medium and large scale units on the basis of their annual turnover. The major hurdles faced by the industry are given below.

RAW MATERIAL SCARCITY

The survey result showed that scarcity of medicinal plants was the biggest problem faced by the Ayurvedic industry in the state. Due to the over exploitation of medicinal plants for increasing production has led to this impasse. All the 130 firms surveyed opined that this is the most important challenge faced by the Ayurvedic industry in the state. Again there is no concrete efforts from the part of the authorities to encourage cultivation and replanting of the medicinal plants. Nevertheless, perspectives varied among firms with regard to this problem. Hence, resource depletion has affected all manufacturing units irrespective of the size, but differently. Large units are concerned about the quality of the medicinal plants, medium sized firms are apprehensive about the increased cost of production and finally the small and tiny firms about their survival. However interestingly it is noted that no concrete efforts has been taken to overcome this major problem. The firms like AVS and Nagarjuna Herbal Concentrates have developed their own herbal garden and of late Government of Kerala has launched a medicinal plant cultivation programme.

CAPACITY UTILISATION

Manufacturing can be considered as the combined result of many forces, which facilitates production.. If any of these factors do not work properly it will lead to underutilisation of capacity. Better capacity utilization provides an opportunity for quick increase in output and productivity in the short run. Capacity utilisation influences cost of production, profitability and generation of internal resources. Capacity utilisation refers to that proportion of total capacity, which has been gainfully utilised for the production of required goods and services. The survey results showed that majority of the units irrespective of their economic size are characterised by low capacity utilisation. Eighty-six percent of the large firms and 85 percent of the medium firms come under this category where as only 16 percent of the small firms are included in the category of poor capacity utilisation. This may be due to less amounts of capital employed by small firms. The capital used by small firms consists mostly bronze urns and a few vessels needed for producing the drugs.

LABOUR PROBLEMS

Contrary to the accepted belief, labour unrests and lockouts have not affected the Ayurvedic manufacturing units in the state.

Not even a single case of labour agitation has been reported in the Ayurvedic industry. Large units collectively supported this view. They opined that there is an emotional bondage between the labourers and the management. The approach of the workers itself is holistic and not materialistic. Most of the units in the production sector are headed by much experienced labourers who are authorities in their field. Many of the present workers are heirs to the labourers who were with these firms right from the day of establishment. This creates an emotional commitment towards the firm. The response of the small firms regarding the issue of labour was very different. They employ less number of workers and do not carry out production regularly. The nature of production of small firms show that they demand labour when and where needed (on call labourers). More than any labour unrest it is the difficulty in obtaining labourers that affects this small firms. Small firms revealed that they are not getting labourers for cleaning, sorting, cutting, grinding and crushing of medicinal plants. The category of people who helped them in this process has gone to other sectors, especially into construction, in pursuit of much better remuneration and certainty. In their absence, most of the tiny units carry out the

production process with the help of the family members, which has brought back their manufacturing to the old household system. Eighty four percent of the small firms shared this view. The new generation family members of the small firms are not showing interest in this business. This has put the small firms under severe stress. Thus, labour unrests and tribulations are not affecting the Ayurvedic industry in any way. Nevertheless, the difficulties in obtaining adequate number of laborers emerge as a major constraint especially for medium and small units. **Marketing Problems**

An excellent network of marketing is indispensable factor for the overall growth of any industry. Marketing mechanism adopted by the Ayurvedic industry has undergone rapid changes over years. The main factor that contributed to this popular belief is the change in the consumer attitude towards Ayurvedic industry. However, modern lifestyle demands Ayurvedic medicines in much user-friendly form. This has called for large-scale innovation in the medicine manufacturing and packing. Seventy one percent of the large firms answered that the changes in the consumer attitude has forced them to accept and adhere to changes. There is a large-scale drift from classical

Ayurvedic formulations to proprietary medicines in recent times. Most of the large firms at national level have moved to branded products. Firms in Kerala are also producing more and more of such medicines that are mostly cosmetic and toiletries, which is evident from the product profile of the large firms. However, in Kerala medium sized firms produce more of cosmetic and toiletries. These developments call for greater investments in R & D, innovation and large scale sales promotion activities. This shift in the product structure has forced these firms to launch large-scale advertisement and sales promotion efforts, which was unheard in the field of Ayurveda until 1990's. This implies that changes in the consumer perception has not inhibited the growth but has forced the Ayurvedic firms to undergo systematic transformation.

Thirty percent of the medium sized units are of the opinion that the radical changes in the attitude of the consumers have emerged as a major constraint for them. At the same time, they realise that it is an opportunity. The main hurdle in front of them is paucity of an efficient R & D, facilities for clinical trials and the volume of investment required for the same.

It may be analysed from the survey that, consumers who buy

medicines from the small firms do not expect too much from them. Majority of the small and tiny firms shared the view that they do not face any kind of marketing problems.

MANAGERIAL AND TECHNICAL PROBLEMS.

The heterogeneity that persists in the industry was much evident from the nature of working, attitude of the manufacturers, approach towards professionalism etc. Although tiny and medium sized firms exceeded the number of large-scale manufacturers, their contribution to the total output was very negligible. This contradiction forced us to study whether the existence of the large firms inhibit the prospects of the other two category of producers. It was also essential to find whether competition between each sets of producers hinder growth. The responses of these three groups are noted below.

The large firms collectively shared the view that there is no space for any kind of internal frictions between the firms irrespective of their size in the industry. Every firm knew their strength and weaknesses. The large firms believe that the entry of a new firm, introduction of a new medicine or innovation of any other type by any of the existing firms do not affect

others. They believe that each of the manufacturers has a set of potential consumers who will never leave these firms. For example, the AVS has brand loyalty all over the world and in north Kerala. AVP and Vaidyaratnam Oushada Shala have market-edge in central Kerala where as Nagarjuna and Pankajakasturi has better customer reach in south Kerala. Oushadi, through excellent healthcare network of Government reaches all parts of Kerala through government hospitals and dispensaries.

The analysis of the survey result showed that 84 percent of the medium firms face problems that emerge within the industry. They agree that the existence of large firms and the commercialisation introduced by the large firms are lessons for medium firms to emulate. The Ayurvedic consumers expect similar trends from the medium sized firms, which has turned out to be a matter of concern for some firms. This calls for large scale investments from borrowed sources. Majority of the medium sized firms operating in South Kerala reported that the existence of unauthentic manufacturers in the region is destroying their prospects. These artificial producers are able to produce medicines at low cost. This encourages customers to buy their

medicines. Later they realise that these medicines are of inferior quality and adulterated which force them to generalise that all medium sized firms are unauthentic. This drifts the potential consumers towards large scale manufacturers who are known for their authentic and superior quality medicines. This trend of large scale adulteration is widely seen in the case of cough syrups (mixed with alcohol) and memory augmenting drugs which targets children. Hence, medium sized firms demanded that government should take strict action against such unauthentic manufactures.

Nearly 77 percent of the tiny and small firms agreed that issues within the industry are damaging their survival. Most of the small units surveyed were owned by local vaidhyars who had long years of experience and good will in their area. The firms operated by them and the products produced by them earned the same reputation as the large producers. Earlier there was affiliation towards these vaidhyars and their products, but that age of loyalty no more exists. In the modern age the medium firms comprehend that, there is no scope for any such emotional concerns. The domination of the large scale manufactures and their excellent marketing network has

washed off all the potential customers from the small firms. The entry of medium sized firms, with the introduction of proprietary medicines, which are best suited for modern customers, has added fuel to the fire. Most of the small firms operate in the rural area and majority of the customers belong to that locality. The establishment of Ayurvedic hospitals and dispensaries by the Government in rural areas and supply of Ayurvedic medicines by Oushadi and Ayurdhara at subsidised rates have put an end to their question of endurance.

The preparation of Ayurvedic medicines follows a rigid pattern and nature. This imposes certain problems for manufacturing units. Rigidity enters as a serious problem for large firms who produce huge quantities in anticipation of demand. Low shelf life is considered a main issue. The shelf life of *kashayam* is one day and preserved *kashayam* is for a year. There is no shelf life for *arishtam* and *asavams* (as it contains permitted amounts of alcohol). However, most of the large firms produce preserved *kashayam*; where as natural *kashayam* is now produced only at home for one time use. Besides shelf life problems relating to standardization, documentation also emerge as a problem. Only 14 percent of the large firms considered this as a major

issue. Where as 36 percent of the medium sized firms reported this to be a problem. Medium firms resolved this by stopping the production of *kashayam*. Pharmaceutical issues never affected small firms due to the nature of their production process.

GOVERNMENTAL POLICIES

As an industry producing products that are intended to improve the health care of the people, the Government has imposed certain regulations time to time. Regulations such as Good Medicine Manufacturing Practices (GMP), Good Laboratory Practices (GLP), Good Agricultural Practices (GAP), Good Clinical Practices (GCP) etc, are statutorily made compulsory. All these certifications are time bound in nature. Extension of the registration is subject to the completion of these regulations. Regulatory obligations have to fulfill three important criterion viz., quality, efficacy and safety. Quality is a major concern. The Ayurvedic medicines have to be of good quality and should pass the clinical trials. This becomes all the more important when these medicines cross the national borders. It should check the adulteration of botanicals, toxic metals, micro organisms microbial toxins, pesticides fumigation etc. There are several cases of such contaminations reported. One such

study reported that 64 percent of the herbal medicines exported from India had significant amounts of lead (Thattee *et al.*, 2008).

Forty three percent of the large firms revealed that regulatory obligations with regard to exports², which involves testing the efficacy of Ayurvedic medicines using western clinical standards and adulterated medicines produced by some firms are disturbing future prospects. All large firms believe that Government should not soften their attitude towards these forged manufacturers. This reflects indirectly the confidence of the large units in their products. It is to be noted that sixty four percent of the medium sized firms consider that hard and stringent regulatory obligations framed by the Government are disturbing them. The conditions laid down in the Laws are designed for large firms. Moreover, it is impossible for medium firms to fulfill these conditionalities in a time bound manner. They added in the survey that it is after the repeated reminding and representation that Government agreed to relax certain provisions in the GMP certification. Hence they demand relaxation and separate set of regulations from the government.

Contrary to the above two views, only 32 percent of tiny and small sized firms opined that governmental regulations impose a huge challenge for them. Incidentally, some firms were unaware of these rules, while, others reported that they have heard about these rules and regulations but knew very well that it is impossible for them to fulfill these specifications. **Other Problems**

The opening of the economy and freer international trade has set great opportunities for the herbal industry in India. Kerala in particular has been identified as the hotspot of authentic Ayurvedic products and treatments. The selection of Kerala as the must - see destinations in India has attracted large number of foreign tourist to the state. Ayurveda is considered as a source of positive health. The growing cynicism with western medicine, failure of western medicine to treat chronic diseases and to catch the root of the ailment, along with the change in the social patterns has evoked interests in Ayurveda. The mounting hike in the volume of trade in herbal products; large investments of funds into Ayurvedic sector by MNC's; the increase in the number of foreigners studying Ayurveda, willingness of MNCs to take over reputed Ayurvedic

manufactures or their individual products⁴ are visible signs of Ayurveda being globalised (Stock, 2002). It is widely realised that opening up of the economy and its integration with the world economy has opened up a new world of opportunities for the manufacturing units in Kerala. Nevertheless, certain doubts are raised from different corners. Hence, it was essential to know if globalisation has affected Ayurvedic industry in the state. The responses are discussed below.

Large firms know very well that as Ayurveda goes global it has to be very vigilant about its products and its composition (Patwardhan *et al.*, 2004). This requires the maintenance of quality efficacy and safety. They believe that globalisation of Ayurveda has opened up new vistas for these units. All the large firms shared this view. The encouragement given to health tourism, increase in the export of Ayurvedic medicines, opening up of retail outlets by large firms (AVS) in foreign countries has augmented this. Nagarjuna Herbal Concentrates Limited has set up a separate production unit exclusively for promotion of exports. However, the large firms agreed that what goes outside the country under the label of Ayurveda are mostly cosmetic and over-the-counter segments of Ayurveda, are

high performers and there is a large untapped market for its classical formulations. The large firms cite two reasons for this. One is the restriction imposed by the World Wildlife Fund. The WWF has listed 150 medicinal plants in the negative list of exports. For example if items like sandal wood or *Rakthachandanam* is used as an ingredient in a face cream or oil ,it does not get the approval for export. Secondly, most of the importing countries do not provide sanction to the export of Ayurvedic products as medicines proper, but as herbal dietary supplements only.

Virtually 75 percent of the medium sized firms regard globalisation as an opportunity. Only 11 medium firms considered it as a distant dream. These firms realise that they are not able to expand and export like the large firms due to their inefficiencies. Most of the products sold by the medium sized firms are cosmetic products, which have good demand in the external market. Opening up of the economy has not affected small firms in any way. The firms that participated in the survey attribute that large scale encouragement given to medical tourism has forced them to rethink their mission. These small firms have decided to restrain production to a few mostly demanded medicines and concentrate

on increasing its sales. Further, they plan to switch over to the treatment side, which is much more profitable than the production of medicines proper. The small firms owned by reputed vaidhyars can easily win the confidence of the patients. Government owned financial institutions such as KSIDC, as a part of their tourism promotion package has decided to give a maximum subsidy of Rs. 15 Lakhs for setting up of Ayurvedic treatment centre. The number of small firms approaching KSIDC for the same is on a rise (KSIDC, Annual Report, 2008).

CONCLUSION

Hence globalisation of Ayurveda as per the survey results has opened up a new world of opportunities for the large firms where as it has encouraged the upcoming of efficient medium sized firms to carry out the production and export of branded patented medicines. In addition, globalisation has helped the small firms to redirect its mode of operation from production of Ayurvedic medicines to Ayurvedic treatment. Thus, it is concluded that the problems faced by the Ayurvedic medicine manufacturing units in the state are diverse. In common, all the firms face similar problems irrespective of their size, but the manner in which these problems affect each category of firms are different.

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