

A STUDY ON SALES PROMOTION OF PHARMACEUTICAL PRODUCT IN NEPAL

A THESIS

**Submitted By:
Subhash Oli**

Nepal Commerce Campus
TU Regd. No: 7-2-3-2302-2000
Class Roll No. 642/061
MBS Exam Roll No: 2051/063

Submitted To:
Office of The Dean
Faculty of Management
Tribhuvan University

In Partial Fulfillment of the Requirements for the
Master's Degree of Business Studies (M.B.S)

**New Baneshwor, Kathmandu
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RECOMMENDATION

This is to certify that the thesis

**Submitted by:
Subhash Oli**

Entitled:

A STUDY ON SALES PROMOTION OF PHARMACEUTICAL PRODUCT IN NEAPL

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

.....
.....

Prof. Dr. Bihari Binod Pokharel
(Chairperson, Research Department and Thesis Supervisor)

Diwakar Pokhrel
(Campus Chief)

.....
Dr. Prakash Neupane
(Thesis Supervisor)

Date.....

VIVA-VOCE SHEET

We have conducted the viva –voce examination of the thesis presented

by
Subhash Oli

Entitled:
**A STUDY ON SALES PROMOTION OF PHARMACEUTICAL
PRODUCT IN NEPAL**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master is Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Chairperson, Research Department

Member (Thesis Supervisor)

Member (External Expert)

Date.....

DECLARATION

I here by declare that the work reported in this thesis entitled “**A STUDY ON SALES PROMOTION OF PHARMACEUTICAL PRODUCT IN NEPAL**” submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Master’s Degree of Business Study (M.B.S.) under the supervision of Prof. Dr. Bihari Binod Pokhrel, Dr. Prakash Neupane of Nepal Commerce Campus.

.....
Subhash Oli

Nepal Commerce Campus
TU Regd. No: 7-2-3-2302-2000
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Subhash Oli

Nepal Commerce Campus

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ABBREVIATIONS

APPON	: Association of Pharmaceutical Producer of Nepal
BP	: British Pharmacopia
DDA	: Department of Drug Administration
DJPL	: Deurali Janta P. Ltd
GDP	: Gross Domestic Product
GMP	: Good Manufacturing Practice
HMG	: His Majesty's Government
ims	: Inter-Continental Medical Statistics.
MR	: Medical Representative
MRP	: Market Retail Price
MSR	: Medical Sales Representative
NMSRA	: Nepal Medical and Sales Representative Association
NPL	: Nepal Pharmaceutical Laboratory
OTC	: Over the Counter
PHON	: Pharmaceutical Horizon Of Nepal
RDL	: Royal Drug Limited
RDRL	: Royal Drug Research Laboratory
TPC	: Timely Payment Commission
TRIPS	: Trade Related Aspects of Intellectual Property Rights
USP	: U.S. Pharmacopia
WHO	: World Health Organization
WSP	: Whole Sale Price
WTO	: World Trade Organization

TABLE OF CONTENTS

Contents	Page No
Viva - Voce Sheet	
Recommendation	
Declaration	
Acknowledgements	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER I	
INTRODUCTION	1-16
1.1 Background of the Study	1
1.1.1 Pharma Market in Nepal	12
1.1.2 History Of Nepal Pharma Market & its development	12
1.2 Focus of the study	13
1.3 Statement of Problem	13
1.4 Objective of the Study	14
1.5 Rationale of the Study	15
1.6 Limitation of the Study	16
1.7 Organization of the Study	16
CHAPTER II	
REVIEW OF LITERATURE	17-47
2.1 Conceptual Review	17
2.1.1 Marketing Concept & its definition	17
2.1.2 Defining Marketing	17
2.1.3 Marketing Mix	19
2.1.4 Role of Marketing Industrialization	20
2.2 Review of related study	21
2.2.1 Review of previous thesis	21
2.2.2 Review of Journal & articles	22
2.3 An overview of Pharmaceutical Company in Nepal	23
2.4 Brief Scenario of National / Domestic Pharmaceutical Market.	26
2.5 Future Potentiality of National Pharmaceutical Products.	27
2.6 Promotional Tools mostly used in Nepalese Pharma Market	28
2.7 Unhealthy and unethical competition	31
2.8 Some Conflicting Views	32

2.9 Government Policies	33
2.10 Recent amendment in some government policies.	35
2.10.1 Guideline on Ethical Promotion 2007	35
2.10.2 Amendment on Label	38
2.11 Distributional Channels of Drugs	38
2.12 Problems faced by National Pharmaceutical Industries	39
2.13 Review of Journals	41
2.14 Review o Previous Thesis	45

CHAPTER III

RESEARCH METHDOLOGY	48-50
3.1 Introduction	48
3.2 Research Design	48
3.3 Designing the methods of data collection	49
3.3.1 Nature of Source of Data	49
3.4 Population & Sample	49
3.4 Tools & Techniques	49
3.5 Data Presentation and Analysis	50

CHAPTER IV

DATA PRESENTATION & ANALYSIS	51-68
4.1 Nepal Market Overview	51
4.2 Top Companies in Nepal	52
4.3 Top Brands	54
4.4 Top fifteen selling Medicines from domestic industries	56
4.5 Calculation of consumption in Retail Sales Value	57
4.6 Some Sellable medicines & its price	57
4.7 Present Status of Pharmaceutical companies in Nepal	58
4.8 Share of Allopathic Drug	59
4.9 Presentation of Consumption of Medicines in Nepal	59
4.10 Table of Medicine Consumption in Nepal	60
4.11 Presentation and Analysis of Primary information	61
4.11.1 Result of Questionnaire distributed to Doctors	62
4.11.2 Result of Questionnaire distributed to Consumers	63
4.11.3 Result of Questionnaire distributed to Producers	65
4.11.4 Result of Questionnaire distributed to Chemist / Retailers	66
4.12 Major Findings	67

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS	69-71
5.1 Summary	69
5.2 Conclusion	69
5.3 Recommendation	70
BIBLIOGRAPHY	
APPENDICES	

LIST OF TABLES

Table No	Title	Page No
4.1	Mid – Term Review June 2008	52
4.2	Yearly Review Dec- 2008	53
4.3	Mid Term Review June 2008	54
4.4	Yearly Review Dec 2008	55
4.5	Top Fifteen Selling Medicines from Domestic Industries	56
4.6	Some Sellable Medicines and its Price	57
4.7	Present Status of Pharmaceutical Companies in Nepal	58
4.8	Medicine Consumption/Sales in Nepal	60
4.9	Result of Questionnaire Distributed to Doctor	62
4.10	Result of Questionnaire Distributed to Consumer	63
4.11	Result of Questionnaire Distributed to Producers	65
4.12	Result of Questionnaire Distributed to Chemist	66

LIST OF FIGURES

Figure No	Title	Page No
4.1	Total Nepal Pharma Sales	60
4.2	Total Consumption of Drugs	61

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nepal lies in the northern hemisphere of the earth and it is a Himalayan Country of south Asia extending at the range of 26°22' to 30°27' east and 80°4' to 88°12' north. It is a landlocked country surrounded by Indian Territory in three sides i.e. east, west and south and Chinese territory in the north, more vividly Tibetan Plateau. It has the area of 1, 47,181 sq.km. The length and the breadth roughly extend to be 885km and 193 km in average. And altitude ranges from little over 100ft to over 29,000ft above the sea level. Numerous hills rise in between the swift flowing rivers making many parts of the country inaccessible even in the times of fair weather.

Physically, Nepal has been divided into three different kinds of physical features, namely High Himalayan region towering higher from east to west, similarly a middle portion of Hilly region runs from east to west covering the highest portion of the landmass of 68% of whole nation where as down to the southern part bordering with Indian territory, runs the Terai region covering about 17% of the total land mass of the whole nation. It has got the highest peak of the world i.e. Mount Everest (8,848m) and it's a land locked country and the distance of the nearest sea is 500km.

The first civilizations in Nepal, which flourished around the 6th century B.C., were confined to the fertile Kathmandu Valley where the present-day capital of the same name is located. It was in this region that Prince Siddhartha Gautama was born c. 563 B.C. Gautama achieved enlightenment as Buddha and spawned Buddhist belief.

Nepali rulers' early patronage of Buddhism largely gave way to Hinduism, reflecting the increased influence of India, around the 12th century. Though the successive dynasties of the Gopals, the Kiratis, and the Licchavis expanded their rule, it was not until the reign of the Malla kings from 1200–1769 that Nepal assumed the approximate dimensions of the modern state.

The kingdom of Nepal was unified in 1768 by King Prithvi Narayan Shah, who had fled India following the Moghul conquests of the subcontinent. Under Shah and his successors Nepal's borders expanded as far west as Kashmir and as far east as Sikkim (now part of India). A commercial treaty was signed with Britain in 1792 and again in 1816 after more than a year of hostilities with the British East India Company.

In 1923, Britain recognized the absolute independence of Nepal. Between 1846 and 1951, the country was ruled by the Rana family, which always held the office of prime minister. In 1951, however, the king took over all power and proclaimed a constitutional monarchy. Mahendra Bir Bikram Shah became king in 1955. After Mahendra died of a heart attack in 1972, Prince Birendra, at 26, succeeded to the throne.

In 1990, a pro-democracy movement forced King Birendra to lift the ban on political parties. The first free election in three decades provided a victory for the liberal Nepali Congress Party in 1991, although the Communists made a strong showing. A small but growing Maoist guerrilla movement, seeking to overthrow the constitutional monarchy and install a Communist government, began operating in the countryside in 1996.

King Gyanendra dismissed the government in October 2002, calling it corrupt and ineffective. He declared a state of emergency in November and ordered the army to crack down on the Maoist guerrillas. The rebels intensified their campaign, and the government responded with equal intensity, killing hundreds of Maoists, the largest

toll since the insurgency began in 1996. In Aug. 2003, the Maoist rebels withdrew from peace talks with the government and ended a cease-fire that had been signed in Jan. 2003. The following August, the rebels blockaded Kathmandu for a week, cutting off shipments of food and fuel to the capital.

King Gyanendra dismissed the entire government in Feb. 2005 and assumed direct power. Many of the country's politicians were placed under house arrest, and severe restriction on civil liberties were instituted. In Sept. 2005, the Maoist rebels declared a unilateral cease-fire, which ended in Jan. 2006. In April, massive pro-democracy protests organized by seven opposition parties and supported by the Maoists took place. They rejected King Gyanendra's offer to hand over executive power to a prime minister, saying he failed to address their main demands: the restoration of parliament and a referendum to redraft the constitution. Days later, as pressure mounted and the protests intensified, King Gyanendra agreed to reinstate parliament. The new parliament quickly moved to diminish the king's powers and selected Girija Prasad Koirala as prime minister. In May, it voted unanimously to declare Nepal a secular nation and strip the king of his authority over the military.

The Maoist rebels and the government signed a landmark peace agreement in November 2006, ending the guerrilla's 10-year insurgency that claimed some 12,000 people. In March 2007, the Maoists achieved another milestone when they joined the interim government. Just months later, in September 2007, however, the Maoists quit the interim government, claiming that not enough progress had been made in abolishing the monarchy and forming a republic.

Nepal contains a wide diversity in the religion, ethnicity, belief, cultures among the people here but still there was a smooth harmony, love, respect for each other which at this stage seems to have been deteriorated due to unstable political scenario but we still are looking forward to install the same condition as it was prevailing before.

In the mid-twentieth century, Nepal remained gripped in a feudalistic socioeconomic structure despite the influence of Western popular culture, growing commercialization, and some penetration of capitalism. The first challenge to this feudalistic power structure came in 1950-51, when the Rana autocracy was overthrown by the popular democratic movement that restored the authority of the monarchy.

There was no popularly elected government until 1959. During his reign, King Mahendra Bir Bikram Shah Dev frequently changed the government, pitting one ruling clan against another in a manner clearly reminiscent of Shah Politics prior to the rise of Rana rule. He also reconstituted the system of palace patronage, replacing the system of Rana patronage. In December 1960, King Mahendra launched a palace coup against the popularly elected government of Prime Minister Bishweshwar Prasad (B.P.) Koirala and reestablished his absolute monarchical rule under the banner of the partyless *panchayat* system. Until early 1990, the *panchayat* system, strictly controlled by the palace, remained firmly in place. The transition to a new social order was stymied; society remained entrenched in a feudalistic structure.

In terms of differences in wealth and access to political power, Nepalese society could be divided into small ruling elite; a growing, intermediate-sized group of government officials, large landholders, and merchants; and the vast majority of the population, consisting of a peasant base. In a way, all three classes were a long continuum in Nepal's social structure because most members of the ruling elite and government functionaries had their direct roots in the rural landed class, which was one stratum of the farming population.

The smallest and least diverse of the three categories was the ruling elite, largely composed of high-caste, and educated Paharis, namely different strata of Brahmans and Chhetris. At the zenith of this class was the monarch, whose authority was

derived from the orthodox Hindu contention that the king was the reincarnation of Vishnu, whose assigned role in the Hindu trinity is protection. The participation of the deprived group, marginalized ethnicities and the women in the visible context in the nation is still imbalanced. So we are witnessing the adversities of those ill-fated social practices where every one is trying to get recognition in violent way about their rights, respect, equity etc. Education in its widest sense can be thought of as any part of the learning process, which equips an individual to take his or her place in the society.

Nepal's school education system comprises five years of Primary Education, three years of Lower Secondary Education, two years of Secondary Education and two years of Higher Secondary Education. Higher Education comprises three years of Bachelor Degree and two years of Master's Degrees but in Technical Education such as Medicine, Engineering, Agriculture, Forestry, Business Administration, and Information Management, the Bachelor's Degree is for four to five years. In addition to it, there are other members of Vocational and Technical Education Institutions run by the state and private sectors like Council for Technical Education and Vocational Training (CTEVT), similarly different ministries of the government are also operating training programs that focus on producing skilled manpower with specific technical skills. So, in this account, we can say that Nepal has recorded very satisfactory achievements in all the departments of education over years. Despite these achievements in school education, the distribution of secondary school still shows a distinct urban bias. Quality of education suffers in public schools of rural areas mainly due to lack of physical facilities, teaching aids and trained teachers.

More than 85% people are still in rural areas and most of them are not getting minimum level of physical facilities that are necessary for human being due to underdevelopment, poverty and centralization of the physical facilities. Still around 40% of the people are living below the poverty line so this indicates the government's policy has not been concentrated to uplifting the ill fate of these people in those areas.

Nepal follows a mixed economy system under which both the public and private sector co exist or in other word, both the public and private sectors are equally active in economic activities, since 1980s, however, more reliance has been placed on the private sector. This is more so after the restoration of democracy in 1990. The entire nation is largely based on agricultural sector and the backbone of the Nepalese economy. The major food crops are Paddy, Maize, Wheat, Millet and the major cash crops are Sugarcane, Oil-Seeds, Tobacco, Tea, Potato, and Cardamom etc. The total cultivated area is about 18% of the total area and the irrigated area is about 16% of total cultivated area which shows still most part of the cultivated land does not have proper way of irrigation. It is the major source of livelihood for a majority of the country's population. About 80% of Nepal's population is tied up with agriculture. Its contribution to the GDP is 40.1 percent. Nepal's agricultural sector has remained stagnant over the past few decades. In spite of huge investment in this sector in the past, the growth rate in agricultural productivity has been negligible it grew at an average annual rate of only 0.4 percent over the period of 1975 to 1999.

Most strikingly, Nepal, over the last three decades, has gradually shifted from a position of being a net exporter to a net importer of food grains. The productivity of paddy and maize (the major food crops) has gone down slowly than the population growth rate. Only wheat productivity shows slightly higher growth rate. Thus, agriculture in Nepal has been showing many negative trends, which are also known as indicators of un-sustainability.

India and the Tibet are the traditional partners of Nepal from time immemorial before 1950, Nepal's foreign trade was confined only to India. Smaller business transactions had been in vogue between trading houses of Nepal and Tibet. Barter trade still exists among inhabitants and traders along high Himalayan frontiers. Trade with overseas countries commenced after the planned approach to development started in the country in 1956. Today, Nepal has trade relations with many countries of the world.

Nepal's foreign trade is increasing rapidly and the figures show that Nepal imports more than it exports which has led to the problem of negative balance of trade.

Nepal has been a tourist's paradise for many years. A country of amazing attractions, both natural and man-made, it offers a memorable experience for every visitor. Nepal is the home to the world's highest mountains, including Sagarmatha (Mt. Everest 88 48m).

Enchantment is everywhere, be it on the shoulders of high mountains, or terraced farmlands meticulously carved like stairways on the hill sides, or cascading mountain rivulets and rushing rivers, or in forests full of wildlife, flowers and bird song. In Nepal, there is something for everybody: tourist, trekker, river rafter, wildlife enthusiast, poet, artist, writer, and scholar

And the major exports of Nepal like woolen goods, carpets, cotton garments have been also severely hit due to the entry of Nepal in WTO where it has to face a fierce competition among the same product in globally. In which the major importing countries of these goods have also scrapped the quota system which is to be the preferential system of business in which these products never had to compete with the similar products of the different countries but the entry of Nepal in WTO was made this preferential facilities jeopardized.

Due to globalization of the business, the whole world has been a small place. A company can easily set access to the market of the other parts of the world and can achieve its goal. The companies are facing various challenges to market their products over the years. Thrust has been shifted from efficient production to the swift marketing, marketing department in return, had developed different techniques to market the products. In this modern marketing era, every marketer should understand the consumer's satisfaction.

Companies are adopting many marketing policies and strategies to increase the sales. So, a goods or service produced efficiently alone cannot sell in its own just due to the pilings of the similar products in the same market which has resulted a mounting pressure for the forms of today. So one of the component of the marketing mix i.e. promotion has a significant role to enhance the sales level by catching the attention of the target group of the consumer and advertising has been the most well equipped form of promotion for these companies.

‘The term advertising is derived from the original Latin word adverted which means to turn the attention’. Every piece of advertising turns the attention of the readers, listeners or the viewers toward a product, or a service or an idea. Therefore, it can be said that anything that turns, the attention about a service, or an idea might well be called advertising.

Advertising is a part of a sound marketing plan. A well-planned advertising program is continuous and has a cumulative effect. Advertising campaign is the creation and execution of a series of advertisements to communicate with a particular target audience and in this regard understanding specific problems of a consumer is often the key to developing an appropriate advertising campaign.

In whatever form of advertisements are seen today, definitely had some different look, features, ways etc in the past. Tracing back the root, the history of advertising has been divided into four stages. The first stage is the ‘Age of Print’. Ads were primarily classified in format and print media carried them. The culmination of this age was the development of the newspaper.

The second stage we label ‘The Industrial Revolution and Emergence of Consumer Society’, a period where advertising grew in importance and size because of numerous social and technological developments. The purpose of the advertising was

to devise an effective, efficient communication system that could sell products to a widely dispersed market place. National media developed as the country's transportation system grew.

Modern Advertising: Agencies, science and creativity is the third stage in the evolution of advertising. The advertising industry grew to a remarkable \$500 million on media billing and as a result, attracted the development of organizations specializing in advertising (agencies, established research technique) and moved into an era of more creativity.

Starting in the early 1970s, the 'Accountability Era' began. Clients wanted ads that produced sales and implemented technology, so they hired experts that could produce such results. In the early 1990s, the advertising industry recognized that its fate was linked to the global business environment.

The roots of formal advertising in Nepal can be traced back to a print advertisement that appeared on the back cover of a book called *Moksha Siddhi* in A.D.1862, and was taken out by *Manoranjan* Press, Thahiti, to promote their various publications. The next instance of a Nepali print advertisement can be traced back to A.D. 1888, when Gorkha Bharat Jeevan brought out advertisements on the cover of Gorkha Hasya Manjari, published by the Gorkha Bharat Press, Benaras, India. It can be safely said that the milestones and spurts of progress in the advertising sector have coincided with developments in mass media. The start of Gorkhapatra in A.D. 1901 is not only a land mark in the field of Nepali media but also the beginnings of advertising in Nepal.

Nepal explored another medium of mass communication through the introduction of radio broadcasting in A.D. 1945. Instituted by then prime minister Padma Sumsher and run by Kashi Raj Pandey from a powerhouse of Nepal Electricity Corporation in Tundikhel, the service was short lived, and was discontinued due to protest from other

Ranas. Regular radio broadcasting commenced on 30th January 1951 when Nepal radio (now radio Nepal) was established. Initially, it did not offer advertising services, and due to the lack of reliable records, the presence of advertising content in the later years cannot be ascertained. The real impetus for radio advertising however came when private FM stations came in operation in A.D. 1990.

With the advent of Nepal Television on 29th December, 1985, a new era of communications dawned in the Nepali media. But unlike print and radio, the ushering of TV did not bring about any dramatic changes or growth in the advertising sector. The start of private television channels have added to the choice and varied viewership, but the medium is yet little charted domain for advertising possibilities.

The current age is one of convergence, and no medium is complete by itself, unless complemented by other media and technologies. The sector has moved ahead by leaps and bounds, but there is much yet to be exploited to reach potential. New research shows that using print and television in tandem adds considerable power to a campaign. For example, in recall of advertising, the print plus TV multiplier effect lifted spontaneous recall by plus 127%. Significantly higher than the recall among those exposed to print campaigns only plus 76% or those exposed to TV campaign only 90%.

The advertising Association of Nepal started the Crity Awards to acknowledge are creativity in advertising. A first of its kind, the Crity Awards recognizes the talent of advertising professionals while acknowledging the contribution of advertising agencies to the sector, Nepali business and industries, and to the economy. The Crity Awards has been held four times with much acclaim and appreciation from the advertising and business fraternities and also with criticism and controversies that accompany awards of any kind.

Though the experience of advertising in Nepal is quite short as compared to other

developed countries around the globe, but even in this short span of time, it has had a remarkable growth. The reason behind such a vertical growth is that the firms understood the importance of the advertising. Similarly, there has been a fierce competition in the product line too, so advertising has given a best alternative for these business firms position their products in upper hand strategically in the market place.

In Nepal, to give an institutional form, Advertising Agencies Association of Nepal (AAAN) was established in 1990 with a view to protect and promote the rights and welfare of the advertising agencies in Nepal. Though our nation is facing an economic recession, political instability and different kinds of chaos but still the advertising sector is going sound despite many obstacles. With the rise in globalization, liberalization and media growth, this sector is in increasing phase. And every business firm cannot afford to have their own in house advertising agencies, so business of advertising agencies is rising up.

So, this is a clear indication that this business seems quite prospective and growing in the context of our country also but still it has been considered a business of minor importance and probably this would have been the reason why laws have not been formulate to regulate this industry. Currently, unethical competition and lack of comprehensive and integrated advertising policies are hampering the advertising sector.

So, there has been a demand laid several times by these Apex Bodies of Advertising like AAAN, Advertising Association of Nepal (AAN) to the government to bring about a national policy on advertising.

So this has been witnessed that it has been taking a promising shape over the time period from the time of 'Age of Print' till the date, so we can say that it is also a dynamic process. Which keeps on changing, therefore, the advertisers have to launch an advertising program or a campaign keeping these facts intact because a very much

certain thing that never changes is the 'change' in anything as the time passes .

Pharmaceutical Industry is one of the fastest growing advanced technology industries in the world. According to IMS (Intellectual Medical Statistics) Health, the Premier Medical Market Research on the world, the global pharmaceutical market is worth more than US \$ 400 billion and is growing as a rate of about 8% per annum.

1.1.1 Pharma Market in Nepal

Pharmaceutical industries in Nepal mainly consist of small & medium sized units. The consumption of pharmaceutical product in Nepal is estimated to be growing over 15% per annum. Much of the pharmaceutical products being consumed to Nepal are imported. But during the last few years, pharmaceutical industries have shown specific growth in Nepal and locally produced drugs and Medicines are estimated to cover more than one fourth of the market. This sector is perceived as one of the potential areas of Nepal. As per the information from Department of drug Administration (DDA) till 2062 Ashadh there are all together 241 industries are registered and are in the process of production. Among which 40 are Nepalese industries.

1.1.2 History of Nepal Pharma Market & its Development

Nepal Pharma Market had started its history around thirty years ago. It has been running in ongoing process of development immediate after the democratic revolution of 2046 . Since then the growth of Nepal Pharma Market is continuing till today. Due to the excellent growth in Pharma Market in Nepal, the number of investors interested to invest on Pharma Market increased after 2046 B.S, which results establishment of Pharmaceutical industries producing mass production with high quality of medicine. 15 years ago there were only 10 Pharma units in the country. As per the record of DDA (Ashadh 2062) the country number has now reached 40.

25-30 Years ago Nepal has to import even general medicines from foreign countries but now not only general but also special medicines that need high technology has been started to produce by our Nepalese Pharmaceutical Industries. According to Drug Bulletin 2006 Vol. 18 No. 1 during the fiscal year 2061/62, the Pharmaceutical products being consumed was around Rs. 106559Million per annum which is growing in the rate of 19% per annum which Nepalese industries covers only 32 %. This growth of market coverage from 10 % to 32 % shows a positive sign in the further development of Nepalese Industries. But still Nepalese Pharmaceutical houses are far behind to produce certain kind of medicine like injections and life saving drugs etc.

1.2 Focus of the Study

Though Domestic Pharmaceutical Companies are surviving in tough competitive market, it is in the process continuous growth. Besides these Indian Products are dominating Nepali Pharma sector in various cases. Nepalese brands have to compete with advanced, highly technological, and cheaper Indian brands. In this critical situation, Nepali producers have to centralize their efforts on capturing their local market first.

This study focuses on the unethical promotional practices adopted by most of Pharma houses and its effects on overall Pharma Market. This study also focuses on role of government in discouraging these unethical promotional practices.

1.3 Statement of the Problems

Nepal has got entry to WTO in April 2004 but still Nepalese pharmaceutical houses are behind to grab the facilities of globalization & free market economy that are specially designed for Least Developed Countries (LDCs) like Nepal.

Pharmaceutical business has been initiated by the private sectors' effort and has received least support from the government sector in Nepal. Due to the free market economy, foreign medicines (Mostly Indian) cover 68% of Pharma market of Nepal. This creates obstacle in the growth of Nepali industries. Because of our weak government policy

Nepal is becoming, "Dumping Ground" for many foreign medicines. Beside this problem Nepalese pharma market is facing the problems on exporting its products to other countries. Indian government has created many obstacles for Nepalese medicine to cross its boarder. But our Nepalese government is still silent. Indian government is taking full advantage of it and taking the major part of Pharma Market of Nepal.

These all problems are mostly emerged due to the lack of research on Nepali Pharma Market. Department of Drug (DDA) provides quarterly drug bulletin from its R& D department. But it would be better if every industry have its own R&D department. For this government should help them by minimizing import tax on lab equipments & encourage the industries, to invest certain percentage of their income on Research & Development, by reducing the tax on such income up to 0% .

1.4 Objective of the Study

The board objective of this study is to study the market position of Nepalese Pharmaceutical industries, Profitability of Pharmaceutical production and determining the problem of Nepal pharma Market. However specific objectives are:

-) To analyze the sale promotional tools and techniques adopted by Nepalese Pharma market.
-) To find out the growth pattern of Nepalese pharmaceutical industries.
-) To focus pharmaceutical industries in Nepal in terms of utilization of opportunities under World Trade organization (WTO) / Trade Related Aspects of Intellectual Property Rights (TRIPS) as a LDC and the government's role in facilitating small & medium enterprises units to be competitive in the WTO regime.
-) To evaluate salespromotion in Nepalese Pharma Market.
-) To suggest and recommend on the basis major findings.

1.5 Rationale of the Study

Productivity improvement resulting in strong competitiveness is the most important and essential approach for survival and growth of any organization. In the context of globalization of the economy and adoption of market based liberal economy productivity enhancement has become a crucial need of the day for all enterprises.

Nepal has already become a member of the WTO. The competition will be fiercer in the days to come. Much of quality, safety and environmental requirement will have to be incorporated in the existing industrial ventures.

Pharmaceutical industries cannot remain isolated. As Nepal Pharma market is one of the fastest growing high technology industries they are & will facing severe competition from the imported products. There is also high competition among producer among the country. Not only this, producers are also facing several problems due to weak government policy.

It is expected that this study will help to analyze the current position with the latest data giving information and identifying the problems & challenges being faced by Nepalese Pharmaceutical industries. Beside these, the researcher will get benefits from the study and also the results drawn from the study can be generalized.

1.6 Limitation of the Study

This study is conducted for the partial fulfillment of requirement of the degree of Master of Business studies from Tribhuvan University. There may be methodological weakness

as researcher, a student, who does not have previous experiments of such studies. In this study data are collected through questionnaires & data from Department of Drug Administration (DDA), Association of Pharmaceutical Producers of Nepal (APPON) and other institution. I do generalize the conclusions based on data available or gathered.

1.7 Organization of the Study

This study is mainly organized into five chapters:

The study has been organized into five chapters. They are as follows:

Chapter one: Introduction

This is the introductory chapter, which has covered background of the study, focus of the study, statement of the problem, objectives of the study, significance of the study etc.

Chapter two: Review of Literature

This chapter has included conceptual framework i.e. theoretical analysis and review of related different studies. In this chapter has been also considered that how this present studies are different from previous studies.

Chapter three: Research Methodology

This chapter has dealt with the research design, population and sample, sources of data, data collection techniques and data analysis tools (financial tools and statistical tools) and methods of analysis and presentations.

Chapter four: Presentation and Analysis of Data

This chapter describes the research methodology employed in the study. It will include secondary data and primary data presentation, data analysis, interpretation, testing of hypothesis and major finding.

Chapter five: Summary, Conclusion and Recommendations

The last chapter states the summaries, conclusions of the whole study and recommendations. It also offers several avenues for future research. The exhibits and bibliography are incorporated at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

This chapter consists of two parts: Conceptual / Theoretical review and review of reacted studies. In conceptual review, it reviews the concept concerning the subject matter that are written on related journals, magazines and concerned books while in review of related studies, it reviews the previous studies which are related to the subject matter of this study and other related headings are also enclosed which helps to study the topic in depth.

2.1 Conceptual Review

2.1.1 Marketing Concept & its Definitions:

As we all know that this is the age of marketing, every manufacturing organization needs to produce and markets its product or services to achieve its goal and to exist in this competitive market. In context of globalization of the economy, liberalization and IT development, the marketing environment its being more competitive day by day. The entire way of communication and marketing logistics have totally changed the marketing practice both at the domestic and international fronts.

Hence to survive in such dynamic environment an organization must be able to implement the modern marketing concept, organize the marketing department monitor and scan marketing environment and establish the information networks. It should be able to plan, evaluate, implement and control marketing activities balancing the interest of the organization, customer and society. Thus strategic planning and integrated implementation have not only become a demand of time but also an indispensable aspect of the modern marketing.

2.1.2 Defining Marketing

We can distinguish between a social and managerial definition of marketing. A social definition shows the role that marketing plays in society. One marketer said that

marketing's role is to "deliver a higher standard of living". Here is a social definition that serves our purpose. Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. For a managerial definition marketing has often been described as "the art of selling products" but people are surprised when they hear that most important part of marketing is not selling. Selling is only the tip of marketing iceberg.

Peter Drucker, a leading management theorist, puts it this way:

There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or services fits him and selling it self. Ideally, Marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or services available.

When Sony designed its Walkman, when Nintendo designed a superior videogame, and when Toyota introduced its Lexus automobile, these manufacturers were swamped with orders because they had designed the "right" product based on careful marketing homework.

Different individuals and association have tried to define marketing in their own terms.

The American Marketing Association offers the following definition:

"Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods & services to create exchanges that satisfy individuals and organizational goals."

Coping with exchange process calls for a considerable amount of work and skill. Marketing Management takes place when at least one party to a potential exchange thinks

about the means of achieving desired responses from other parties. We see marketing management as the art and science of choosing target market and getting, keeping and growing customers through creating, delivering and communicating superior, customer value.

This famous book, Marketing Management defines marketing as a "Social and managerial process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others"(Kotler,2003:9).

Thus marketing process is a direct result of adoption of the marketing concept by business organization. Marketing concepts gives more accurate understanding of consumers need; preference and delivery of most want satisfying product and service to the present and potential consumer. Competitive environment of the market has forced most organization to give up " hit and trial" method for business and encouraged them to adopt marketing research for better understanding of consumes, competitor and micro and macro market forces. Thus, modern marketing concepts emphasize on achieving organizational objective by marketing activities integrated toward determining and satisfying customer need and target market. This new philosophy of marketing need top management support, market intelligence system, organizational restructuring, human sources development and appropriate marketing mix.

2.1.3 Marketing Mix

The marketing mix is the set of marketing variable, which the organization blends to achieve the marketing goal in a defined target market. The marketing mix consist of everything the organization can do influence the demand for its product in the target market.

Marketing mix is defined as a set of marketing tools that organization uses to peruse their marketing objective in the target market. Their tools or marketing mix are known 4Ps. product, price, place and promotion which are inter related i.e. decision in one element usually affect actions in the others. The total marketing effort consists of the design, implementation and evaluation of the marketing mix. Organization should strike right balance between 4Ps.

The product mix includes decisions on product line and mix, product quality, variety, design, features, branding, packing, labeling etc. It also includes important activities such as product planning and development.

Price mix includes activities such as analysis of competitor's price, formulation of pricing objective, setting price, determining terms and conditions of sales, discount and commission etc.

Place or distribution mix includes design of the distribution channel, distribution network, dealer promotion and motivation system and physical distribution of the product.

Promotion mix includes determining the promotion blend – the mixture of advertising, personal selling, sales promotion, and publicity and public relation to popularize the use of the product in the target market.

2.1.4 Role Marketing in Industrialization

Marketing plays a very significant role in acceleration the pace of utilization which, in turn aims at making the economy developed and strong. Marketing has enter into the new dimension in the current millennium. Most of the industries are facing many challenges in the Market place with increased consumer awareness and actions. The competitive environment has become more complex due to the globalization of market. Technology

had never been so dynamic as it is now. Information Technology, communication & marketing logistic have totally changed the practice of marketing, both at the domestic and international fronts.

Marketing plays an important role in the process of industrialization. The proceeds of industrial activities are passed on to the society through the process of marketing. So the entrepreneurs and managers today must be able to implement the modern marketing concept, organize the marketing department, monitor and scan the environment and establish the information network. They should also be able to plan, implement, evaluate and control marketing activities balancing the interest of the organization, customers and society. Along with opportunities marketing also provides the threats from industries. In such kind of complicated environment organization needs to produce and market its product to achieve its goal as well as to survive and thrive for their existence. Better, faster and more competitive organization can overcome the threats and exploit the opportunities through the pertinent marketing management and strategy. So marketing becomes a hot subject for every business organization in this fast changing world.

2.2 Review of Related studies

2.2.1 Review of Previous Thesis

) There are only few studies in this field. Among them one is the "The Attitude among Medical Practitioners or doctors towards National Pharmaceutical Industries" by Shrestha Gopu, 2001. This study mainly focuses on acceptance of Nepalese Pharma products by doctors and their performance practice. Doctors have very positive attitude towards national pharma products but at the same time they are less confident that Nepalese companies are following General Medicine Practices (GMP) Standard. As per this study, Nepalese products are marketing like commercial products such as toothpaste, soap, etc. in unhealthy and unethical competitive market which leads to inferior quality, ultimately failure. This study " A study on sales promotion of Pharmaceutical product in Nepal" will further

explores the ground of promotional activities adopting by the Pharma Industries to survive in the tough and competitive market and its effects to final consumer (patient).

- J "A study on the present status of DJPL (Deurali Janta Pharmaceuticals Laboratories) and its marketing" by Pakwan Karuna, 2003. This study tries to emphasis the actual condition of a leading domestic pharmaceutical and its marketing strategies but less concentrated on further explore in the area of Pharmaceutical industry in Nepal.
- J "Market Share Analysis of Nepalese and Foreign Pharmaceutical Companies in Nepal" is another study by Poudyal Kashi Raj, 2006. The basic objective of this study is to analyze the market share of different companies originating from different countries, to analyze the degree of preferences by doctors, drug sellers and consumer towards Nepalese, Indian and foreign drugs, and to study how far the Nepalese companies are able to substitute the Indian and foreign companies.
- J Moreover another study "Emergence of Nepalese Pharma Industries as an Import substitution Industry" by Karki Santosh, 2006 has explored the ground of Pharma market in Nepal and contribution of its economy of the country. This study mainly focuses on import substitution of the medicines.

2.2.2 Review of Journal / Article

- J An article on the " Sadhana Health " by Shailendra Thapa, 2005 march, Pg. 8-11 regarding Nepalese Pharma industries moving ahead showing healthy growth rate despite of peer pressure and weak government policies. The article states that Nepal Pharma Market is estimated Rs. 1000 crores of which only 32% is contributed by domestic houses. This article further states that problems that the domestic houses are facing from weak government policy as well as unnecessary

legal barriers by Indian government in the export of domestic medicines.

-) Another article on " Himal Khabar Patrika" February 2007 Pg. 18-19 regarding the unhealthy marketing strategy that the Pharmaceutical producers are following. Though DDA had declared that in medicine margin of profit to retailer 16% , to distributor 10% and importer can have only 6% profit margin but due to the weaker control of government over the Nepalese pharma market they are selling the product taking profit more than 150%
-) Another article published in Kantipur daily news paper on dated 15th & 27th falgun 2063 regarding the new directory that is going to be published by DDA and some amendments in label.
-) Drug Bulletin of Nepal (DBN) published by Department of Drug Administration in quarterly basis. The scope of the bulletin are Pharmaceuticals: stability, quality control, formulation, biopharmaceutics, Policy, legislation and regulatory control, availability and supply, administration & dosage, Pharmacology, choice of therapy, indication, contraindications, drug interaction, adverse drug reaction, essential drugs.

2.3 An Overview of Pharmaceutical Market in Nepal

Despite the competition with India's' so called substandard companies as well as Multinational companies like Glaxo, Nepalese company have succeeded in making their presence felt. Nepalese Pharmaceutical Companies showed the rapid growth during this decade. Nepal Pharmaceutical industry has the history of 30 years but it attained its rapid growth only after Democratic revolution of 2046 B.S. Only 32% of total Pharma Market share of Nepal is covered by our local production, remaining 68% by Indian and other countries. As per DDA's latest information there are 217 foreign companies and 40 national companies are registered by the end of Ashadh 2063 & the number of their registered brands of foreign companies & national companies are 4370 & 2867

respectively. (Drug Bulletin, 2006: 6& 7).

"Association of Pharmaceutical Producer of Nepal" (APPON) has targeted to cover 50% of Market share by the end of 5 yrs and 90% of market Share within 10 years by our local Nepalese Production. And Department of Drug Association adds that the expectation of policy is to make the country self-sufficient in 80% of essential drugs, but the achievement so far is less than 60%. APPON has also stated that by the end of 2064 all Nepalese Pharma Industries are supposed to meet the WHO-GMP standard and would also control in imports of medicine from India & other countries. Now almost 8 Nepalese Pharmaceutical Companies has already got WHO-GMP certificate and 8 more companies are in process of getting WHO-GMP certificate in this coming year.

Domestic Pharmaceutical Industries Awarded WHO-GMP Certificate up to Ashadh 2063:

- Ace Laboratories(Nepal)Limited
- Amie Pharmaceuticals
- Apex Pharmaceuticals
- Arya Pharma Lab
- Asian Pharmaceuticals
- Birat Pharma Lab
- Chemi Drug Industries
- Concept Pharmaceuticals
- CTL Pharmaceutical P. Ltd
- Curex Pharmaceuticals
- Dabour Nepal Pvt Ltd
- Denium Laboratories Pvt. Ltd.
- Deurali Janta Pharmaceuticals P .Ltd
- Djingla Pharmaceuticals
- Everest Pharmaceuticals
- Florid Pharmaceuticals
- G.D Pharmaceuticals
- Himal Pharma Lab
- Hukum Pharmaceuticals
- Lomus Pharmaceuticals
- Manoj Pharmaceuticals

Mark Formulation
National Health Care p. Ltd
Nepal Pharmaceutical Laboratory P. Ltd.
Omnice Laboratories
Omnice Laboratories P. Ltd
Pharmaco Industries
Pharmaceuticals Company of Nepal
Quest Pharmaceutical P. Ltd
Royal Drug Limited
S.R Drug Laboratories P. Ltd
Shiva Pharmaceuticals
Sidhartha Pharmaceuticals
Simca Laboratories
Sumy Pharmaceuticals
Time Pharmaceuticals
Vijayadeep Laboratories P. Ltd

(Source: Health Yellow Pages, 2064:198)

Currently Nepal Pharmaceutical market consists of domestic companies & foreign companies. Domestic companies are attaining its rapid growth from last 10 yrs. In 2000 Domestic companies covered only 21% of total Nepal Pharma Market. (Growth of Domestic Companies is presented below using Bar Diagram). Hence it is high time to work for the development of drug manufacturing within nation. But the most disturbing agenda hindering the growth of indigenous production is the advantage given to the importer of drugs from foreign countries in comparison to the promotion and export of national product. It may be noted that the drug are imported with 3.5 % as custom duties where as the duties that national industries paying to many of their inputs is higher than one paid by finished products.

Nepal Pharma Market is facing the problem as number of similar and confusing brands sprouting like mushrooms day by day. Hence it has become essential to reduce the multiplicity of substandard brand and also to reduce the proliferation of small to large scale industries from the neighboring countries especially from India in order to monitor

the proper quality of products.

2.4 Brief Scenario of National (Domestic) Pharmaceutical Market

National Pharmaceutical Companies has been growing steadily despite of "Cut Throat competition" with Indian Companies and unfair government policies. 10 years ago there were only 10 Pharma units in the country. The number has now reached 40 and more numbers are in pipeline. Taking the establishment of Royal Drugs Ltd. as public Enterprises in 1972 to be the first serious effort towards developing modern Pharmaceutical industries in the country. In 2001 Chief Drug Administrator has assured that due to the rapid expansion of pharma industries this sector would be capable to fulfill 50% of the domestic demand by 2005 and 75% by 2010. But by 2006 only 32% of domestic demand has been fulfilled by our national companies.

As per the people involving in Pharma business claims that national pharmaceutical products being consumed were around 10659 million. Till today no Nepalese company had introduced some medicines (like injection etc) in market that has the contribution of 20% in total medicines being consumed. The reasons for this may be the requirement of high investment, demand for these types of medicines are lesser than that of other general medicines, and requirement of advanced technologies. But general medicines like antibiotics, Vitamins etc has covered 60 % of total medicine consumption. Similarly anti-cold (Common Cold) medicines have covered 75% of total consumption. But Nepalese houses are still backward in the production of cardiac, Blood pressure & Diabetic medicines and injections.

As per the information received from the reliable source OUT OF TOTAL Nepal Pharma Market, injection range has contributed 2000 million and in remaining 8000 million, 2000 million has been covered by those medicines which are not produced in Nepal and having low market share. And in reaming 6000 million, only 3000 million has been

covered by national production. However, in case of general/common medicine Nepal pharmaceutical houses has covered 50% of its market.

2.5 Future Potentiality of National Pharmaceutical Products

Some Pharmaceutical producers had claimed that the import of medicines from other countries in Nepal and unfair government policies are the major reasons for the backwardness of domestic industries. They further claims that, Nepal is only country where medicine from other countries can easily enter. These imported drugs are not economically viable to poor and down trodden population because it does not generate a penny amount of government revenue. Importing medicine export the monitory funds outside country but if those kind fund be able to keep within Nepal, it may use for infrastructure development for national industries. Nepal is being unable to exports its medicine to India & other countries because of unnecessary legal barriers and quality test. But our government policy does not have the criteria or quality checking of medicines from India in Nepalese laboratory. Nepal gives permission to market only if they have the central lab test report of India. If government controls on these things, only Nepal has the opportunity and future potential to export its product and can satisfy the entire health service independently.

One controlling measure introduced in 2001 was the requirement of WHO-GMP (Good Manufacturing Practice) certification for any foreign company to get permission to sell its drug in Nepal. As Nepali companies too are required to get GMP. The government has granted Nepali companies five years i.e. by the end of 2064, to become GMP certified. This step of government will help to produce quality products from each and every domestic Pharmaceutical Industry.

Nepal has now become the member of WTO. So domestic pharmaceutical companies have to raise their quality standard to compete in the international market as well as to grab the opportunities from Globalization and Free Market Economy which are

especially given to the least developed countries (LDC's) like Nepal. If all the domestic companies reach at the WHO-GMP standard along with fair government policies then Nepal Pharma Industries have great scope of export Government opens a lot of encouraging environment for industry establishing various policies. However, these policies needs amendment and its to be updated with the changing scenario in order to encourage up coming industries to increase their product lines to achieve self reliance in this sector.

2.6 Promotional Tools mostly used in Nepalese Pharma Market

i. Medical Sales Representative (MSR):

Medical Representatives of Pharmaceutical industry represent both their company and the pharmaceutical industry as whole in the eyes of healthcare practitioners. They are the main point of contact between the pharmaceutical industry and other partners in healthcare sector. For this reason, the industry should establish and maintain high standards in the recruitment and selection of medical representatives, to ensure that well-qualified people are hired. Medical representatives should be science graduates.

ii. Sample:

The working pattern of MSR of any company depends on sample. MSR usually have to offer some medicines as sample to doctors during their every visit. Samples are given to MSR in monthly / quarterly basis as per their requirement. The main purpose of sample distribution to doctors is to acknowledge them the availability of the brand in Market and its effectiveness, its dosage etc. Providing samples to doctors during MSR's every visit reminds the doctor regarding medicines and this will helps in getting maximum prescription from doctors.

iii. Incentives / Timely Payment Commission / Discount :

Incentive generally means payment made to encourage the effort of field force in work. In Pharmaceutical Industries usually MSR , chemist and Stockist (Distributors) are benefited by the sales incentive. After fulfilling the annual sales target given by the company MSR and stockist can enjoy the incentive. Thus, incentives also promote the sales of the Pharmaceutical company.

Timely payment commission (TPC) is usually given to the stockist from the company. Company provides certain percentage discount to the stockist if they paid the outstanding amount within given time limit. TPC indirectly promote the sales but directly related to payment on credit sales. From the reliable source it came to know that company like Time Pharmaceutical had offered the discount of Rs. 10000/- in the purchase of medicines worth Rs. 38000/- for certain time.

iv. Schemes to Retailers and Gifts to Doctors

The most popular promotional tools that every Pharmaceutical companies are adopting, is announcing schemes to Retailer in certain products. Usually schemes are kept on seasonal medicines, medicines at introductory phase and also to clear the stock. For example; in purchase of 3 boxes of Metronidazole 1 bed sheet free.

Sales of every Pharmaceutical houses based on prescription of doctors. So the houses usually focus to doctors. They offer different types of gift (called as kind offer) as per demand and requirement of doctors. Most of the Indian companies and big Nepalese Pharma companies offer expensive items like cars, house, laptop, bike etc. This type of unhealthy trend of offering expensive gifts to doctors has created problems in the survival of many other small industries running in small capital. Doctor will prescribe those companies brand who will offer them expensive and attractive gifts. Beside expensive gifts some other gifts like wrist watches, leather purses, Medicine books, Air ticket, Pen, prescription pads, Diary, Mobile set, Pashmina Shawl, Wall clock and many other are

also gifted to doctors for the sales promotion purpose.

v. Advertising through Donations, Sponsorship, Organizing Free health camp:

Only herbal based over the counter (OTC) medicines were granted permission for advertisement. Direct advertisements are not allowed in allopathic Pharmaceutical products in Nepal, pharmaceutical Houses usually ad their products through donation to Hospitals, charity program, sponsoring the whole 4 years MBBS course to the student so that he will prescribe their products after passing the MBBS, some companies also organizes free health camps in remote areas, villages distributing free medicines to poor people. Pharmaceutical houses also give the advertisement in Health related magazines, Medical directory, Health yellow pages, Medical dictionary etc.

vi. Bonus 'a Nasty deals':

A deal is a trade scheme provided by the company to encourage shopkeepers to sell particular drugs. A deal of some limited percent may be permissible for new drug brand for limited period to promote the new brand. However, it is the question of ethics on the part of the drug companies and shopkeepers concerned." Company provides perpetual deals if their product is not of required quality. Prestigious companies stop deals for the new product once the product is promoted enough. "- some shopkeepers argues.

The extent of deals has crossed 100% meaning if a shopkeeper buys one strip (10 Capsule per strip) of capsules, he gets another one strip or more free. Companies are providing medicines as commercial product rather than quality conscious products. Nepali companies blame the Indian competitors for such heavy trade discounts. To match them, the Nepali companies have to suffer heavy costs.

The result of such heavy trade discount and bonus may be compromised quality of the drugs. The composition maybe all right but the chemicals used may be nearing expiry of their potency, thus being possible to be provided at cheaper rate and making it viable to

offer heavy discounts.

Nepalese houses are facing tough competition with multinational as well as national companies. Indian companies especially those who have 10 times higher turnover than domestic companies offer higher bonuses, expensive gifts, attractive scheme and to compete them domestic houses with lesser turnover follows the same. As a result they may use near expiry raw material having low potentiality and efficacy.

2.7 Unhealthy and Unethical Competition

Local companies' success has to be especially appreciated because they are operating under difficult circumstances where marketing efforts have been curtailed in many parts of the country due to the ongoing violence. Also not only they have to compete among themselves but also with 237 Indian and multinational companies (MNCs) who have had full fledged marketing operations as well as established brands in Nepal for a long time. As per the Department of Drug Association (DDA), altogether 7493 numbers of registered retailers do the business of 7000 brands of 2000 generic medicines. So the situation is such that similar type of medicine for example the antibiotic 'Amoxicilline' (Generic name) may be available as many as dozen brands like Perimox, Nemox, Picimox, Welmox etc (Brand Name) in the market. Similar is the case for many other antibiotics and OTC (Over the counter) drugs like vitamins, painkiller, and gastro-intestinal medicines.

An excessive number of similar brands often lead to problems of substitution i.e. chemists substituting a prescribed brand in preference of another that might be more profitable to them. This has obviously resulted in cut throat competition such as under pricing, attractive bonus offers and substantial gifts to doctors as well as retailers.

Due to weak government price analysis and control over the producers and retailers, final consumers (Patient) are being looted by them, taking excessive profit. Medicine having

the generic name albendazole (Used for eradication of worm) having brand name as "Wormlock-400" has the MRP rate of Rs. 12/- per tab but whole sale rate for the same is RS. 5.17 per tab (source: Himal Khabar Patrika, 30 Jan- 12 Feb 2007). Retailers usually get 40%-100% bonus on the purchase of 1 box of albendazole (1 box = 25 tabs) and 14% cash discount too. And company supplies this albendazole to government hospitals in institutional rate i.e. on 0.65 paisa only. As per the president of Nepal Pharmaceutical Association Mr. Babu Ram Humagai, Bonuses on general medicines ranges from 50% to 500% . The major reason behind the price hike of medicine is the trend of giving high bonuses and gifts to doctors. To compete with Indian as well as Nepalese houses, producers usually include their all expenses while fixing the MRP rate. MRP rate of medicine of same molecule varies from company to company. The MRP rate of different brands of Gastric medicine "Omeprazole" ranges from Rs. 5.50 to Rs. 8.00. MRP rate depends on the capital structure (investment) of company, quality of imported raw material, production process, marketing process. But 90% Nepalese Pharmaceutical houses do not fixed the MRP rate as on the above basis. The cost for the raw material of amoxycillin is Rs. 2100/- per kg. Around 1700 capsules can be produced from the mentioned quantity of amoxycilline. Net cost for the above medicine including packaging expense will be around Rs. 2/- per tab but the market price for the same medicine ranging from Rs. 5.50 to 13.72 depending on brands quality.

Nepalese houses are facing tough competition with multinational as well as national companies. Indian companies especially those who have 10 times higher turnover than domestic companies offer higher bonuses, expensive gifts, attractive scheme and to compete them domestic houses with lesser turnover follows the same. As a result they may use near expiry raw material having low potentiality and efficacy.

2.8 Some Conflicting Views

While Nepali Pharma entrepreneur claim that such practices will stop automatically if the foreign companies are kept away but DDA is not convinced on it as it is equally likely

that Nepali companies may try to benefit from the monopoly situation that such a step brings about fear. DDA further claims despite the number of foreign players being reduced substantially. Nepali companies bemoan of facing a very hard time in marketing their products, because of higher production cost, unfavorable duty structure and costly marketing 'deals' to be provided to the dealers. Not only this, company may indulge in importing cheap and impotent raw material to reduce cost so as to be able to offer attractive deals.

But Pharmaceutical entrepreneur denies the fear of DDA and bring in to notice the prevailing practice under which the import of raw material by Nepalese companies is strictly regulated through the system of permits and monitoring of each consignment by a committee of representatives from a number of government authorities. So there is no possibility for Nepali companies to import substandard material. But this may be possible to Indian companies, and many sub-standard Indian companies are exactly doing this. Nepali authorities have not been able to test even 1500 brands being sold here. Every Nepali company's brand is tested in Royal Drug Research Laboratory (RDRL) which is now changed to National Drug Laboratory (NDL) before DDA approves it for marketing, but it is not so for every Indian companies brand.

Pharmaceutical entrepreneur blame on Government that they are not getting the protection and support from government. But as per the Health Secretary, they are not protecting the local companies as they want the local companies to compete with the imported high quality brands.

2.9 Government Policies

Medicine is the integral part of the human life. Best quality, easy availability and right dosage of medicine make the medical expense of individual people worthy for their healthy life. Due to the lack of general awareness in people of Nepal, Pharmaceutical market is facing a lot problem. Peoples involving in Pharma business in Nepal claims that

government's unfair tax system is main reason for the price hike of medicines in Market. Especially in "Life saving Drug" government has now allowed some percent discount.

While on the whole, DDA's supportive role has to be appreciated as far as policies for this industry are concerned, the industry does have a few complaint. For instance, while the import duty levied on raw materials is only 1% & 2.5% on packaging which is amended in 2062/63 otherwise National companies had to pay 13% VAT which is now government had made it free. Duty levied on laboratory chemicals and equipments are reported to be much higher. But import of finished products attracts only 5%. As almost all of the main raw material as well as many packaging materials (For instance bottles, cap) have to be imported, the higher custom duties do have an effect on competitiveness of local industries. At the same time the industry should be thankful that there are no price controls like India, but of course, because they have to compete with their Indian counterparts, market forces are in power while pricing.

With domestic industries becoming increasingly competitive in relation to imports and recent technological progress as evidenced by the awarding of GMP certifications, there is widespread belief that Nepali companies will now be able to market its drugs abroad. Some domestic companies like Nepal Pharmaceutical Laboratory, Deurali Janta Private Limited have set up export division. But unfortunately government's attention towards this industry is nil. There is no initiative at all from government side towards developing and promoting an export market for Pharmaceuticals. Domestic companies has to pay more than \$ 5000 to export to Indian market but Indian companies has to pay only \$ 1500 to enter in Nepal Pharma Market. Likewise, Indian companies have to pay only \$ 100 per product but Nepalese companies have to pay \$ 1000 per product.

If the government continues following the same old policies without realizing its responsibility then the entire Nepalese Pharma market may face the dangerous situation of over supply. So to avoid such situation government has implemented "Guidelines on

Ethical Promotion of Medicine 2007" from the 1st of Shrawan 2064.

2.10 Recent Amendments in some Government Policy

2.10.1 Guideline on Ethical Promotion of Medicine:

The ethical promotion of medicines is vital to pharmaceutical industry's mission of helping patients for better healthcare. Ethical Promotion helps to ensure that healthcare professional have access to information they need and that medicines are prescribed and used in a manner that provides the maximum healthcare benefits to patients.

The pharmaceutical industry has an obligation and responsibility to provide accurate information about its products to healthcare professional in order to establish a clear understanding of the appropriate use of Medicines. Recently government had published a new Guideline to discourage the unhealthy competition in Pharma market. Because of this unhealthy competition patient are forced to pay high priced medicine. The objective of this guideline is to promote ethical promotion of medicine to support & encourage the improvement of healthcare through the rational use of medicine and discourage unethical practices.

Better quality medicine can save lives there by complementing success to the treatment regime of doctors. However poor quality medicines are not only health but also waste of money for individual customer. Hence qualified doctors play vital role by prescribing approved products to their patients and also by educating the patients about the importance of consuming the specific brand prescribed to them. Similarly chemist should also sell prescribed and good quality medicines and provide knowledge regarding its dosage, use side effects and avoiding push up sales of low quality medicines in the greed of getting more bonuses and discounts. As per Chief of DDA Mr. Bhupendra Bahadur Thapa this guideline will surely help to implement these things practically. This directory has also contains the suggestion received from Doctors, Producers, Retailers, and patients too.

Through the effective implementation of this guideline, it is expected to establish ethical promotional practices through out the country in alignment with acceptable international norms and codes. With some experience on implementation of the guideline, it will be approved as "Code on Sales Promotion of Medicine" (cf)iflw ljs|L k|jç{g ;+lxtf_ within Drug Registration Regulation as per clause 40 of the Drug Act 1978.

Implementation of the Guideline

This guideline is applicable to all medicines sold in Nepalse market. It applies to prescription and non- prescription medicines (Over-the-counter drugs). They apply to all systems of medicine available in the country, and to any other product promoted as a medicine. The guideline is applicable to the pharmaceutical industry (manufacturers, distributor and retailers); the promotion industry (advertising agencies, market research organizations etc); healthcare personnel involved in the prescription, dispensing, supply and distribution of medicines; universities and other teaching institutions; professional associations; patients and consumer groups; and the professional and general media (including publishers and editors of medical journals and related publications). All these are encouraged to use this Guideline as appropriate to their spheres of competence, activity and responsibility. They are also encouraged to take the Guideline into account in developing their own sets of ethical standards in their own filed relating to ethical promotion of medicine. All these bodies should monitor and enforce their standards. Some important points that are considered in this guideline are:

-) Free samples of legally available medicine may be provided in modest quantities to prescribes, generally on request. Free samples normally should be labeled as "Physician Sample" and price should be maintained.
-) Medical representatives must display the highest professional and ethical standard at all times. Medical representatives are expected to understand and abide by established codes of conduct. In order to avoid over promotion, the main part of

the remuneration of medical representative should not be directly related to the volume of sales they generate.

-) Active promotion should take place only with respect to medicine legally available in the country. Promotion should be in keeping with National Drug policy and in compliance with Drug Act and regulations. Promotion in the form of financial or material benefits (including the deal, bonus and promotional schemes) should not be offered to or sought by health care practitioners and retailer to influence in the prescription or sale of medicine.
-) Scientific and educational activities should not be deliberately used for promotional purposes.
-) Payment in cash or cash equivalents (Such as gift, certificate) must not be offered to healthcare professional. Gifts for the personal benefit of healthcare professional (including, but not limited to, music CDs, DVDs, electronic items etc) must not be provided or offered. But promotional aids or reminder items may be offered to the health professional, provided the gift is of minimal value and relevant to the practice of the healthcare professional.
-) From time to time, the companies shall conduct refresher courses for medical representatives. Companies should also encourage all medical representatives to take course of study and self improvement.
-) The advertisement of Pharmaceutical product must communicate scientific information and such advertisement should not be made focusing on children. Prescriptive drugs should never be advertised in any form of printing or electronic media targeting the general public.
-) Appropriate information being important to ensure the rational use of medicine, all packaging and labeling material should provide information consistent with Drug Act and regulations and standards set by Department of Drug Administration. Adequate information on the use of medicines should be provided by physicians or pharmacist, health professional.

2.10.1 Amendment on Label

With reference to the article published in Kantipur Daily Newspaper dated 27th Falgun 2063, some amendments have been made in the label of medicines. Government had declared that label of every medicine should be written in nepali language. Name of producers, Brand name, Manufacturing date, expiry date, dosage, general awareness and other information must be written in Nepali language. Most of the companies have the label written in English. According to the Chief of DDA Mr. Bhupendra Bahadur Thapa, most of nepalese people only understand and read the nepali language . The letters used in label must be easily seen by naked eyes and the letter's size must be minimum of 5 point. Mr.Thapa further adds that company must submit the sample of label at DDA first for the permission to stick the label on bottles, before going to the market . There should be printed name of the manufacturing company in every tablets of strips (1 strip contain 10 tabs). This rule is specially made, considering the trend of selling the medicines in tablets. This is a different kind of rule in which company must write its manufacturing and expiry date in Bikram Sambat in its label. This is not that much compulsory but if the consumer wants, producer must manage it.

2.11 Distribution Channels of Drugs

Pharmaceutical companies do not sell its product directly to the final consumer. They use some distribution channels to make their products available to their final consumer. Usually manufacturer transport their goods to distributor (Stockist) and from stockist to the retailer / chemist shop.

As every pharmaceutical companies has to be registered in Nepal Trade Union and DDA. Similarly, stockist and chemist too have to be registered in Department of Drug association, Bijuli Bazar. All the chemist / Druggists shop must be registered as per the Ain 2035 Dafa 10. All those shops that are opened without registration are illegal.

2.12 Problems faced by National Pharmaceutical Industries

National industries are surviving in the competitive Pharma Market facing following problems:

1. Pressure from Indian Companies

Despite of steady growth of national industries, they are facing peer pressure from Indian companies. Imports from India are under DRP (Duty Refund procedure). Nepali companies have to compete with the sizeable imports that are duty free. Because of this facility, Indian companies can provide 100 %, 200% bonus to the chemist which is unaffordable by national industries. Not only this Nepalese companies are unable to exports its product to India because of Indian government's unnecessary legal formalities.

2. Industry Protection:

Public Sector

Private Sector

INGOs

Health Services

Health Workers

Pathology Labs

Nursing Homes

Poly Clinics

Medical Suppliers

Hospitals

Health Care Center

Health Post

Ayurvedic

Retailers

Importer/

Wholesaler

Allopathic

Manufacturer
Ayurvedic
Manufacturer
Government

Pharmaceutical producers blames that Nepalese Government are not providing security for national industries even though they have lot of capacity to produce. (Only 20-30% capacity were utilized)

3. Registration variance :

The local companies have to pay Rs. 100 for each product and have to show a bunch of documents worth Rs. 50,000/-. But imported companies have to pay just Rs. 100 only and to show analytical report of any WHO certified laboratory. If any body thinks logically and can easily find that they can submit fake documents to get register.

4. Quality control Check:

Custom barriers are the problems where raw materials has to be inspected with laboratory test which takes minimum 15 days to clear but Indian companies don't have to inspect. This trend shows the attitude of government which are harming the interest of local entrepreneur.

5. Limited capacity of Research Laboratory

Government has only one Research laboratory, Royal Drug Research Laboratory and its has the limited capacity of testing 1200 samples per year but thousand of brands has been producing. Company has to wait for many days to get its lab report.

6. Lack of qualified manpower & advanced technology:

Because of the lack of qualified manpower there are arising problems in sample test. High import tax is levied on the purchase of advanced technology. Due to this and the unaffordable cost of new technologies many national industries has to stick with the old one. And if any company hardly purchases the advanced machinery, they have to hire

manpower from other countries for its operation.

7. Over Supply:

Bangladesh has 150 pharmaceutical companies which gives their services to 150 crore citizens of Bangladesh. United States have only 200 Pharma Companies but Nepal having a Population around 2.34 crore Nepal has supply of medicine from more 200 Pharmaceutical companies (Indian, Nepali, Multinationals). This over supply of medicine has also created difficulties in the existence of the domestic industries.

8. In effective implementation of Policies:

The series of practice doesn't comply with National Drug policy. This proved to be an empty promise as the government forgot to go through the objectives of policy.

2.13 Review of Journals/Articles

Articles, journals and bulletins are of great significance of thesis writing, so various published articles by different management experts and journals/bulletins relating to working capital have been considered.

With reference to this, **Dr. Manohar K. Shrestha**, in an article, has considered 10 Selected PES and studied the working capital management in that PES. He has focused on the liquidity, turnover and profitability position of those enterprises. In this analysis he found that four PES had excessive and the remaining four had failed to maintain desirable liquidity position. On the turnover side, two PES had negative working capital turnover, four had adequate turnover, one had high turnover and the remaining three had not satisfactory net working capital. Six PES were in losses out of ten PES. Dr. Shrestha had brought certain policy issues such as lack of suitable financial planning, negligence of working capital management, deviation between liquidity and turnover of assets and inability to show positive relationship between turnover and return on networking capital. At the end, he had made some suggestive measures to overcome from the above policy issues, viz. identification of needed funds, development of management

information system, positive attitude towards risk and profit and determination of right combination of short term and long term sources of funds to finance working capital needs.

Another article by **Dr. K. Acharya** focused on working capital management of Nepal Tea Development Corporation (NTDC) for eight years from 1975/76 to 1982/83 A.D. In the study, he found that the net working capital of NTDC was negative due to increase in current liabilities. Inventory held the largest portion and it was accumulating in the corporation. The size of receivables of NTDC had also been increasing trend where as cash balance held by the corporation was insufficient to meet the routine work of the corporation. At the same time, the liquidity position was very poor since current assets were less than the current liabilities. The turnover of inventory, receivables and current assets were below average. The break-even analysis revealed that the NTDC had been selling mostly below the break-even point. Even variable cost was higher than selling price. Dr. Acharya gave some suggestions regarding this were: proper planning of production and sales, new credit policy, action against the delinquent dealers, obtaining loans from any individual or financing institutions. A comparative study of **“problems in management of WC in Nepalese enterprise”** has been conducted by Acharya states that of Nepalese enterprises the management of money and managers are found over conscious about receiving of money rather than it's efficient utilization. Thus the existing problems in the finance are mostly directed towards the management of WC rather than in any area. In his number of studies it has been repeatedly found that the gross inefficiency in the operation of public enterprises. He has stressed on high cost of production, which have left these PES in less secured position. Thus he further added the cost of reduction is the only possible measure for smooth operation and long- term existence of the public enterprises in Nepal. The cost reduction program is highly associated with the optimization of working capital. He has focused some operational and organizational problems of Nepalese PES not following traditional norm 2:1 between their current assets and current liabilities, low rate of inventory turnover, change in WC

in relation to fixed capital has very low impacts over the profitability not following conventional rule of debt to equity as 1:1, then transmutation of capital employed into sales management information, ineffective use of performance evaluation tools and techniques and WC management has never been considered a managerial job.

Similarly, he has suggested that PES finance staff must be acquainted with the modern scientific tools used for the presentation and analysis of data. He further suggests avoiding the system of crisis decision, which prevailed frequently in their operation. They have to follow system and method for decision- making. Lastly he has given emphasis to optimize the level of investment at a point of time. Neither over nor under investment in WC desired by the management of enterprises. Both of these situations will erode the efficiency of the concern. This study is descriptive in nature. He has not used any data and research tools. The study has covered Nepalese PES (but not mentioned the name of PES). Each selected enterprise does not represent the entire industry in which it fails.

Dr. Radhe S. Pradhan in his study aims at examining the various aspects of management of WC in selected manufacturing PES of Nepal. The specific objectives undertaken in his study are:

1. To conduct risk return analysis of liquidity of working capital position.
2. To assess the short- term financial liquidity position of the enterprises.
3. To assess the structure and utilization of WC
4. To estimate the transactions demand function of working capital.

His study has mentioned the following findings:

- a) It has found that most of the selected enterprises have been activating a trade-off between risks and return there by following neither an aggressive nor a conservative approach.
- b) It has showed a poor liquidity of most of the enterprises. This poor liquidity position has been noticed as the enterprises have either negative cash flows or

- negative earnings before tax or they have excessive net current debts, which cannot be paid within a year.
- c) The Nepalese manufacturing PES has on an average half of their total assets in the form of current assets. Of all the different components of current assets, the share of inventories in total assets, on an average, is largest followed by receivables and cash in most of the selected enterprises.
 - d) The economies of scale have been highest for inventories followed by cash and gross WC, receivables and net WC.
 - e) The regression results also show that the level of WC and its components and enterprises' desires to hold depend not on a sale but on holding cost also.

His study is concerned with interrelationships that exist between managing current assets and current liabilities. The study manages to focus on net working capital concept. The study has employed ratio analysis, discriminant analysis and econometric models for its analysis. This study does not cover all the PES in manufacturing sector. Each selected enterprise does not represent the entire industry in which it falls. The manufacturing PES selected for the study differs in its working and nature. The study period covers ten years period from 1973 to 1982. He has mentioned only findings and conclusion in his study but not recommended any suggestions to solve the finding problems.

These studies show that WC management is the weakest or neglected part of financial management in most of the PES in Nepal. It seems that Nepalese firms are following conservative approach in financing as well as in investing working capital.

The study of **Smith** relate to profitability versus liquidity tradeoff in working capital management. The study suggests that parallel monthly forecasts of liquidity and profitability can be useful in evaluating tradeoff between these two goals. Besides, such forecasts can also be useful in estimating the impact of certain working capital policies on those goals, and in reflecting the uncertainty of the future. The study illustrated the suggested procedures with a scenario of Smith Products, a wholesale firm. The study,

however, did not employ any kind of new methodology. It can be viewed simply as further elaboration and illustration of procedures suggested by other studies concerning working capital management.

The study by Smith discussed individual and collective effects of accounts receivable, inventories, accounts payable, and other accruals on profitability and liquidity. On the basis of the several assumptions made, the study mainly observed as follows for the Smith Products:

- a. A tightened inventory policy reduces necessary borrowing to a lower level than does faster collection of receivables or slower payments of current liabilities.
- b. Profitability increases only slightly, a result only of lower interest expenses from lower levels of needed borrowing.
- c. The necessary borrowing can be reduced if receivables, payables and inventory policies are tightened.

The finding of current assets also involves a tradeoff between risk and return. A firm can choose from short or long term sources of finance. If the firm uses more of short-term funds for financing both current and fixed assets, its financing policy is considered aggressive and risky. Its financing policy will be considered conservative if it makes relatively more use of long term funds in financing its assets. A balanced approach is to finance permanent current assets by long- term sources and temporary current assets by short- term sources of finance.

2.4 Review of Previous Thesis

Besides review of available books and research studies, a number of studies have been made by students of MBS & MBA relating to working capital management in different PES of Nepal. This section, hence will review some of those dissertations.

Mr. Suresh Pradhan in his study on working capital policy of manufacturing PES in Nepal sought to sort out the problem of low economic performance and poor financial management in MPES. He also examined, is there any association between the various

aspects of working capital policy in financial management and poor financial performance of MPES. Hence, this study dealt with liquidity position, utilization of working capital, profitability position, source of financing of current assets and determinants of working capital in MPES. The main findings of the study are as follows:

1. The selected MPES had sufficient liquidity.
2. The use of current assets in selected MPES was satisfactory and there was high turnover of cash and receivables in comparison to inventory.
3. Most of the MPES were incurring losses and were unable to meet even the operating expenses with their sales revenue.
4. There was higher use of long- term funds followed by trade creditors, short-term bank loans and operating profits in current assets financing.

Ultimately, he had made some suggestions for the improvement of working capital management and efficiency in the MPES. The MPES should follow aggressive working capital policy.

Another study relating to working capital management was made by **Arjun Lal Joshi** in his study seeks to true insight into the working capital management in Biratnager Jute Mill. The study has concerned with management of current assets and covers five years period (2036/37 to 2040/41). The study has embodied various financial ratios for measuring Biratnagar Jute Mill financial viability. The study is based on secondary data with opinion survey method and limited to gross concept of working capital. The study has indicated mismanagement of inventory, no proper policy of cash holding and heavy dependence on short term bank credit. He has recommended for effective working capital management program, following productive investment approach preparing effective sales plan and exhaustive research program using short term bank credit up to certain reasonable limit, maintaining optimum cash balance and making proper utilization of accumulated collection debts.

The scope of study is to identify the loopholes and managerial deficiencies of BJM on the

part of working capital management. Mr. Shrestha has used ratio analysis to study but not hypothesis and correlation coefficient to verify the significance and relation between working capital components.

Mr. Naresh Kunwar presented another thesis report reviewed, entitled 'A Study on Working Capital Management of Pharmaceutical Industry of Nepal with special reference to Royal Drug Limited' presented as partial fulfillment for the requirements of the master's of business administration in the year 2000.

Major's findings of the research work were:

- a) Company is following conservative working capital policy.
- b) It is found that inventory holds the largest portion of current assets.
- c) It shows that investment in current asset is high with respect to total assets.
- d) The company has not been able to convert current assets quickly in cash in order to meet current liabilities.
- e) Overall return position of company is negative, not in favorable condition. It is because of inefficient utilization of current assets, total assets and shareholders wealth.

Mr. Kunwar has provided some recommendations to improve working capital management:

The non-moving and obsolete items should be discarded to avoid unnecessary blockage up. He has suggested to undertake measures like, identification of needed funds, right combination of short term and long term sources and funds to finance working capital needs, appropriate combination of investment in current assets, minimizing operating cost, prepare effective sales plan, improving liquidity, speedy cash conversion, proper inventory techniques. He has also suggested that the company can improve by following appropriate working capital policy that could maximize its profitability.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains data Analysis Tools, Research Instruments, Data Presentation Methods and techniques etc. To achieve the stated objectives the following methodology has been used.

3.2 Research Design

The research designing implies procedures, technique and tasks, which guides to evaluate the objectives of the study and propounds way for research visibility. This is descriptive research design. It is based on analytical as well as fact finding approaches relative largely to the present and abstracting generalizations by the cross sectional study of current situations. This study is an attempt to project the present scenario of the Nepalese Pharmaceutical Industries and their marketing in Nepal with sharp focus to the marketing of Pharmaceutical products of domestic Pharmaceutical Company.

The information and data are presented in analytical method. Besides these quantitative data are described in words in detail wherever necessary. Mostly qualitative aspects of the study describe the view of the top management personnel of the manufacturing company, Doctors, Medical Representatives, distributor, wholesaler, retailers and consumers, on problems of marketing of drugs in Nepalese market.

The general steps followed for this descriptive study are as follows:

- Formulation of the objectives of study
- Defining the population and selecting a sample
- Designing the method of data collection.
- Analysis and Interpretation of the data facts

3.3 Designing the Methods of Data Collection

3.3.1 Nature of Sources of Data

Both primary and secondary qualitative and quantitative data will be used in the study.

a. Primary Data

Pharmaceutical producers, stockist and chemists & other medical personnel will be the major source of primary data. In addition information will be collected through gathered discussion & questionnaires by undergoing field visits and direct interviews with chemist and stockist.

b. Sources of Secondary Data

Systematic research on various facets of the Pharmaceutical industries based on field investigations has not yet reached a mature stage. Consequently heavy reliance has to be placed on secondary sources of data. Sources of secondary data are articles, reports, books, statement, documents etc unpublished & published by different institute like DDA, APPON, National Drug Policy, drug Bulletin and Industrial Act etc which were found useful in the preparation of this study is furnished in the bibliography of this thesis.

3.4 Population & Sampling

Population of this study covers 70 respondents. Among which 5 are pharmaceutical producers, 20 Retailer / Stockist , 15 doctors and 30 consumers are selected randomly for the study.

3.5 Tools & Techniques of Data Collection

Both questionnaire and interview techniques will be used in order to collect the primary data for study.

i. Questionnaire:

For the data collection work four types of questionnaire are designed. With the help of first type of questionnaire, data is collected from pharmaceutical producer. Second type of questionnaire is for chemist & stockist, third type of questionnaire is for doctors and fourth type is questionnaire is prepared for consumer.

ii. Interview:

Beside questionnaire some informal interviews are also taken from the people engaged in Pharma Market.

3.6 Data Presentation and Analysis

For these study facts, views and opinions of the experts as Medical Practitioners. Medical representatives, Chemists and consumers accumulated by primary and secondary data sources are analyzed and interpreted. The choice of sample selection is entirely based on the discretion or judgment of the author. Sampling is purposive or judgmental used unbiased for fact finding and interpreting valid and proper conclusion. Thus the raw data are collected by opinion survey, interview and questionnaire survey. A simple statistical analysis has made to explain some quantities of data such as simple tabulation, percentage comparison etc. It is also done on the basis of information collected, observation made & opinion analysis. The researcher has spent quite a sufficient period to find the facts of research. Besides, this simple bar diagram, line diagram and pie charts have been used to show the data in clear form.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

The data is analyzed to change it from unprocessed form to processed presentable form. The analysis of data consists of organizing, tabulating, performing, statistical analysis and drawing inferences. In this chapter data is organized by tabulation and then placing that data in the presentable form by using figures, tables and graphs.

4.1 Nepal Market Overview

Pharma market has been an important segment for a particular country now days, so Nepal can't also be a part from this segment of market. From Chemidrug Pharmaceutical closely followed the selling up of another semi- government company, Royal Drug Ltd. (now named as National Ausadhi Ltd.) in 1972 which was succession of Royal drug research laboratories (RDRL). The establishment of Chemidrug (First), Everest Pharmaceutical (second) and Lomus Pharmaceutical (Third) in 1985(2042 B.S) had brought the modern pharmaceutical production techniques in Nepal. The Pharmaceutical industry is gradually taking height with the change of time and government policies. Today there are more than 257 industries (Nepalese, Indian & multinational) producing 7237 brands of medicines are available in market. The medicine market has become measurable market segment in Nepal at this moment and is going through stiff competition from the imported as well as domestic drugs.

4.2 Top Companies in Nepal

Table No. 4.1

Mid- Term Review June 2008

Rank	Company	Val (in Crs)	Market Share %	Value Gr %
1	Nepal Pharma Lab (npl)	9.00	4.15	27
2	National Health Care	7.90	3.59	50
3	Aristo Pharma	7.80	3.57	22
4	Deurali Janta P. Ltd (DJPL)	6.60	3.02	15
5	Lomus Pharma	6.60	3.00	-4
6	Dabur	6.40	2.93	232
7	Knoll Pharma	5.30	2.41	18
8	Cipla	5.20	2.38	48
9	Aventis	5.00	2.32	34
10	Nicholas	4.90	2.25	28

Source: IMS Market Feed Back Report 2008

In Mid term and yearly Review Nepal Pharma Lab. maintains its No. 1 rank in Nepal Pharma market. National Health Care is closely behind remarkable value growth. Here in yearly review the real growth leader are Sun Pharma and National Health care which grew at astonishing 59% and 47% respectively, beating all the top players in term of absolute growth. Lomus Pharma shows negative growth while it contributes 2.96 % of Nepal Pharma market. Lomus Pharma is having bad year as the company declined sharply in terms of ranking and growth. Lomus pharma was able to hit the top 10 list in No. 1 rank in 1999 and 2000.

Table No. 4.2
Yearly Review June 2008

Rank	Company	Val (in Crs)	Market Share %	Value Gr %
1	Nepal Pharma Lab (npl)	18.60	4.04	18
2	Natinal Health Care	18.00	3.91	47
3	Aristo Pharma	16.90	3.67	22
4	Deurali Janta P. Ltd (DJPL)	13.90	3.01	10
5	Lomus Pharma	13.6	2.96	-7
6	Dabur	12.90	2.81	12
7	Alkem	11.10	2.40	17
8	Ranbaxy	10.80	2.35	-8
9	Hoechst M Roussel	10.50	2.29	23
10	Sun Pharma	10.50	2.28	59

Source: IMS Market Feed Back Report 2008

In Mid term and yearly Review Nepal Pharma Lab. maintains its No. 1 rank in Nepal Pharma market. National Health Care is closely behind remarkable value growth. Here in yearly review the real growth leader are Sun Pharma and National Health care which grew at astonishing 59% and 47% respectively, beating all the top players in term of absolute growth. Lomus Pharma shows negative growth while it contributes 2.96 % of Nepal Pharma market. Lomus Pharma is having bad year as the company declined sharply in terms of ranking and growth. Lomus pharma was able to hit the top 10 list in No. 1 rank in 1999 and 2000.

4.3 Top Brands

Table No. 4.3
Mid Term Review June 2008

Rank	Top Brands	Companies	Val (in Crs)	Market Share %	Value Gr %
1	Rabipure	Aventis	2.32	1.06	37
2	Chyanwanprash	Dabur	1.45	0.66	65
3	Distaclor	Eli Lilly	1.37	0.63	46
4	Megapen	Aristo Pharma	1.36	0.62	8
5	Nemox	National Health Care	1.34	0.61	57
6	Digene	Knoll Pharma	1.32	0.61	10
7	Keflor	Ranbaxy	1.25	0.57	3
8	Sporidex	Ranbaxy	1.17	0.54	-55
9	Voveran	Novartis	1.16	0.53	25
10	Asthalin	Cipla	1.06	0.48	8

Source: IMS Market Feed Back Report 2008.

Table No. 4.4
Yearly Review June 2008

Rank	Top Brands	Companies	Value (in Crs)	Market Share %	Value Gr %
1	Rabipur	Aventis	4.73	1.03	19
2	Chyawanprash	Dabur	3.25	0.71	50
3	Megapen	Aristo Pharma	2.96	0.64	7
4	Nemox	National health care	2.89	0.63	58
5	Sporidex	Ranbaxy	2.61	0.57	17
6	Digene	Knoll Pharma	2.50	0.54	9
7	Distaclor	Eli Lilly	2.50	0.54	27
8	Keflor	Ranbaxy	2.43	0.53	8
9	Voveran	Novartis	2.39	0.52	14
10	Extaceff	Blue Cross	1.99	0.43	57

Source: IMS Market Feed Back Report 2008

Rabipur from Aventis continues to be no.1 and behind Rabipur, Chayawanprash poses second position in both mid term and yearly review. Nemox from National Health care moves one step ahead in position 4th in yearly review from 5th position in mid term. Chyawanprash, nemox and extacef shows remarkable growth of more than 50%

4.4 Top Fifteen Selling Medicines from Domestic Industries

Table No. 4.5

Top Fifteen Selling Medicines from Domestic Industries

Rank	Composition	Market share% on domestic sales
1	Amoxycillin	8.6
2	Vitamins	6.1
3	Cough Preparations	4.6
4	Metronidazole	3.5
5	Ibuprofen +Paracetamol	3.1
6	Ciprofloxacin	2.7
7	Anti cold	2.6
8	Co-trimoxazole	2.4
9	Iron and folic acid	2.4
10	Paracetamol	2.2
11	Ampicillin& Cloxacillin	2.1
12	Nimesulide	1.7
13	Ofloxacin	1.7
14	Omeprazole	1.5
15	Cefadroxyl	1.5

Source : Drug Bulletin Of Nepal 2006 (Shrawan-kartik063) Vol 18 No. 1

The top selling medicine from domestic industries is Amoxycillin (Antibiotic). It was followed by Vitamins, cough syrup and so on as per the above table. The top 15 drugs produced in the country shared 43.4% of the total sales from the domestic industries. So national production should be encouraged to reduce the dependence on import.

Some leading brands of most sellable medicines in Nepal, ranges its of bonus from 0% to 150 % Not all of the company provide bonuses in their every product. Some of the products like Buscopan, S-Spasmidon and many others are existing in market without

bonuses. Producers, Doctors, Distributor, Retailer must understand that bonuses and gifts does not matter in the existence of product. Only quality of medicine does matter. No compromises should be made in life saving drugs.

4.5 Calculation of Consumption in Retail Sales Value

Generally, the value of drugs at retailed level is calculated on the following basis. However, some variation may be found. Manufactures fixed the Stockist rate (Company to Distributor) adding all the expense including Marketing expense to its cost. To this figure Wholesaler adds 10% commission to fix its Whole Sale Price (WSP) , from Distributor to retailer . Retailer adds 16% to this figure hence retail price (MRP) is fixed to sell the medicines to final consumers. Importers add 6% to the import value as custom duty and handling charge. In practice, there is percentage commission in level by level and actual percentage in total become more than total added individual while calculating the retail value.

4.6 Some Sellable Medicines and its Price:

Table No. 4.6

Some Sellable Medicines and its Price

Medicine	WSP	MRP
Amoxycillin Capsule	Rs. 3.75	Rs. 8.70
Vitamin Syr 200 ml	Rs. 38.00	Rs. 75.00
Cough Syr 100 ml	Rs. 23.53	Rs. 45.00
Metronidazole Tablet	Rs. 1.00	Rs. 2.00
Ibuprofen+Paracetamol	Rs. 1.00	Rs. 2.00
Ciprofloxacin	Rs. 4.64	Rs. 9.28
Cold Tablet	Rs. 1.00	Rs. 2.00
Cotrimoxazole Tablet	Rs. 1.32	Rs. 2.00
Folic Acid Tablet	Rs. 1.08	Rs. 1.50
Ampicillin Capsule	Rs. 3.75	Rs. 8.70
Nimsulide Tablet	Rs. 0.92	Rs. 2.40
Ofloxacin Tablet	Rs. 5.70	Rs. 8.60
Omeprazole capsule	Rs. 2.58	RS. 6.00
Cefredoxil Tablet	Rs. 8.77	Rs.12.20

Source : Himal Khabar Patrika 30 Jan –12 Feb 2008

4.7 Present Status of Pharmaceutical Companies in Nepal

Pharmaceutical companies are not much grown up in Nepal as compared to Indian & Multinational Companies. Still it is considered to be in infant stage in comparison to Indian and Multinationals. The main reason for not being able to grow much is due to inability to export its products and dependency in limited domestic market. The number of Pharmaceutical companies and its brands are also high in Nepal in connection with its population. This clearly indicates that government has not taken serious steps to safeguard and uplift domestic entrepreneurs.

Table No. 4.7

Present Status of Pharmaceutical Companies in Nepal

Country	Population (Million)	No. Of companies	No. Of brands available	Brands per million Population
India	1040	18500	252000	242
Bangladesh	150	275	11700	78
Japan	135	360	11400	84
Pakistan	90	316	10600	117
Nepal	25	250	8500	340

Source: DDA, Estimate of 2004

From The above table observed that the allopathic medicines consumption has been increased from NRs. 5907 million in the year 1994/1995 to Nrs. 10659 million in the year 2007/2008. It shows that the consumption has increased by Rs. 4752 million in the last 5 years which is 80% more than 1994/1995. It shows an average annual increment by 16.1 %

The above table is self-explanatory which reveals that Nepal is the country among above countries where there is a highest competition in pharmaceutical market. This market is not fit for such a fierce competition and it is not good for domestic entrepreneurs, and this needs immediate remedy from government side and from every individual pharmaceutical entrepreneurs.

4.8 Share of Allopathic Drug

The above chart shows the share of allopathic drug for human use by import through public and private sector and by domestic industries. Total allopathic consumption in fiscal year 2061/62 has been 10659 million un which 32% of consumption was met by domestic industries, 59% by import and 9% by government NGOs INGOs .

4.9 Presentation of Consumption of Medicines in Nepal

As described in previous in Nepal, pharmaceutical industries started in seventies and number increase in eighties the entire demand for medicines was fulfilled by imports. With the emergence of modern medicine industries in Nepal the demand for medicines gradually started supply by Nepalese Pharmaceutical industries also. The total demand for medicine also increased gradually year after year with the increase of Hospitals, Medical College, Modern Nursing Home, and rapid research in development of medicines. The data of consumption pattern of medicine in Nepal collected from DDA, HMG, Drug Bulletins and PHON (Pharmaceutical Horizon of Nepal). The mentioned data is total of domestic production, import by public and private sector from abroad. The following data shows the consumption pattern of modern medicines in Nepal.

4.10 Table of Medicine Consumption/Sales in Nepal

Table No. 4.8
Medicine Consumption/Sales in Nepal

Fiscal Year	Total Consumption of Drugs in Rs. (Million)
1994/1995	1532
1995/1996	1915
1996/1997	2413
1997/1998	3064
1998/1999	3861
1999/2000	4826
2000/2001	5018
2001/2002	5907
2002/2003	7018
2003/2004	8000
2004/2005	8880
2005/2006	9946
2007/2008	10659

Source: DDA, HMG

Figure No. 4.1
Medicine Consumption/Sales in Nepal

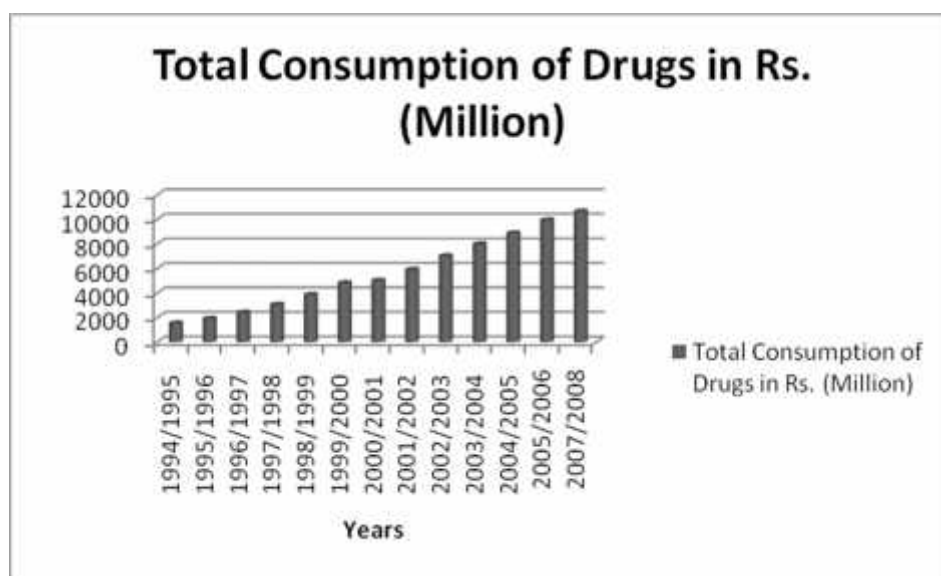
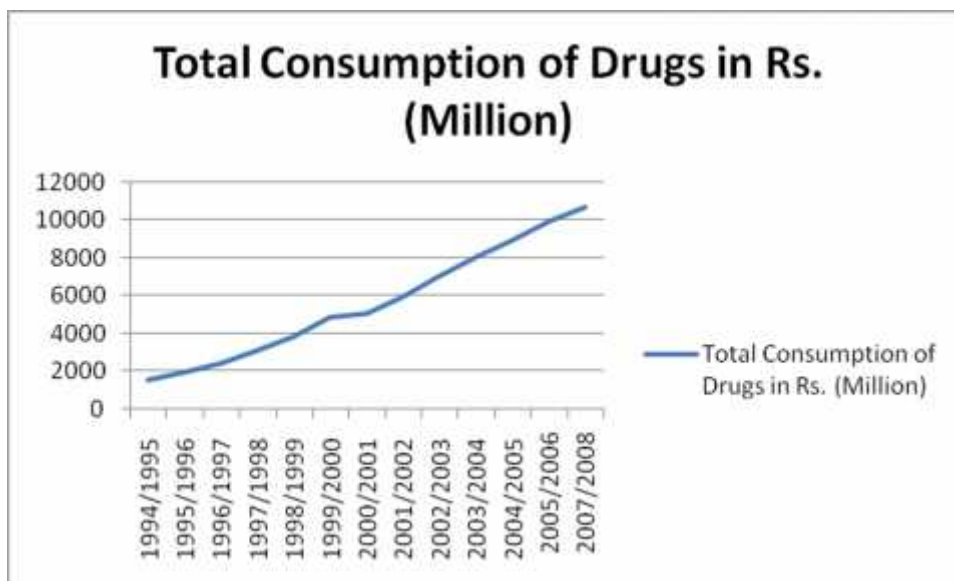


Figure No. 4.2



From The above table and graph it is observed that the allopathic medicines consumption has been increased from NRs. 5907 million in the year 1994/1995 to Nrs. 10659 million in the year 2007/2008. It shows that the consumption has increased by Rs. 4752 million in the last 5 years which is 80% more than 1994/1995. It shows an average annual increment by 16.1 %

4.11 Presentation and Analysis of Primary Information

To make research more reliable, analytical, informative and challenging, primary information plays a vital role. So, in this case study of market share analysis of Pharmaceutical companies, the researcher has put efforts to analyze the primary data as obtained from the questionnaire distributed chemist, doctors, producers and consumers. The Performa of questionnaire attempts to analyze the factors that affect to prefer particular brand of medicine, promotional activities preferred and market share analysis of Nepalese. Indian and other foreign companies which includes degree of preference of Nepalese drugs by doctors, chemists, producers, consumers: view of doctors, chemist, producer, consumer and chemists regarding the quality of medicines produced by Nepalese companies.

4.11.1 Result of Questionnaire Distributed to Doctor

Table No. 4.9

The following table consists of questionnaires of 17 doctors.

Q. NO.	a)	b)	c)	d)
1	1 (6%)	6 (35%)	8 (47%)	2 (12%)
2	0	1 (6%)	2 (12%)	14 (82%)
3	2 (12%)	5 (29%)	10 (59)	0
4	3 (18%)	1 (6%)	12 (70%)	1 (6%)
5	3 (18%)	3 (18%)	7 (41%)	4 (23%)
6	11(65%)	1 (6%)	0	5 (29%)
7	4 (24%)	8 (47%)	5 (29%)	0
8	1 (6%)	12 (70%)	4 (24%)	0
9	3 (18%)	7 (41%)	7 (41%)	x
10	9 (53%)	2 (13%)	3 (17%)	3 (17%)

Above data are based on ten questions asked to the different doctors of Kathmandu Valley. The figures refer to the no. of responses over total and percentage of responses. Following results can be summarized from the above table:

- Q. No.1: Most of doctors believe that quality of Nepalese medicine is as good as foreign one.
- Q. No.2: Majority of doctors prescribe medicines produce by Indian, Foreign and Nepalese companies.
- Q. No.3: Nepalese medicine covers 50-75 % of the prescription of majority doctors.
- Q. No.4: Quality of drugs makes majority of doctors to prescribe certain brand.
- Q. No.5: Most of the doctors prefer Literature and journals as promotional activities from companies.
- Q. No.6: The higher quality of Indian medicine makes the doctor to prescribe

Indian Brand.

Q. No.7: Most of the doctors experienced that patients are satisfied with Nepalese brand.

Q. No.8: Majority of doctors experienced that some of the time only chemist substitute their prescribed brand.

Q. No.9: There is tie between the option No and some time. Some doctors do not change their prescribing habit as per MR visit and some doctors some time changed their prescribing habit.

4.11.2 Result of Questionnaire Distributed to Consumer

Table No. 4.10

The following table consists of questionnaires of 30 consumers.

Q. NO.	a)	b)	c)	d)
1	24 (80%)	4 (4%)	1 (3%)	1 (3%)
2	2 (7%)	1 (3%)	22 (73%)	5 (17%)
3	5 (17%)	5 (17%)	3 (10%)	17 (56%)
4	23 (77%)	7 (23%)	x	x
5	15 (50%)	4 (14%)	10 (33%)	1 (3%)
6	28 (94%)	0	1 (3%)	1 (3%)
7	27 (90)	0	2 (7%)	1 (3%)
8	10 (33%)	11 (37%)	9 (30%)	x
9	23 (77%)	2 (7%)	4 (13%)	1 (3%)

- Q. No. 10
- i. Deurali Janata P. Ltd
 - ii. Nepal Drug
 - iii. Nepal Pharmaceutical Laboratory
 - iv. Pharmaceutical company of Nepal P. Ltd

The following inferences can be drawn from above table.

- Q. No 1: 80% of the surveyed consumers buy the medicine as per the doctors prescription.
- Q. No .2: Consumer have experienced that sometime retailers substitute the prescribed products.
- Q. No. 3: Majority of the consumers do not have any idea regarding the bonuses given to retailers.
- Q. No 4: 77% percent of surveyed consumer won't accept the cheaper brand in the substitution of prescribed brand.
- Q. No 5 : Majority of consumers have confidence over Nepali medicines.
- Q. No.6 : 94% of consumer check the expiry date of medicine before buying the it.
- Q .No.7 : Most of the consumer purchase general medicine without doctors prescription.
- Q . No.8 : Most of the consumers trust Indian Drugs.
- Q. No. 9 : Almost 77% of consumer indicates that they have not complained to doctors regarding the Quality of nepali medicine.
- Q.No.10 : As per this survey the top 4 companies that the consumers have heard most are ranked below:
1. Deurali Janta P. Ltd
 2. Nepal Drug Limited
 3. Nepal Pharmaceutical Laboratories
 4. National Health Care

4.11.3 Result of Questionnaire Distributed to Producers

Table No. 4.11

The Following Table Consist of Questionnaires of 5 Producers.

Q. NO.	a)	b)	c)	d)
1	0	1 (20%)	4 (80%)	x
2	3 (60%)	2 (40%)	x	x
3	2 (40%)	2 (40%)	1 (20%)	
4	0	1 (20%)	0	4 (80%)
5	1 (20%)	1 (20%)	0	3 (60%)
6	0	1 (20%)	2 (40%)	2 (40%)
7	1 (20%)	1 (20%)	0	3 (60%)
8	0	5 (100%)	x	x
9	3 (60%)	2 (40%)	x	x
10	0	0	1(20%)	4 (80%)

Following analysis can be done by observing the table.

- Q. No.1: Majority of the producers believe that Domestic product will take time to substitute the foreign products.
- Q.No.2: 60 % of the producers feel that WTO has positive effect in Pharma market.
- Q .No.3: There is tie between the option good & satisfactory support of Government to Nepalese industries.
- Q.No.4: Almost 80 % of surveyed Producers said that promotional activities depend on market demand.
- Q. No.5: Majority of the producers feels that infrastructure and capital is the major reason for Nepalese companies to be behind the Indian companies.
- Q.No.6: There is tie between the option sponsorship and price of the medicines.
- Q.No.7: 60% of the producers experienced that all three promotional tools are required to boost the sales.

- Q.No.8: All most all of the producers said that it is not ethical.
- Q.No.9: 60% of the producers agree that doctors themselves demand for gifts
- Q. No.10: 80% of the producers said that only on certain products government should fix the MRP rate.

4.11.4 Result of Questionnaire Distributed to Chemist

Table No. 4.12

The Following Table Consists of Questionnaires of 20 Chemists

Q. NO.	a)	b)	c)	d)
1	11 (55%)	2 (10%)	4 (20%)	3 (15%)
2	4 (20%)	0	8 (40%)	8 (40%)
3	11 (55%)	2 (10%)	3 (15%)	4 (20%)
4	16 (80%)	4 (20%)	0	x
5	4 (40%)	5 (25%)	3 (15%)	4 (20%)
6	10 (50%)	0	7 (35%)	3 (15%)
7	5 (25%)	1 (5%)	4 (20%)	10 (50%)
8	4 (20%)	2 (10%)	14 (70%)	x
9	4 (20%)	11 (55%)	5 (25%)	x
10	8 (40%)	2 (10%)	1 (5%)	9 (45%)

Following conclusions are drawn from above table:

- Q. No. 1: Most of the chemist Prefer to sell Nepali medicines.
- Q. No.2: There is tie between the option in the absence of prescribed product and by asking you doctors
- Q.No.3: Majority of chemist are getting 2-3 % cash discount.
- Q.No.4: 80 % of the surveyed chemists agree that Nepalese companies offer higher schemes and bonus.
- Q.No.5: 40 % of the chemist experienced that consumer buys what ever price never substitute.

- Q.No.6: Majority of the chemist thinks that nepali medicines have good quality
- Q. No7: Most of the chemist is motivated by doctor's prescription to sell Nepali medicine.
- Q.No.8: Almost 70% of the chemist believes that there is no link between bonus and quality.
- Q.No.9: 55 % of the chemist said that bonuses should be kept as it is.
- Q.No.10: Most of the chemist suggests upgrading the quality as per WHO GMP / National GMP

4.12 Major Findings

-) Only 32% of total Pharma market Share of Nepal is covered by our local production. Remaining 68% by Indian and other countries.
-) Nepal Pharma market has the business worth Rs. 10,000 million in which injection range has contributed 2000 million, 2000 million has been covered by those medicines which are not produced in Nepal and having low market share. And in remaining 6000 million only 3000 million has been covered by national Production. However in case of General / Common Medicine Nepal Pharmaceutical houses has covered 50 % of its market.
-) Nepal's accession to WTO has brought both opportunities and challenges to Nepalese Pharmaceutical industries. World market of Pharmaceutical products is now open to Nepalese industries and simultaneously Nepalese market is open to industries worldwide.
-) Almost 8 Nepalese Pharmaceutical Companies has got WHO-GMP certificate and 8 more companies are in process of getting WHO-GMP certificate in this coming year.
-) Nepalese Pharmaceutical Companies have to survive in their own domestic market due to inability to export their production to foreign countries. Moreover, only fifty percent of total installed capacity of domestic companies have been utilized and rest half is idle which is leading to rise in cost of production.

-) Because of open border, it is very easy for Indian companies to extend its market in Nepal. However it is very difficult to export Nepalese drugs to Indian market because of many obstacles. It requires long formality processes, added cost in different heads & high registration.
-) Pharmaceutical entrepreneurs are not satisfied with government role and its policies.
-) The promotional tools adopted by most of Pharmaceutical companies are announcing schemes, high bonuses to Retailer offering gifts to doctors. And these are the major factor that leads the Nepalese Pharma Market to unhealthy & unethical promotional practices.
-) An excessive number of similar brands lead to problem of substitution i.e. chemist substituting a prescribed brand in preference of another that might be more profitable to them.
-) As per Department of Drug Association (DDA), profit margin declared to Retailer is 16%, stockist (Wholesaler) 10%, importers 6 %
-) Recently government had announces "Guideline on ethical promotion of Medicine, 2007, which was implemented from 1st of Shrawan 2064. Through the effective implementation of these guidelines, it is expected to establish ethical promotional practices through out the country in alignment with acceptable international norms & codes.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The brief introduction of the Pharmaceutical industry, its role, importance & contribution in Nepal are prescribed in the introductory chapter. The second chapter i.e. Review of Literature gives the concept of marketing and its different aspects where different views of different resource scholars, writers are reviewed. Similarly, the available dissertations in context of pharmaceutical industry from various researchers are also reviewed. The appropriate research methodology is presented in chapter three. With the help of methodology described, the data are presented and analyzed in chapter four. Now, in this chapter an effort has been made to present summary of findings and give some suggestion for future course of action.

The basic objective of this study is to analyze the sales promotional tools adopted by Nepalese Pharma Market and market share of different companies originating from different countries. To accomplish the objective set earlier in first chapter, the necessary data from secondary and primary sources are journals and publications and questionnaire distributed to Doctors, Chemist and consumers. The secondary and Primary data are analyzed through simple statistical tools like average, percentage, mean etc.

5.2 Conclusion

In conclusion, despite of cut throat competition, domestic industries had showed excellent growth in these 10 years. Most of Medical Practitioners prefer to prescribe only Nepalese brands. It is very encouraging to domestic industries. Not only doctors, but chemists, consumers and dealers also do favor & trust domestic brands. Such kind of faith will give further mileage to the domestic pharmaceutical enterprises. Nepalese pharmaceutical companies have lots of space to grow in their own domestic market by

substituting the import from foreign countries. But all these are possible only through the government supportive role towards domestic industries. And domestic industries should also follow & implement the guidelines on ethical promotion of medicine 2007 in practice making market environment healthy. This will ultimately derive benefit to all of us.

5.3 Recommendations

-) Nepal has got membership in WTO, in this context we should be able to explore the opportunities and make best use of them. In addition we should also evaluate the external threats for our industries and make every possible effort to overcome them.
-) A high degree of protection of domestic industry is essential to increase and improve the country's productivity and launching import substitution more effectively. In order to protect the domestic industries and manufacturers, high protective tariff should be imposed on imported finished essential drugs, which can be manufactured within the country while custom duties must be minimized during import of raw material from foreign countries.
-) Government should formulate proper policies to attract foreign direct investment in this sector to make the domestic products recognized in foreign market, which will help to open the window for exporting domestic production.
-) Government should formulate proper policies to attract foreign direct investment in this recognized in foreign market, which will help to open the window for exporting domestic production.
-) Nepal should develop technical collaboration with developed countries and give importance to the appropriate technology, transfer with the full capacity utilization.
-) Government should formulate effective strategy to discourage the

substitution practices by retailer, for this government should established effective market research department.

-) Government should strictly implement the" Guideline on Ethical Promotion of Medicine, 2007" to promote ethical promotion of medicine, to support and encourage the improvement of health care through the national use of Medicare and discourage unethical practice.

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Guideline on Ethical Promotion of Medicines 2007

Appendix I

% Prescription From Doctors	No. Of Doctors (f)	Mid. Value (x)	fx
0-25	2	12.5	25
25-50	5	37.5	187.5
50-75	10	62.5	625
75-100	0	87.5	0
Total	17		837.5

Appendix II

Linear trend equation:

When the time series data reveal a rising trend in the sales then straight line trend equation of the following form is fitted:

$$S = a + bT \quad \dots\dots (i)$$

Where S = Annual sales / Consumption, T= Time (Years, a and b are constants. The parameter b gives the measures of annual increase in consumption / Sales.

The coefficients a and b is estimated by solving the following two equations based on the principle of least square:

$$S = na + b T \dots\dots\dots(2)$$

$$ST = a T + b T^2 \dots\dots\dots (3)$$

The table consists of demand forecasting analysis by Linear Trend Equation:

Fiscal Year	Total Consumption of Drugs in Rs. (Million)	Time (T)	T ²	S x T (Million)
1995/1996	1532	1	1	1532
1996/1997	1915	2	4	3830
1997/1998	2413	3	9	7236
1998/1999	3064	4	16	12256
1999/2000	3861	5	25	19305
2000/2001	4826	6	36	28956
2001/2002	5018	7	49	35126

2002/2003	5907	8	64	47256
2003/2004	7018	9	81	63162
2004/2005	8000	10	100	80000
2005/2006	8880	11	121	97680
2006/2007	9946	12	144	119352
2007/2008	10659	13	169	138567
n = 13	S = 73039	T = 91	T ² = 819	ST = 654261

By substituting numerical value in equation (2) and (3) we get

$$73039 = 13a + 91b \dots\dots\dots (4)$$

$$654261 = 91a + 819b \dots\dots (5)$$

By solving equation 4 & 5 we get the trend equation as

$$S = 118.96 + 785.63 T \dots\dots\dots (6)$$

from the above equation no. (6) Projection has been made for next three year, which is ,

$$S = 118.96 + 785.63 * 14\text{th year } 2005/2006$$

$$= 11117.78 \text{ million}$$

Again

$$S = 118.96 + 785.63 * 15\text{th year } 2006/2007$$

$$= 11903.41 \text{ million}$$

Likewise,

$$S = 12689.04 \text{ in } 16\text{th year } 2007/2008$$

From above calculation it is revealed that the demand for the year 2005/2006, 2006/2007, 2007/2008 are 11117.78 million, 11903.41 million, 12689.04 million respectively.

Questionnaire for Doctor

This questionnaire is prepared with a view to conduct research for the partial fulfillment of the requirement for the degree of master of Business Studies. So your kind co-operation is expected by giving exact answer of the following questions. The answer will be kept confidential.

Name of Respondent:

Please tick the best alternative.

Q.N.1) in your view, medicines produced by Nepalese companies are as good (Quality) as Foreign companies.

- a. Most of the Nepalese companies produce higher quality product than foreign companies.
- b. Most Indian and other MNCs have higher quality product than Nepalese.
- c. Nepalese and Foreign companies produce the medicines of same quality.
- d. Nepalese medicines are worst in quality and cannot be compared with foreign companies.

Q.N.2) You generally prescribe

- a. Only Indian medicines
- b. Only Nepali medicines
- c. Only Multinational companies
- d. All above

Q.N.3) The percentage of Nepalese companies in prescription written by you:

- a. 0-25%
- b. 25-50%
- c. 50-75%
- d. 75-100%

Q.N.4) What makes you prescribe a particular brand of drug?

- a. Continuous visit of MR / relation with MR
- b. Gifts/Sponsorship
- c. Quality of Product
- d. Price of product

Q.N.5) What kind of promotional activities mostly you accept from Pharmaceutical companies?

- a. Regular brand reminding visits
- b. Scientific information
- c. Literatures and journals
- d. Sponsorship for academic activities

Q.N.6) what you make you prescribe the Indian Drugs?

- a. Quality
- b. Promotion
- c. Price
- d. Non availability of Nepalese medicines

Q.N.7)What feed back you got from your patient when you prescribe Nepalese brands?

- a. Good
- b. Satisfactory
- c. Neutral
- d. Negative

Q.N.8) How often you find the chemists substitute your prescription?

- a. Always
- b. Sometime

- c. Most of the times
- d. Never

Q.N.9) Do you change your prescribing habit according to MR vist?

- a. Yes
- b. No
- c. Sometimes

Q.N.10) hat should Nepalese companies do to increase their support from doctor level?

- a. Improve Quality through WHO-GMP / National GMP
- b. Reduce price
- c. Produce new and advanced type of molecule
- d. Increase promotional activities

Thank You

Questionnaire for Consumer

This questionnaire is prepared with a view to conduct research for the partial fulfillment of the requirement for the degree of master of Business Studies. So your kind co-operation is expected by giving exact answer of the following questions. The answer will be kept confidential.

Name of Respondent:

Please tick the best alternative.

Q.N.1) How do you buy medicine?

- a. As per doctors prescription
- b. As per retailer' suggestion
- c. On the basis of advertisements
- d. As per your friends recommendation

Q.N.2) How often retailer substitutes the prescribed brand?

- a. Often
- b. Never
- c. Sometime
- d. Always

Q.N.3) Do you have any knowledge regarding bonuses given to retailer by Producer?

- a. High Bonus
- b. Low Bonus
- c. No Bonus
- d. No Idea

Q.N.4)What do you do if retailers substitute the prescribed brand with the cheaper one?

- a. Reject it and ask for prescribed medicine
- b. Accept it

Q.N.5) Do you have confidence in Nepali Medicines?

- a. Yes
- b. No
- c. In few Nepali Medicines
- d. In majority of Nepali medicines

Q.N.6)Do you check the expiry date of medicine at the time of buying it?

- a. Yes
- b. No
- c. Sometimes
- d. Most of the time

Q.N.7)What kind of medicine do you purchase without consulting doctor or in the absence of doctors prescription?

- a. General Medicine (Paracetamol/ Anti Cold/ Vitamins)
- b. Antibiotics
- c. Gastritis Drugs
- d. Never buy without doctors prescription

Q.N.8)Which medicines you trust most?

- a. Nepalese
- b. Indian
- c. Multinational Companies (Foreign)

Q.N.9) Have you ever complained the doctors regarding the quality of Nepali medicine prescribed by him/her?

- a. No
- b. Yes
- c. Sometime
- d. Often

Q.N.10) Name Four Nepali companies that you have heard most?

- a.....
- b.....
- c.....
- d.....

Thank You

Questionnaire for Producer

This questionnaire is prepared with a view to conduct research for the partial fulfillment of the requirement for the degree of master of Business Studies. So your kind co-operation is expected by giving exact answer of the following questions. The answer will be kept confidential.

Name of Respondent:

Please tick the best alternative.

Q.N.1) Do you think that Domestic products could substitute foreign products?

- a. Yes
- b. No
- c. Yes but will take time

Q.N.2) Does WTO has positive effect in Pharma market?

- a. Yes
- b. No

Q.N.3) what is your opinion regarding government support to Nepalese Pharma industry?

- a. Good
- b. Satisfactory
- c. Neutral
- d. Negative

Q.N.4) What do you say about the Promotional activities like bonus, gifts, and schemes in Pharma market?

- a. Most essential
- b. Necessary to compete with Indian companies
- c. Not necessary

d. As per the market demand

Q.N.5) Why are Nepalese companies behind the Indian companies?

- a. Low Quality
- b. Weak Government Policies
- c. Indian companies spend much more in sales promotion than Nepalese company
- d. Lack of infrastructure and capital

Q.N.6) In your opinion what makes a doctor prescribe a particular brand of drug?

- a. Continuous visit by MR
- b. Gifts
- c. Sponsorship
- d. Price of medicine

Q.N.7) what is the major Promotional Tool to boost up your sales?

- a. Schemes to Retailers
- b. Gifts to Doctors
- c. Bonuses
- d. All of above

Q.N.8) Do you think it is ethical to provide gifts and higher bonuses?

- a. Yes
- b. No

Q.N.9) Do the doctors demand for the gifts ?

- a. yes
- b. No

Q.N.10) What if government fixes the MRP on other drugs too as in paracetamol and limited the bonus range?

- a. It is Good
- b. It is discouraging to the Nepalese Pharma Companies
- c. It should be kept as it is.
- d. Only on certain products.

Thank You

Questionnaire for Chemist

This questionnaire is prepared with a view to conduct research for the partial fulfillment of the requirement for the degree of master of Business Studies. So your kind co-operation is expected by giving exact answer of the following questions. The answer will be kept confidential.

Name of Respondent:

Please tick the best alternative.

Q.N.1) which of the following medicine do you prefer to sell?

- a. Nepali
- b. Indian
- c. Multi National Companies
- d. No Preference

Q.N.2) How often do you substitute the doctor's prescription?

- a. Never
- b. Mostly
- c. In the absence of prescribed product only
- d. By asking with doctors

Q.N.3) Cash discount mostly you get from the Stockiest:

- a. 2-3%
- b. 3-4%
- c. 5-6%
- d. More than 6%

Q.N.4) which company mostly offers schemes, high bonuses and discounts?

- a. Nepalese Companies
- b. Indian Companies
- c. Multinational Companies

Q.N.5) what is the consumer reaction with the price of the prescribe medicine?

- a. Buy What ever price never substitute
- b. Substitute other if not available
- c. Substitute with low price
- d. Buy what ever you sell

Q.N.6) Do you think Nepali medicines have good quality?

- a. Yes
- b. No
- c. Only few have good quality
- d. Majority have good quality

Q.N.7) what factor motivates you to sell Nepali Medicines?

- a. Quality
- b. Bonus/ Schemes
- c. Price of Medicine
- d. Doctors prescription

Q.N.8) what do you think about company giving high bonus?

- a. Substandard Company (Low Quality)
- b. Standard Company (High Quality)
- c. None of above because there isn't any link between bonus and quality

Q.N.9) what do you say about the rising controversies regarding higher bonuses to the retailer?

- a. Its okay if bonuses will be cut down
- b. It should be kept as it is.
- c. No matter whether bonus cut off or kept as it is

Q.N.10) In your opinion, what should Nepalese companies do to increase their business?

- a. Generate more prescription from doctors
- b. Increase bonus in product
- c. Regular schemes in the product
- d. Upgrade the quality as per WHO GMP / National GMP