CHAPTER - I
INTRODUCTION

Introduction

Alcohol has figured in human affairs since the beginning of recorded history. It has been widely consumed since prehistoric times around the world. It is the oldest and most widely diffused intoxicating substance. Not only historical documentary evidence but also archaeological artifacts revealed that the use of alcoholic beverages has roots that go back to earliest stage of human civilization. Since fermentation is a natural process, it is scarcely surprising that the intoxicating properties of fermented grape and other fruit juices have been discovered in primitive societies. As per the written records available, it is clear that the production and consumption of alcohol were integrated into social and religious life among different communities at different parts of the world. Further alcohol has been playing a significant role in many cultures in Neolithic Era, Ancient Egypt, Ancient Greece, Ancient, Epic Medieval and Modern India. To the contrary, "Fermented dietary beverage.... was so common an element in the various cultures that it was taken for granted as one of the basic elements of survival and self- preservation" (Lucia, 1963b).

People are consuming some forms of alcoholic beverages for thousands of years in different cultures. The consumption of alcohol continues to be so widespread, and is so integrated into the culture that it develops naturally as culture which itself gradually changes (Heath, 1987). Nevertheless, there has been an increase in consumer choice in many countries in the past couple of centuries, with the introduction of varieties of branded products. All forms of alcoholic beverages are the drinks containing ethanol (commonly called alcohol). The beer, wine, and liquor are manufactured through fermentation, the natural process of decomposition of organic materials containing carbohydrates. The alcohol is also called ethanol or ethyl alcohol and is prepared by natural process of fermentation of fruits, grains, vegetables, plant matter, and even dairy products. Its three main classifications are wine, beer, and distilled spirits. Other classifications are related to culture, content, production method, and legality.
From ancient time alcohol has been playing an important role. Its importance as a part of religious rituals indicates that alcohol has long been recognized to be a special commodity and has been treated accordingly. The frequent mention of wine in the Bible and its central place in subsequent Christian practices contrasts with the asceticism of the warnings in the Koran. The prophet Mohammed banned it, to distinguish his followers from the Christians and the Jews. Alcohol remains prohibited by Muslim nations notably Islam, Buddhism, Sikhism, Jainism, the Bahá'í Faith, and in some sects of Fundamentalist Christianity, and Hinduism. Nevertheless, as in certain tribal groups in India alcoholic beverages are still considered as “gifts to humankind and, in turn, were reverently offered to the nature gods and other sacred powers” (Mohan and Sharma, 1995).

The word alcohol conjures up a plethora of images of gatherings, weddings, dancing and joyous special occasions. Alcoholic beverages have long served as thirst quenchers, as a component of the standard diet for hygienic or medical reasons, for its relaxants and euphoric effects, for recreational purposes, for artistic inspiration as aphrodisiacs, and for other reasons. The psychosocial benefits such as stress reduction; mood enhancement; cognitive performance; reduced clinical symptoms, primarily of depression; and improved functioning in the elderly are identified from alcohol consumption (Baum-Baicker’s, 1985). The effect of drinking small or moderate amounts of alcohol facilitates social contact and stimulates a collective feeling of well-being (Marshall, 1979). Today alcohol use appears to be controlled by culture, tradition, social pressure, and the economy. While alcohol has always been misused by a minority of drinkers, it has clearly proved to be beneficial to most. In the words of the founding Director of the National Institute on Alcohol Abuse and Alcoholism (NIAAA), "... alcohol has existed longer than all human memory. It has outlived generations, nations, epochs and ages.

The rich Indian culture and heritage is ever admired over the centuries and across the world. While traversing through the exotic saga it is deserved that alcohol has always been an integral element of all celebrations. Alcoholic beverages have been mentioned in ancient Indian literature (Chopra & Chopra, 1965; Prakash, 1961; Dikshitar, 1951; Charak Samhita, 1949). Even though alcohol still has a social taboo it is paradoxical that the liquor industry is growing rapidly in India. Like all businesses, the industry is facing teething troubles like poor storage and transport
facilities, lack of promotional activities and unfavorable rules for domestic marketing. However, displaying exceptional determination, the companies are growing from strength to strength, improving their product as well. As more and more Indians travel overseas for business and pleasure, adopt new lifestyle patterns. Domestic liquor consumption too has correspondingly increased. City dwellers still remain the major guzzlers, notwithstanding prices. Globalization has brought with it not just increasing prosperity, but a different drinking culture. Drinking alcohol as such may be common to all cultures across the globe but attitudes towards drinking differ. In Indian market most prominent segment of liquor consumed by the middle class people, is the Indian Made Foreign Liquor (IMFL). Indian Made Indian Liquor (IMIL) popularly known as Country Liquor is generally in the range of 25 per cent of total alcohol content is also available.

Indian society is currently undergoing another tectonic shift in its socio-economic fabric. The impact of globalization and economic liberalization appears to have influenced a widespread attitudinal shift to greater normalization of alcohol use. The local alcohol industry, quick to seize upon this emerging market, has introduced new products such as flavored and mild alcoholic products, aimed to recruit non-drinkers, targeted primarily at women and young men. The good GDP growth and rising incomes are allowing consumers to upgrade not just from country liquor to IMFL, but also to better brands. Consumers are moving from a saving mindset to a spending mindset. Even globally, liquor companies, hungry for new sources of growth in stagnating markets, are promoting new concoctions. Consumers’ changing preferences have also forced liquor companies to shore up innovative strategies and come out with better, more targeted products.

For many societies, the consumption of alcohol and its related outcomes are deeply embedded in cultural, economic, legal and health systems. In the states where alcohol is not prohibited, the production and sale of alcohol generate significant income to states and central government, income for producers, manufacturers and to those who operate licensed premises. It also generates huge employment opportunities. In India control over production, selling, distribution and pricing of alcoholic beverages lies with the state governments under section 47 of the Directive principles of the Indian Constitution. India is a federal nation, and like the U.S.A., the central government has empowered states to generate revenue and
control sales. Alcohol sale comes under this category. Each state therefore, determines its own excise policy which is declared annually as per budget provisions. Beverage alcohol has a well-established place in the global economy. The industry is usually defined in terms of a value chain centered on actual production of the alcoholic beverages. However, it has a wide variety of “backward” and “forward” linkages.

1.2. Significance of the Study

Indians are gradually emerging out of the cocoon of an orthodox and closed society to that of a more open and liberated one. Statistical data portrays that more and more people specifically the youngsters and women find drinking no more a taboo in India. Thus alcohol consumption has been steadily increasing in India and there are 62.5 million alcohol users estimated in India. The Indian population is growing and country has one of the youngest populations, with around 50 per cent citizens below 25 years. The young consumers are considered to be the major segment for all the alcoholic beverage companies. The Indian economy is expanding and the average personal wealth is increasing nationwide. With the booming economy and increasing consumption capability, there seems to be a clear trend that people prefer to drink better rather than to drink more. Due to its large population, increasing wealth and growing economy, India has been identified as the potentially third largest market for alcoholic beverages in the world which has attracted the attention of multinational liquor companies. An individual consumer now tends to choose a price, a color, a bottle, and a flavor of liquor to match his or her mood. This makes India an attractive business proposition for the liquor industry.

Changing social norms, urbanization, increased availability and relaxation of overseas trade rules along with poor level of awareness related to alcohol has contributed to increased alcohol use in India. A free media and increasing exposure to western influences have lifted the stigma off liquor consumption, while rising income is stoking the shift from country liquor to more refined varieties. Apparently, they have shifted to branded Indian alcoholic drinks and its share accounts for about 53 per cent of alcohol consumption while the rest is in the form of country liquor for last ten years. The easy accessibility of alcoholic products and advertising messages have indirectly tempted younger mass, and in turn, caused a few social and legal issues.
Thus, Indian Made Foreign Liquor has a steady demand with a growth rate of about 8-12 per cent per annum.

The current area of research is as important in Indian economy from economic, political, social and agricultural points of view as the importance of revenue generation, foreign exchange earnings, employment generation and spending on social welfare activities. The liquor industry generates huge employment opportunities directly by itself and indirectly in advertising, agriculture, capital equipment, packaging, distribution (Retail, wholesale, bar, club, hotel, restaurants and cafeteria), transportation and shipping etc. This makes India an attractive business proposition for the liquor industry. Rapid urbanization, increased consumerism and adoption of aristocratic lifestyle lead the growth in the IMFL segment. Taxes generated from alcohol production and sale is the major source of revenue in most of the states (Rs.25, 000 crore) and has been cited as a reason for permitting alcohol sale.

The current research topic “A study on Indian Made Foreign Liquor Market in Assam and its future prospects” is a new area of study. But the present study is an attempt to estimate the sales trend for Indian Made Foreign Liquor (IMFL) in Assam market. The state Assam is chosen as because Assam is the largest market in North East India in terms of volume, value, government revenue and per capita consumption of alcohol. It is surrounded by three prohibited states like Manipur, Mizoram and Nagaland and it is also bordering four wet states namely Arunachal Pradesh, Meghalaya, Tripura, West Bengal and two countries Bangladesh and Bhutan. The IMFL market of Assam is operated by private individuals, companies of national and international repute and also regulated and controlled by the state government. All the alcoholic beverages are produced inside the state through contract bottling arrangements and imported from the parent manufacturing companies from outside the state. The distribution of alcoholic beverages is made from individual and company owned license bonded warehouses to retailers, bars, clubs and restaurants whose licenses are owned privately. The alcoholic beverages are also supplied to canteen stores department (CSD) which is exclusively for defense personnel and also to para military units. In the recent past the state government has granted license to private individuals/companies for customs bonded warehouses for importing and selling international brands. Keeping in view of high market potential of IMFL and vast scope of revenue generation in Assam economy, the researcher has undertaken
the topic for its intensive study. This study would come out with some suggestions for strengthening state exchequer and controlling illegal sale of alcohol beverages.

1.3. Objectives

In view of the importance of the study, the following objectives have been set for analysis.

1. To study the Indian made foreign liquor (IMFL) market and per capita consumption of IMFL in Assam.
2. To forecast the possible sales of IMFL in Assam for the coming years.
3. To project the possible revenue collection of the state government from the sale of IMFL for future.
4. To study whether the state government has played any role in increasing the sales of IMFL or excise revenue collection in last two decades.
5. To examine the relationship between the price and consumption of IMFL in Assam.
6. To study the consumption pattern of alcohol beverages in rural as well as urban areas.
7. To analyze the attitude of alcohol consumers towards alcohol related promotional schemes and taxes.

1.4. Hypotheses

In view of the above mentioned objectives of the study the following hypotheses are formulated for testing and drawing inferences on the objectives.

H.1. There is no growth of IMFL market in Assam.

H.2. The growth of sales revenue from IMFL is not significant in the state of Assam.

H.3. The state government has not played any role in increasing the sales of IMFL in the state.

H.4. Higher price of alcohol beverages has significant role in reducing alcohol consumption.

H.5. The high tax regime is not an effective deterrent to keep away the first timer and to reduce the frequency of alcohol drinking.
H.6. Various sales promotion schemes/advertisement policies adopted by beverage companies have little role in attracting youths to IMFL market.

H.7. Drinking propensity and alcohol consumption pattern of people has no relation with the changes of their income.

1.5. Methodology

The present work is basically a descriptive one. To meet the objectives of this study, literature on the related topics at national and international level is comprehensively reviewed. The study is based prominently on primary data and also supplemented by secondary data. However, the researcher has depended mostly on secondary data for examining the future trend of alcohol consumption, revenue generation, sales of alcoholic beverages in value and quantity terms and also per capita consumption in the state. Secondary data has been collected from the “Assam Budget In Brief” published by Directorate of Economics and Statistics, Government of Assam, Commissioner of Excise, Government of Assam and Director Census, Assam.

The primary data is collected through field survey by interview method. For data collection well structured schedules have been designed keeping in view the objectives of the study. The target respondents are the customers consuming alcoholic beverages, people employed in bars, restaurants, hospitality industry and owners, people employed in alcoholic beverage manufacturer or bottler, people working with importer, distributor retailer of alcoholic beverages and owners and the expert people of industries. Total 987 respondents from above mentioned sections have been selected for collecting information. The respondents are selected through random sampling method across the state. To increase the quality of responses from key informants, the researcher guaranteed them anonymity and confidentiality in the analysis and reportage of the results. The information and data collected have been processed and presented in tabular forms for empirical analysis. Further, some statistical research tools like regression, time series analysis, T-tests and Chi-square test for testing of hypotheses are used for drawing inferences.
1.6. Scope of the Study

The Indian alcoholic beverage market has been growing rapidly for the last ten years, due to the positive impact of demographic trends and changes like rising income level, changing age profile, changing lifestyles and reduction in beverage prices. Assam is considered to be a lucrative unexplored destination for alcoholic drinks by several national and international companies operating in saturated alcoholic beverages markets of Europe and the US. The scopes of the study are as follows:-

- This study opens up many opportunities for future research; the first of which is to undertake the study in other parts of India with larger and random samples.
- The additional questions to the current survey items on brand, preferred tastes and pricing preferences would be useful in future research.
- As the alcohol market is expanding notwithstanding the adverse health effect, high tax regime and higher prices in all most every country and state, there is huge scope for assessing market potential of alcoholic beverages.
- Faster economic growth of India, increasing per capita income of the common people and more percentage of youths in the state demography may widen the area of study on the present research topic.

1.7. Limitations of the Study.

In view of the time and resource constraints of the scholar, the present study has certain limitations. These are:

- The research work is limited and confined to the state of Assam only, though the state has the maximum sale of IMFL in volume, value and generates the highest revenue among the North Eastern States.
- A sample size of 987 is a very small fragment of the entire population of the state.
- It is very difficult to collect data related to alcohol production, sales and consumption and to compile for the state, as these are not centrally collated.
1.8. Chapterization

The effectiveness of a research work primarily depends on the systematic presentation of research report. Thus, the report of the present research work entitled “A study on Indian made foreign liquor market in Assam and its future prospects” has been designed as below.

Chapter - I “Introduction” highlights the introductory part of the research work, significance of the study, objectives, hypotheses, methodology, scope and limitation of the study and research plan or chapterization.

The brief review of literature relating to the present study is presented in Chapter-II.

An analytical study on “Alcoholic Beverages and its Economic Contribution” is given in Chapter – III. The historical background, types of alcoholic beverages, current scene, setting of use, taxation, the economic significance of the beverage alcohol industry, state monopolies and licensing system, current pattern and trends of alcohol use are discussed in this chapter.

Chapter – IV deals with the “Alcoholic Beverages Market in India”.

The IMFL market of Assam is discussed in Chapter-V “Indian Made Foreign Liquor Market in Assam”.

An empirical study on “Consumption Pattern of IMFL and its Market in Assam” is presented in Chapter-VI.

Chapter-VIII “Conclusion” contains the summary of the findings and suggestions.

References


