Abstract

Although Kerala occupies a less appealing position in the industrial map of India, one industry that has drawn attention over the years is the Ayurvedic medicines manufacturing industry. The study examines the evolution and growth of Ayurvedic industry in the state. The study addresses four major aspects- how has the industry performed over the years. What can be inferred in the form of conclusions from the productivity estimates of the industry? What are the causes for the increase in the price of medicinal plants, the basic input for the industry? Is it due to the scarcity of raw materials or due to the existence of the too many intermediaries in the trade of medicinal plant.? What are the problems faced by the manufacturing units in Kerala? Is it similar to all manufacturing units irrespective of their size? The study is descriptive as far as it traces the growth and development of the industry in the state. The analysis of the productivity is done using Cobb - Douglas production function. The growth trends are calculated using statistical tools such as percentages, and exponential functions. The value share of the players in the supply chain has been estimated. And a primary survey was undertaken to identify the problems faced by the units.

The analysis provides support to the fact that the growth attained by the Ayurvedic industry has been phenomenal. The compound growth rate estimates show rise in terms of output, sales and other key variables. The productivity estimates indicate that there is need for better capacity utilisation to increase the productivity of the industry. The supply chain estimates show that the capabilities of the primary collectors cannot be improved in the present framework. The price of medicinal plants can be reduced by restructuring the supply chain which can significantly contribute to fall in the price of medicines. The primary survey shows that the problems faced by the units irrespective of their size are same but the nature in which these problems affect each category of units are different.

**Key Words:** Industrialisation, Traditional medicine, Ayurveda, Total Factor Productivity Growth, Compound growth rate, Supply chain, Value share.