

# A Study on the Impact of Trade Restrictions; Indian Sandalwood in Cosmetic Industry

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**Abstract:** *This report analyzes the impact of trade restrictions on the Indian sandalwood industry, focusing on its significance in the cosmetic sector. The study reveals that trade barriers have severely disrupted the supply chain, leading to increased costs. Consequently, cosmetic companies have begun exploring alternative sources and substitute ingredients, which has implications for product quality and consumer preferences. Despite the challenges posed by these restrictions, the report notes that the multifaceted impact on the cosmetic industry encompasses changes in pricing structures, and market access. The study concludes with actionable recommendations for stakeholders, emphasizing the need for enhanced dialogue between trade authorities and industry representatives to establish more flexible and transparent trade policies.*

**Keywords:** Indian sandalwood, cosmetics, trade restrictions

## I. INTRODUCTION

Indian Sandalwood (*Santalum album*) is a culturally significant tree in India, renowned for its fragrance, therapeutic properties, and historical value. Primarily grown in southern India, it takes 15 to 20 years to mature, with cultivation regulated to prevent over-exploitation. Sandalwood is integral to various ceremonies, from weddings to funerals, and remains a cherished symbol in Indian culture, highlighting its enduring legacy and diverse applications.

### Using of Sandalwood of Cosmetic Industry:

Sandalwood is a prized ingredient in the cosmetic industry, valued for its unique fragrance and skin-soothing properties. It serves as a key component in luxury perfumes, providing warmth and longevity, exemplified by its use in Chanel No. 5. Additionally, its therapeutic benefits make it essential in skincare, effectively treating conditions like acne and eczema. Sandalwood is featured in various beauty products, including creams, soaps, and hair oils, appealing to consumers seeking quality and natural beauty in their routines.

### Overview of trade restrictions:

Indian sandalwood (*Santalum album*) faces strict trade restrictions to prevent illegal exploitation and ensure sustainable use. Classified as a protected species under the Indian Forest Act of 1927 and the Wildlife Protection Act of 1972, harvesting and trading require government permission. The Karnataka Forest Act of 1963 asserts state ownership over all sandalwood trees, mandating licenses for harvesting. The Sandalwood Possession Rules of 1973 further require detailed record-keeping to deter illegal activities. These regulations aim to curb overexploitation, protect biodiversity, and maintain ecological balance.

### Objectives of the Study:

1. To analyze the effect of trade restrictions on the availability and supply of Indian sandalwood in the cosmetic industry.
2. To examine how cosmetic companies have adapted their product formulations and sourcing strategies in response to restricted availability of Indian sandalwood and explore impact on consumer preferences.

**Scope of the Study:**

1. The study will examine the impact of stringent trade restrictions on sandalwood in India..
2. It will analyze the effects of these restrictions on the supply and demand within the cosmetic industry, segments like perfumes and skincare products.
3. The analysis aims to understand how trade restrictions have influenced pricing, market competition, and the economic viability of using sandalwood in cosmetics.

**Hypotheses:**

The study is aimed at investigating the impact of trade restrictions on use of Indian Sandalwood in cosmetic industry. The Null Hypothesis ( $H_0$ ) stated that there is no significant change due to trade restrictions on the availability, pricing and use of Indian sandalwood in the cosmetic industry, while the Alternative Hypothesis ( $H_1$ ) proposed that trade restrictions have a significant impact on the sourcing, pricing, and the use of Indian sandalwood in the cosmetic industry, leading to changes in market dynamics, product formulations, and industry practices.

**II. REVIEW OF LITERATURE**

1. **Srinivasan and Bawa's** 2003 study examines the economic dynamics of Indian sandalwood overharvesting, driven by high market demand for cosmetics and medicine. They highlight ecological, economic, and social impacts, advocating for sustainable practices and policy interventions to prevent resource depletion.
2. In his 2019 article, **Mr. Sharma** examines the economic and environmental challenges of sandalwood trade in India, highlighting overexploitation driven by high market demand. He calls for balanced strategies to support industry needs while protecting biodiversity and ecosystems.
3. In his 2020 article, **Mr. Raj** examines how stringent trade restrictions on Indian sandalwood have led to increased smuggling, undermining conservation efforts. He advocates for a balanced approach with stronger law enforcement and community involvement to combat illegal activities.
4. In 2016 chapter, **Mr. Rao** analyzes how trade policies affect the cultural significance and economic viability of sandalwood in India. He notes that restrictions reduce legal supply, disrupt traditional practices, and increase costs, urging a balanced approach to policy.
5. In their 2015 study, **Gupta and Mehra** analyze trade regulations' effectiveness in conserving Indian sandalwood biodiversity, emphasizing that successful conservation requires robust implementation, community involvement, and international cooperation alongside sustainable economic practices to benefit local communities.

**III. RESEARCH METHODOLOGY:**

In this research, Quantitative method of research is used and the Population consists of companies that sell Indian sandalwood to products. The sampling frame consists of the 5 stores that sell cosmetic products made from Indian sandalwood and the sample size consists of 50 respondents. This research uses Purposive sampling technique; the respondents are selected based on their ability to provide detailed information about the chosen topic of research

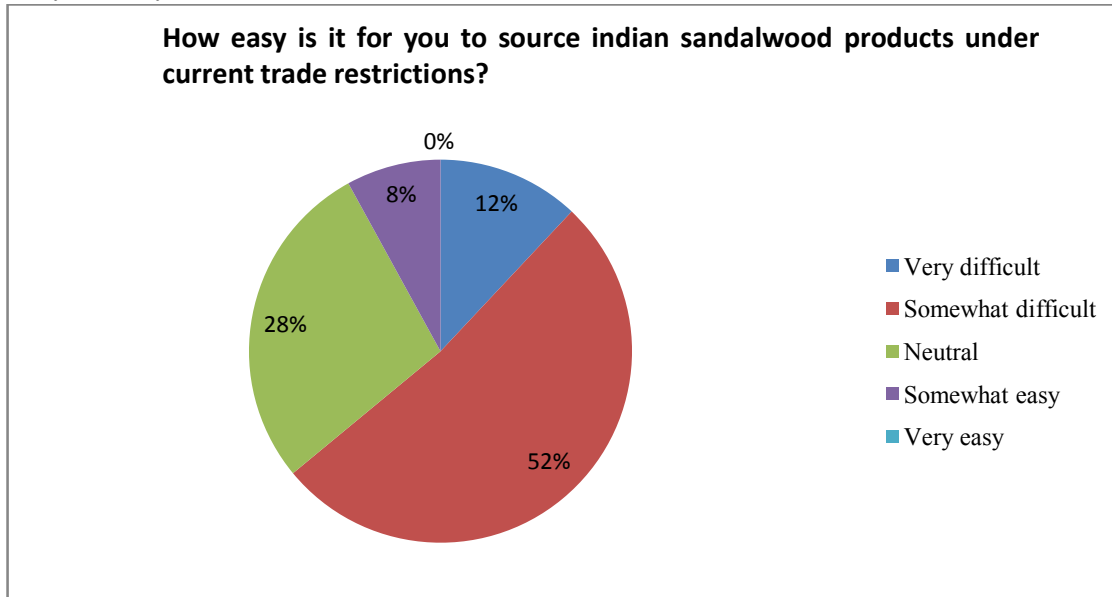
**SOURCES OF DATA COLLECTION:**

In the study there are two main sources of data;

- **Primary data** - Data collected is Primary data; raw and first hand data collected from respondents in person by the researcher by visiting the stores physically.
- **Secondary data** – The data obtained from existing literature, reports, articles, and online sources related to trade restrictions on Indian sandalwood.

**IV. RESEARCH FINDINGS**

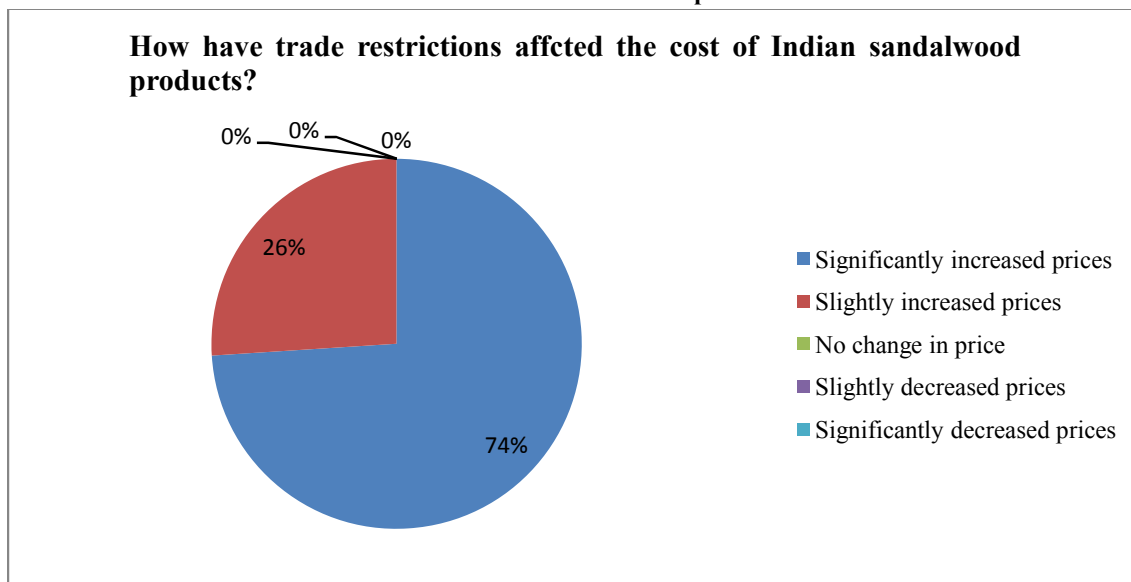
**How easy is it for you to source Indian sandalwood under current trade restrictions?**



Graph 1.Ease in sourcing.

This data shows that majority of the respondents find sourcing of sandalwood products somewhat difficult compared to when there were no restrictions on use of Indian sandalwood.

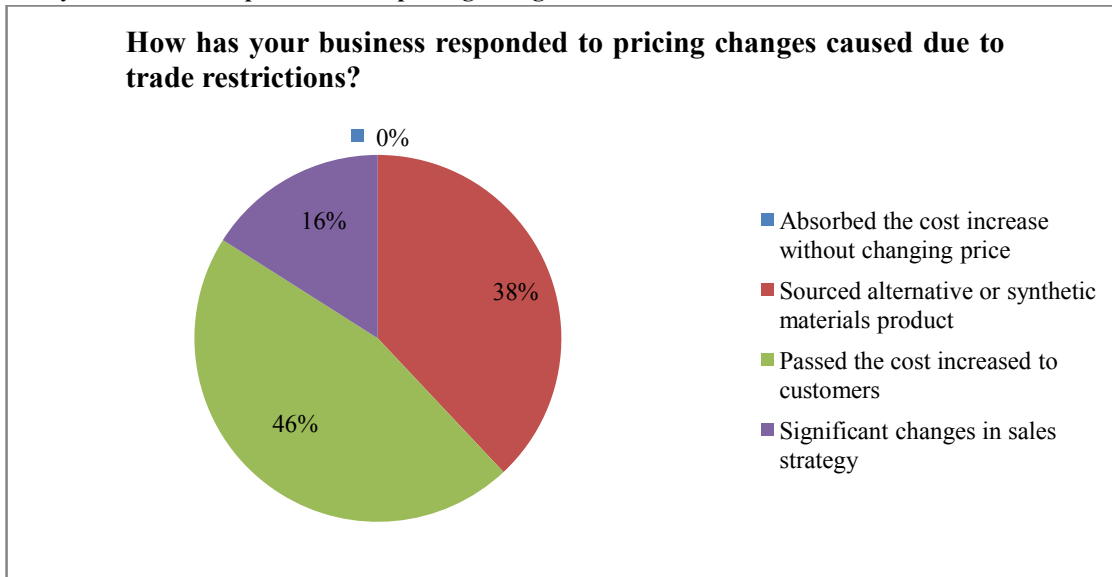
**How have trade restrictions affected the cost of Indian sandalwood products?**



Graph 2.Effect on Cost.

This graph shows that prices of sandalwood-based products have only increased after the implementation of trade restrictions.

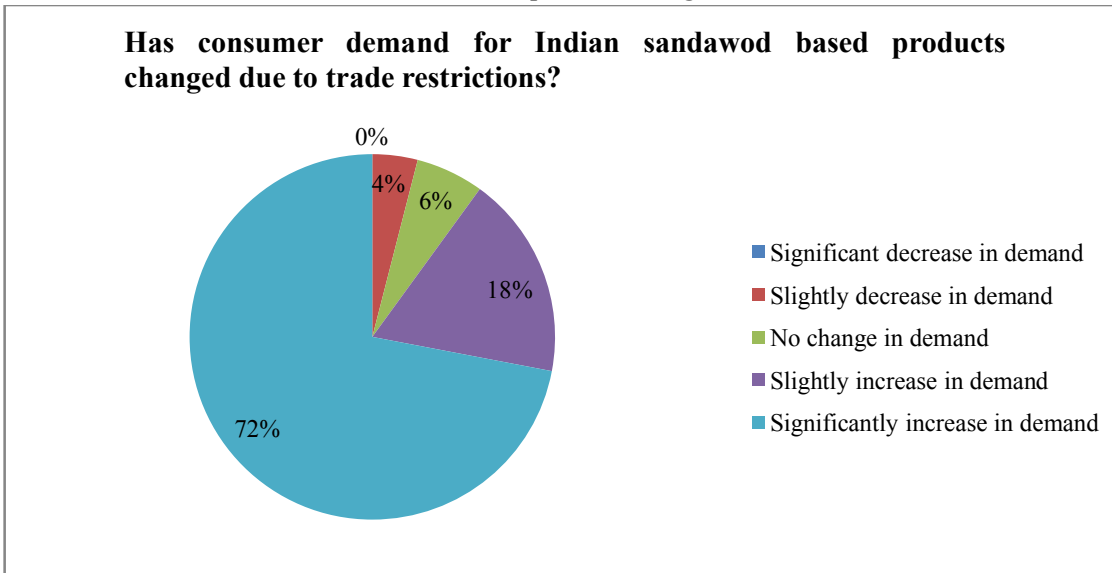
**How has your business responded to the pricing changes caused due to trade restrictions?**



Graph 3. Business response to pricing changes.

The graph above represents that majority businesses have passed on the increased cost of sandalwood products to customers closely followed by changes in sales strategy.

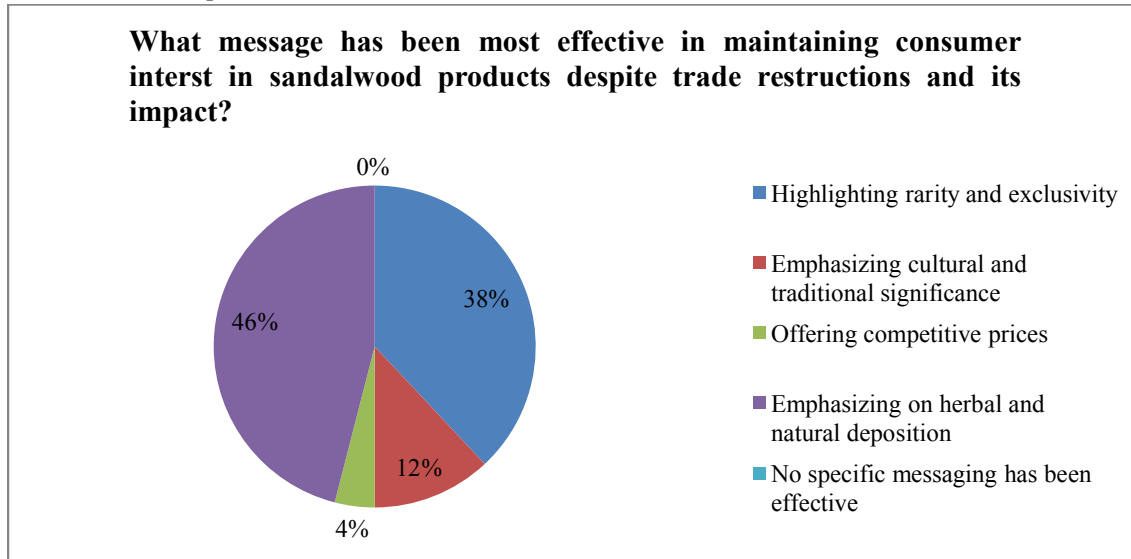
**Has consumer demand for Indian sandalwood based products changed due to trade restrictions?**



Graph 4. Change in consumer demand.

The above graph shows that the demand for sandalwood based products has significantly increased since the application of trade restrictions.

**What message has been most effective in maintaining consumer interest in sandalwood products despite trade restrictions and its impact?**



Graph 5. Consumer advertising strategies.

The graph above shows that most affective promotion or messaging strategy that is been used is promoting the herbal and natural deposition of sandalwood based products.

**V. FINDINGS**

The study on trade restrictions affecting Indian sandalwood in the cosmetic industry highlights significant sourcing challenges faced by companies. Due to stringent regulations and limited availability of genuine sandalwood, securing consistent, high-quality supplies has become increasingly difficult. As a result, many companies are relying on alternative sources, such as imported sandalwood or synthetic substitutes, which often do not replicate the unique qualities of authentic Indian sandalwood. This shift impacts product formulation and authenticity, posing challenges for maintaining brand integrity.

Additionally, trade restrictions have driven up sandalwood prices, leading to higher production costs that are passed on to consumers, resulting in increased retail prices for sandalwood-based products. Despite these rising costs, consumer demand remains strong, driven by the unique characteristics and benefits of sandalwood. In response, the industry has adopted various strategies, including promoting the natural deposition of sandalwood to emphasize authenticity and developing synthetic or alternative products to meet consumer preferences. These adaptive measures illustrate the industry's efforts to navigate regulatory constraints while maintaining market presence.

**VI. SUGGESTIONS**

The study on trade restrictions impacting Indian sandalwood in the cosmetic industry suggests several key recommendations to overcome identified challenges. Companies should establish diversified supply chains by partnering with ethical suppliers and investing in regulated sandalwood cultivation projects. This approach can stabilize supply while ensuring compliance with conservation regulations. Additionally, businesses should focus on research and development of high-quality substitutes that mimic the sensory properties of authentic sandalwood, while educating consumers about the benefits and differences of these alternatives to maintain trust.

To combat the challenges posed by illegal and counterfeit sandalwood products, a multi-faceted strategy is necessary. Companies should enhance product authentication processes and strengthen collaborations with regulatory bodies and law enforcement to tackle illegal trade and counterfeiting. Retailers must also raise consumer awareness about the risks associated with counterfeit products and the advantages of purchasing from reputable sources. Implementing these

measures will support market integrity and ensure the ongoing availability of genuine, high-quality sandalwood products in the industry.

### VII. CONCLUSION

In conclusion, trade restrictions on Indian sandalwood have significantly impacted the cosmetic industry, altering sourcing strategies for manufacturers. These regulations, designed to conserve sandalwood resources, have made it challenging for companies to secure high-quality supplies, resulting in increased reliance on alternative sources or synthetic substitutes. This shift has disrupted established supply chains and forced firms to adapt their procurement approaches.

Despite the challenges, consumer demand for sandalwood cosmetics remains strong due to the ingredient's unique fragrance and benefits. However, rising prices—driven by limited availability—have made these products less accessible, influencing market demand and purchasing behavior. This situation emphasizes the importance of authentic sandalwood, prompting the industry to explore sustainable sourcing solutions and innovative strategies to maintain market appeal while balancing conservation efforts with consumer preferences.

### VIII. ACKNOWLEDGEMENT

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