CHAPTER - VII
CONCLUSION

Alcoholic beverages are valuable commodity and prominent item of trade. India has a well developed liquor industry since the last part of the 19th century. It includes different brands of whisky, brandy, rum, gin, vodka, beer and wine. While the beer and liquor market continuous to grow at an impressive rate, the production and distribution of spirits spread slowly. Alcoholic beverages are mature products that make lots of money. Rapid changes in technology, over production, shortened product life cycles, increased competition and globalization have contributed hugely for its market not only in the country but also in the north eastern region of the country. The liquor industry of Assam has registered manifold growth in the recent years. The state offers unlimited prospects when we consider the future growth of IMFL in both urban and rural areas. Apart from consumers, the state government and companies are effectively addressing the issues of the distributors, retailers for getting new consumers and thus revenues.

7.1. Summary

The economy of Assam is a fund scarce economy. But the central government provides massive assistance for overall development of the state. The state government also generates substantial amount of revenue which is spent for economic growth and development of the state. Alcohol, an important industry in Assam, contributes a large amount of revenue for the government. It is seen from the study that the liquor industry is the second highest contributor of revenue to the state exchequer. It has been estimated that direct collection of excise taxes on alcoholic beverages are Rs.503.35 crore in 2011-12. Given this growth potential not only the Indian companies, but the multinational players are also gearing up to expand business in Assam. Interestingly the strategy of increasing import fee and liberal license fees seems to be encouraging the growth in manufacturing facilities and bottling through acquisitions within the state.

In addition, the industry is contributing hugely by promoting entertainment, travel, tourism, and sports, all of which are independently taxed at high level. It is also a source of employment, and large numbers of people are engaged in the production and sale of alcoholic beverages in Assam. During the last decade Assam has seen
major changes in the sale of wide range of alcohol products, the alcohol content of drinks, the size of the alcohol containers for sale and the places where alcohol is sold. In other words, significant increase in the availability of alcohol and access to alcohol has occurred. Furthermore the access to alcohol has become easier because of more number of alcohol outlets. Emerging trends point towards cautious optimism in the industry because on the one hand there is a greater possibility of expansion of IMFL industry in future on the other hand there may be a risk of changes in state regulations.

A number of research studies during last two decades have brought some robust findings regarding the effectiveness of different alcohol policies around the world. The present study has focused on summarizing current understanding and provided additional analysis relevant to the Indian situation that can help in decision-making specifically around the pricing, taxation of alcoholic beverages and their influence on alcohol consumption. The alcohol consumption is rising with income, alcohol advertisements and promotions. Although there are various other policy options, this study has concluded that price has a much greater influence on alcohol consumption. There is strong and consistent evidence to suggest that taxation or price increases have a significant effect in reducing demand for alcohol and its consumption.

The previous studies show that alcohol consumption rises with the increase of real disposable income indicating that alcohol is a normal good. The present study also supports the findings of previous studies. The findings from the analysis of data obtained from our field survey are consistent with the previous research works in the alcohol field demonstrating the negative relationship between price and consumption and positive relationship between income and consumption of alcoholic beverages. The consumption pattern is described with the initiation age, types of beverages consumed, frequency of drinking and pattern of use of alcoholic beverages in the state. There is an increase in the early age of initiation and around 89 per cent people consume alcoholic beverages at below 25 years of age. The most preferred alcoholic beverage is IMFL and followed by beer in the state. It is found that around 27 per cent respondents’ drink almost daily and around 54 per cent drinkers take 3 to 4 drinks at a time in the state. The per capita consumption of IMFL in the state is more than that of national average. The Assam’s organized alcoholic beverages industry is expected
to report high volume growth for the next few years. Growing volumes, higher bargaining power and gradual consumer up-gradation would boost the government revenue for coming years.

7.2. Findings

The major findings of this research work are as below.

- The sale of alcoholic beverages has been increasing continuously and also there is an increase in the consumption of IMFL, beer as well as the country liquor.
- The alcoholic beverage trade is the second highest contributor of tax revenue to the state exchequer.
- The recorded per capita annual consumption of alcoholic beverages in the state is 5.66 Bulk liters out of which IMFL is 4.11 Bulk liters, beer is 1.04 Bulk liters and the country liquor is 0.51 Bulk liters in the state.
- The consumption of alcoholic beverages is sensitive to price and tax rate. High tax rate on alcoholic beverages discourages alcohol consumption and also reduces frequency of drinking.
- Increasing alcoholic beverages availability and accessibility increase sales volume of alcoholic beverages, revenue generation to the state exchequer and aggregate alcohol consumption in the state.
- Alcoholic beverages promotional schemes and advertising increases alcohol consumption and attract more young people for consuming alcoholic beverages.
- The majority of drinking population prefers Indian made foreign liquor as their first choice.
- The per capita consumption of alcoholic beverages of the state is 5.66 Bulk Litres which is more than the national average (0.75 Bulk Litres).
7.3. Suggestions

In view of the findings of the present research work the following points are suggested for policy implications.

- Alcoholic beverages are an important source of revenue for governments, and hence, targeted sales volume and tax revenue may be fixed for all segments of liquor by the excise authorities of government of Assam.
- Governments should, however, collect the duties and taxes at the first point of sale (Import and export) to prevent evasion of duties and taxes.
- The state government should abolish the present system of no tax paid imports to various Bonded Ware Houses of the state and introduce the tax paid system, so that no spilling of stocks from Bonded Ware Houses to retail outlets would be possible. Because this practice is very common under present system which causes loss of revenue to state exchequer.
- The state government should stop supplies to private Para Military Bonded Ware Houses of dry states because those stocks are intended for illegal sale.
- There is an existence of substantial grey or black market for alcohol complicates policy considerations on alcohol taxes. In such circumstances, it may be suggested to bring tax changes along with the efforts to bring the black or grey market under effective government control.
- Strict enforcement of minimum legal drinking age (MLDA), sales to minors, disengagement of minors and intoxicated persons in liquor trade should be followed.
- The state government should ensure no production, distribution and sale of "spurious", "seconds" and "thirds" type of alcoholic beverages in the state by enacting and enforcing stricter law and tougher sanctions for lawbreakers.
- In establishing alcohol policies, governments should weigh commercial freedoms and consumers’ rights of access to a product against protecting their citizens. This includes determining levels of taxation that do not impose an undue burden on consumers and restrict their choices, penalize producers by restricting fair trade practices.
- A “Model Excise Policy” should ensure that the objectives of minimization of consumption and maximization of revenue are achieved without putting unreasonable restrictions on the individual’s freedom of choice and
unreasonable high taxation. Raising rates beyond the threshold, instead of generating higher revenue and discouraging consumption, would lead to evasion of taxes, smuggling and illicit distillation. Efforts should be made to rationalize tax and policy regimes so as to plug leakages and realize full revenue due to the state for genuine and responsible drinking.

7.4. Conclusion

India is one of the major producers of alcoholic beverages in the world, despite being a marginal consumer in terms of per capita consumption. The levels of alcohol consumption is a function of both demand and supply (availability). In their various forms, the imposition of regulations and restrictions of economic and physical nature are a common means by which government authorities have attempted to achieve balance between supply and consumption. There are wide range of ways through which regulatory controls are used to check alcohol consumption. Controlling prices; imposition of alcohol taxes and levies; limits on numbers, types and trading hours of outlets; controls on the types of alcoholic beverages sold, responsible beverage service requirements; and, government control of liquor outlets are some measures to alcohol market. Indian Made Foreign Liquor (IMFL) is in a strong position in the alcoholic beverage industry in India due to a host of macro enablers working in its favor. The industry stands out in the world for its stellar growth over the past few years and grew at a CAGR (Compounded Annual Growth Rate) of 15 per cent in value terms over the past five years despite strong regulatory barriers. The liquor industry comes under the purview of state laws. stringent regulations related to licensing for alcohol units, the interstate movement of alcohol, retail distribution and strictly governed price hikes create a strong disincentive for new players and large units. The state government as a price regulator with its own conflict of interest between generating more revenue, protecting the local industry and acting as a social responsible body should handle the alcohol beverage market very cautiously and efficiently keeping both mutually contrast interest in view. Then there is the competing country liquor market dealt strictly by the state government and has officially been dismantled in many states through a ban on manufacturing and selling of these potentially lethal products.