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LIQUOR INDUSTRY IN INDIA: PROMOTION OR PROHIBITION

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Abstract

Liquor industry, a consistent, convenient and economical source of revenue for state governments for myriad welfare schemes, developmental projects and disbursement of salaries in time comes at a huge irredeemable social cost on the individuals and society at large in terms of lost lives and livelihoods. Being an agro based labor intensive industry with latent scope of circular processes has potential of income generation through job creation both in the formal and informal sector due to its maximum total linkage effect requires rethinking on policies and practice. Discussing the roles and potential of liquor industry in revenue generation and job creation, the paper highlights the causes and deleterious impact of burgeoning liquor consumption. Changing demographics and perspectives on life styles, globalization and concomitantly changing people's belief, behavior and societal practices are making liquor consumption a norm. There is need for bringing about behavioral change in masses on its consumption. The paper posits that prohibition policy in various states ushered in a parallel economy with huge revenue loss to the state exchequer and tragic loss of lives and livelihoods. The study entails that government agencies and civil society need to collaborate and collectively work so that potential of liquor industry in generation income is leveraged with minimum socio economic cost and lose to the society.

Keywords: Development, Perspective, Behavioral, Society.

1.0 Introduction

Taxes on twenty first century liquor industry in India fulfills all Canon of taxation given by Adam Smith in the eighteenth century book "The Wealth of Nations". Canon of equity justifies high taxes on foreign made Indian liquor, canon of certainty ensures government receives fees every quarter. Robust digitalization of tax collection and related processes fulfills the canons of economy and convenience. This economic justification may not be case for promoting the liquor industry which comes at a high social cost. The excessive consumption of liquor is responsible for domestic violence particularly against women and children rode rage and accidents and air rage after the ignominious incidents by passengers on board. Post independent, there has been surge in production and consumption of liquor. Indian films depicting liquor in societal gathering and festivals, surrogate advertisements, globalization, soap operas on cable TV and increasing incomes across sections and above all its availability and accessibility promoted the liquor industry. Alcohol is a subject in the state list included in the seventh schedule of the India constitution. Realizing its prospect and potential in revenue generation state governments promoted this industry and gradually revenue from this industry became a perennial source of income difficult to resist. There is need for new thinking on the policies of liquor production and consumption. The prohibition experiments by politicians with Tuglaqi mindset for pyrrhic victories in elections have been catastrophic failure. The paper critically discusses the following issues.

- 1 Increasing and significant share of excise duty from liquor in total revenue of the States 'budget
- 2 The causes and consequences of the Prohibition laws across states in India
- 3 Recognizing and leveraging the potential of agro based Liquor industry in economic development
- 4 Need for new policies, programs and practices for rational societal values and behavior.

2.0 Literature Review

Recent hooch tragedies, common citizens becoming offenders, criminals-police nexus and the judiciary not having wherewithal to deal with even bail applications with huge revenue loss to the state exchequer in the state of Bihar has once again burnish the issue of wanton prohibition by the respective political parties for political dividend. In bygone era liquor consumption was taken as social evil but modern societies accept it as a social drink and deviation. For a very long time, social reformers and health experts debated the ill effects of liquor. A number of studies posited that assaults at homes and in public spaces are fuelled by binge drinking. The work of Livingston, who has linked alcohol densities to assaults, domestic violence, and other alcohol-related problems in Australian context, is of import (Livingston, 2008, 2011; Livingston et al., 2007). Research finding shows that total prohibition has never been used to deter liquor consumption. However, there are other ways to check its consumption and also to minimize the irresponsible and rude behavior. The liquor available timing and its regulated accessibility may depress its sale and consumption. Reductions in hours and days of sale may be associated with reductions in some problems, and a number of more recent studies (Kypri et al., 2011a, 2011b; Wicki and Gmel, 2011) have noted the importance of time-based alterations in alcohol availability. Alcohol pricing has been used extensively across



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nation to check its consumption. Because alcohol is an addictive, increases in price have often been directly associated with decreased alcohol-related problems (Sloan et al., 1994). Excise duty from alcohol, is the third largest source of revenue for the state governments after GST and sales tax(VAT)and the states earned Rs 1.75 trillion from sale of liquor in2022. India is the world's ninth largest consumer of all alcohol and second largest consumer of spirits namely Whisky, beer, Jin, Rum (Statistics India Report ,2022) but its social cost is very high. WHO report posits that 2.6 lakhs Indian die every day due to alcohol. Recognizing the ill effects of liquor, the prohibition through legislation has been adopted across economies. There is lot of findings on the success and failures of prohibition policies. Although consumption of alcohol fell at the beginning of Prohibition, it subsequently increased.; crime increased and became "organized"; the court and prison systems were stretched to the breaking point; and corruption of public officials was rampant and further prohibition removed a significant source of tax revenue and greatly increased government spending (Mark Thronton, 1991). Prohibition did not achieve its goals. Instead, it added to the problems it was intended to solve and supplanted other ways of addressing problems (Thornton.1991). Chandrapur district Collector Report, 2020 on the failures of the prohibition policy showed that the criminal cases and crime against women in the district increased during the prohibition days vis-a-vis in other districts of Maharashtra.

3.0Liquor Industry: State Governments' Cash Cows

There should be no exaggeration in saying that promotion of liquor industry by politicians across aisles is nothing but just grasping at straws when revenue sources from development have dried up. NFHS- 5 report states the barring the states that have banned liquor, the remaining states and UTs have earned a total of Rs1, 75.501,42 crore in 2019-20 from excise duty on liquor. State governments provide all facilities to this industry to grow and contribute. The increasing share of excise duty from liquor reflects increasing consumption. Research work has identified urbanization, changing demographics and increasing income as the major drivers of exponential growth of the industry. However, correlating these does not give a clear picture. Table1 shows that share of working age population, urbanization and consumption of liquor are positively correlated as reflected in increasing share of excise duty.

Table 1 Contribution of excise duty and demographic indicators (2019-20)

State	Share of Excise duty in total revenue (%)	Urban Population (%)	%of working population in(15-59) age group
Uttar Pradesh	22	14	65
Karnataka	21	21	68
Madhya Pradesh	19	27	65
West Bengal	17	31	68
Telengana	15	33	70
Tamil Nadu	15	48	71
Rajasthan	14	24	71
Haryana	13	34	66
Andhra Pradesh	11	33	71
Maharashtra	8	45	63

Source: Census of India 2011/ CRISIL Report on Alcohol consumption

However, there are contradiction when we see that the least urbanized states like Assam (14%) and Odessa (16%) have earned 70% and 27% revenue respectively from excise duty on liquor during 2021-22. NFHS-5 found that rural India (19.9%) drinks more alcohol as compared to urban India (18.7%). When we correlate population of the states with percentage of population drinking alcohol, it is noticed that in less populated states more people are drinking alcohol and contributing in the state exchequer. There are factors other than urbanization and income which spur liquor consumption (Table 2)



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Table2 (% of Population Drinking Alcohol)

State	Population 2011 Crores	%of Population drinking alcohol
Uttar Pradesh	19.98	14
Maharashtra	11.24	44
West Bengal	9.13	11
Madhya Pradesh	7.27	49
Tamil Nadu	7.21	15
Andhra Pradesh	6.12	42
Rajasthan	6.86	47
Karnataka	6.11	11
Terengganu	3.52	43
Haryana	2.51	44

Source: Census of India 2011 /CRISIL Report on Alcohol consumption

4.0The Prohibition Policy: State Intervention for Societal Reforms

Prohibition experiments in the USA and in other countries have been a failure rather counterproductive. Post independence, with the exception of Gujarat no state in India had laws to ban sale of liquor. The saga of implementation and subsequently repellent of the prohibition laws by some states in India over the period shows a complete failure with irredeemable, irrecoverable and irreparable cost and loss to the respective state governments. The prohibition policies imposed by Madras and coastal Andhra Pradesh (1952), Andhra Pradesh (1954 and 1997), Haryana(1996), and Kerala(2014) were a complete failure and the same government repealed it .Manipur (2002), Mizoram(1954 AND 2014) and Nagaland(1990) toyed with the practice of prohibition but it only promoted illicit sale of liquor cross border and the promotion of indigenous liquor with huge revenue loss to the respective states.. The Bihar Prohibition Act (2016) has is a utter failures and the courts have taken a very serous not its harmful consequences particularly on the poor .

5.0. Agro Based Liquor Industry

Agriculture is the key source of cereals like millets (Rye and Bazaars), crops (Wheat, sugarcane and maize and fruits like grapes, apple pineapple and papayas which are used to prepare alcohol to be used in spirits, wine and beer. Liquor industry creates both forward and backward linkages with maximum total linkage. Backward Linkages concerned with creating opportunities in the precedig stages comprises cooperative cultivation of cerels and fruits, research and development centres and value addition ventures in the rural areas.Forward Linkage concerned with oppotunites at the succeesive stages comprises innovation in Manufacturing, packaging, pharmaceutical prepartion ,recycling and reuse ,fertilisers and Cattle feed from alcohol waste.

6.0 Rethinking on innovative Polices, Programs and Practices

Both civil socities and government need to collaborate to run such programem which deter the maases from its harmful consumption. Film industry and OTTplatform should be involved in making and showing doumentaries which warn and guide the masses on its irresposible consumptiops.There shuld be strict vigil and ban on suurogate advertisments and wilful promotion. Liquor companies shoud keep a part its profits to set up deaddiction centres and run such progrmmes which discourages the youth from its harmful consumption.Local authorities should keep a strict vigil on the illicit production or sale of spurios liquir. Innovativ policies on pricing, places of liquor shops and timing shall deter consumption. The onus lies on heath experts and biologist to develop alternative healthy drinks with least harm with active support from the government.



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Conclusion

The potential of agro based liquor industry in job creation and revenue generation should be leveraged with least adverse effects. The prohibition laws are counterproductive. The government agencies, civil societies and health experts need to collaborate to frame new guidelines and policies.

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