

Does Western Odisha Underutilize Its Excise Duty Collection Potential?

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Abstracts

The present piece of work tries to show the trend and pattern of state excise duty collection of Odisha in comparison to Madhya Pradesh, Chhattisgarh. Moreover, the district wise collection of state excise duty from western part of Odisha has been compared. An interstate comparison of state excise duty collection shows that the state excise duty collection potential in Odisha has remained under-utilized while the collection of the same from the states who partakes common socio-economic characteristics i.e., Madhya Pradesh and Chhattisgarh in particular are quite high. Surprisingly, the newly constituted districts in western Odisha collect considerably less state excise duty than the other districts in the region. Though the flux of state excise duty collection from Western Odisha seems to be very lucrative, the prospects of state excise duty collection from the same is being sabotaged.

Keywords: *Own Tax Revenue, teetotalism, liquor prohibition, district excise duty, percapita excise duty*

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I. Introduction:

Insistence for liquor prohibition has become a new populist policy in North Indian politics, undermining the criticality of state excise duty in the own tax revenue generation of a state. The credulous citizens too exalt the demand of the activists to emancipate the society from the ill effects of alcohol. The state excise on alcoholic beverages is often between 20 and 25 percent of state income, which is a sizeable amount for a state. Temperance activists, Gandhian nationalists and medical authorities critiqued government revenue extraction from consumable liquors and advocated either partial or total prohibition (Bhattacharya, 2017)there by underreckoning the important source of tax revenue. Sticking firm to the preaching of M.K Gandhi certain state governments in rule too exalt liquor prohibition to be an effective tool to eradicate penury and violence from society.

Sustainable growth is fundamentally dependent on taxation. It promotes an effective state's fundamental purpose. Additionally, it serves as a catalyst for more receptive and responsible governments and for increasing the state's budgetary capabilities(T. K. Das, 2014). Among the various sources of own tax revenue of state governments in India, a significant few are Sales Tax, Entry Tax, Entertainment Tax, Luxury Tax, Value Added Tax (VAT), Professional Tax, State Excise Duty, Land Revenue, Motor Vehicle Tax, Registration Fees and Stamp Duty, Electricity Duty, revenue from Forestry and wild life, and revenues and royalty from Mines.

The present piece of work aims to assess western Odisha's potential for earning from the state excise duty, the share western Odisha makes in the State Excise Duty collection of Odisha and the contribution of western Odisha's excise Duty to the Gross State Domestic Product of Odisha and finally a comparative analysis of the collection of SED in Madhya Pradesh, Chhattisgarh, Odisha and western Odisha in order to study whether the effort of western Odisha to emulate with the newly created states of India is justified.

II. Literature Review

In India, the state excise duty is a major source of revenue of state governments. The major part of state excise revenue of state government is derived from various types of alcoholic beverages like country spirit, country fermented liquors, malt liquor and Indian Made Foreign Liquor and spirits (Abraham, 1995). State governments having jurisdiction to tax on alcoholic beverages and consumable spirits, the tax rate differs from one state to the other. Each state has a distinct system for taxing alcoholic beverages that is established and controlled by that jurisdiction. The guiding concepts used to determine tax rates vary substantially amongst states. In certain states, the excise taxes are based on the overall amount of alcohol sold, and in others, the rates

are determined by the amount of alcohol in the drink. Most significantly, it is fundamentally difficult to arrive at a nationally representative pricing for alcohol due to the lack of homogeneity in statistics across various jurisdictions. (Gupta et al., 2022). Alcohol preference pattern in India has changed dramatically over the years. Although the documented alcohol consumption per capita has decreased since 1980 in the majority of affluent nations, it has gradually increased in emerging nations, especially India, where it has increased dramatically. Adults in India over the age of 15 consumed more alcohol on a per capita basis between 1970–1972 and 1994–1996. This increase was 106.7%. India's drinking habits have shifted from ceremonial and infrequent use to social use. Nowadays, becoming intoxicated is the usual goal of drinking alcohol. (S. Das et al., 2006).

The incidence of current alcohol usage ranged from a low of 7% in Gujarat, a state that is ostensibly under prohibition, to 75% in Arunachal Pradesh, a state in the northeast. (Benegal, 2005). According to a WHO estimate, beer accounts for around 7% of India's overall alcohol consumption, while spirits make for about 93%. Only 7% and wine around 1% (Poduthase & Vellappally, 2016). The socioeconomic level and beverage preference were significantly correlated. It seems sense that individuals with lesser socioeconomic class would choose to drink rural liquor, which is less expensive, over those with better status. (Varma et al., 1980). Hence factors affecting type of alcohol preference other than income are education and urbanization. Since alcohol is a key source of tax income, many states are unwilling to lessen their reliance on it for resource mobilization. Certain states like Andhra Pradesh and Tamil Nadu have only partial prohibition since prohibition is confined to only certain specific types of alcohol, i.e., country spirit and the loss of excise revenue from country spirit on account of prohibition is offset through higher tax revenue on other types of liquor like Indian Made Foreign Liquor (Abraham, 1995). Various state governments in India have tried out liquor prohibition and their efforts have been proved to be futile in the past.

The Practice of teetotalism in Indian states

Maharashtra had chosen teetotalism in the past. Likewise, from 1948 until 1971, the whole of Tamil Nadu was under prohibition (Reddy et al., 1993). Several other states like Andhra Pradesh, Haryana, Kerala, Manipur and Mizoram have already experimented with the liquor prohibition and repealed the prohibition claiming it to be not feasible citing the issue of leakages within and across the borders. It is evident that the exchequers of the states who have had opted for the liquor ban incurred heavy losses and also witnessed a fall in tourism. Alcohol prohibition in a society may necessarily have certain positive outcomes as has been witnessed in the states who have opted prohibition like within a year of prohibition, the number of murders and gang robberies decreased, the number of riots fell and traffic accidents were reduced in the states who have had opted prohibition. States like Bihar, Gujarat, Mizoram and Nagaland who are currently in the practice of alcohol prohibition have witnessed decrease in the number of crimes and traffic accidents. The socio-economic conditions of the people living in the states have improved as indicated by the rise in the use of two wheeled vehicles, electrical appliances and increase in sales of milk and cheese. Keeping all these reasons in view, the civil societies backed by women and pro-religious organizations in India have been demanding for the alcohol prohibition in their respective states. Keeping aside the ill-effects of alcohol on public health, economy and on the society, the revenue it generates is quite significant.

In addition, Gandhi's focus on abstinence and the religious tenets of Hinduism led to the constitution of India firmly supporting prohibition policy. However, state governments have complete power over alcohol laws, state excise taxes, and the administration of both alcohol prohibition and sales. As a result, there is a lot of variety in how the ban policy is implemented between states and over time within states. (Rahman, 2003).

There are three sorts of prohibition policies: total ban of production and use; partial prohibition, in which one or more types of liquor are outlawed; and dry days, in which consumption is restricted on specific days of the week or month. (Rahman, 2003).

In India several states from North and North East India have adopted complete prohibition of production and consumption while some states like Andhra Pradesh and Tamil Nadu follows partial ban and the rest of the states observe certain days of the year as dry days.

The share of excise duty in total own tax revenue of a state is preeminent, majority of states are therefore hesitant to become teetotaler. Certain states like Andhra Pradesh and Tamil Nadu have only partial prohibition since prohibition is confined to only certain specific types of alcohol, i.e., country spirit and the loss of excise revenue from country spirit on account of prohibition is offset through higher tax revenue on other types of liquor like Indian Made Foreign Liquor (Abraham, 1995).

III. Results and Discussions

An Analysis of Inter Districts Excise duty of Odisha

For sustaining the progress of any state, the sources of revenue play a role of utmost significance and when there is the prevalence of regional inequality then its role becomes even crucial. The share of State Excise Duty in states' own tax revenue is dominant and has become a matter of debate when there is an ongoing

demand to create a separate state called “Koshal” by bifurcating Odisha into western Odisha and the rest of Odisha. At this juncture the assessment of the role of Excise Duty to the imagined state of “western Odisha”/ “Koshal” is inevitable.

Excise Duty is a consumption-based indirect source of tax revenue to the state government which is levied on a certain category of products and services like alcohol, tobacco products and petroleum. The government of India does not impose any kind of GST on alcohol, but the tax on the production of liquor and materials of alcohol is given 18% to 28% excise duty for the government. Maximum amount of money received by the alcohol products so, government promotes the alcohol industries (Suryavanshi, 2020). The tax burden is passed on to the consumers buying these goods and services, making this of an indirect nature.

The importance of State Excise Duty in state government budgets appears to vary greatly. It has long been a significant source of income for various states, including Punjab, Maharashtra, Uttar Pradesh, Tamil Nadu, Andhra Pradesh, Delhi, and Haryana. States such as Rajasthan, Kerala, Karnataka, and Madhya Pradesh have taken different initiatives to improve collection from this source and have been successful. The roles of this responsibility have not improved significantly in Odisha and West Bengal. Haryana, Andhra Pradesh, and Odisha are the three states that tried prohibition for a short time but were unable to regulate illegal liquor sales and reverted to the excise control mechanism (Patro, 2009).

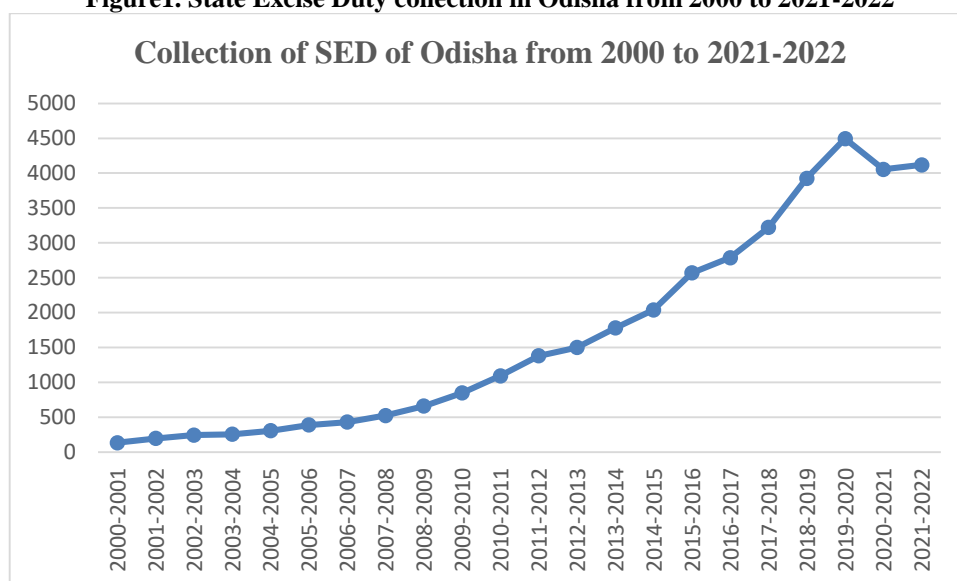
Table 1: State Excise Duty collection in Odisha from 2000 to 2021-2022

Sr.No	Year	Collection of SED (₹ in Crore)	% Change
1	2000-2001	135.35	—
2	2001-2002	197.35	45.80
3	2002-2003	246.05	24.67
4	2003-2004	256.69	4.32
5	2004-2005	306.61	19.45
6	2005-2006	389.2	26.94
7	2006-2007	430.12	10.52
8	2007-2008	524.83	22.01
9	2008-2009	660.04	25.76
10	2009-2010	848.96	28.62
11	2010-2011	1094.38	28.90
12	2011-2012	1379.91	26.09
13	2012-2013	1499.9	8.67
14	2013-2014	1780.29	18.69
15	2014-2015	2038.79	14.52
16	2015-2016	2568.68	25.99
17	2016-2017	2786.23	8.47
18	2017-2018	3221.03	15.60
19	2018-2019	3925.41	21.87
20	2019-2020	4495.52	14.52
21	2020-2021	4053.51	-9.84
22	2021-2022	4117.51	1.58

Source: Office of the Excise Commissioner, Govt. of Odisha

Table.1 and the trend line following it represent the state excise duty collection of Odisha and its percentage change from the year 2000-01 to 2021-22. Though the state excise duty collection from Odisha is relatively less in comparison to other states, in the past two decades the state excise duty collection in Odisha has increased many folds i.e., from ₹135.35 crore in 2000-01 to ₹1094.38 crore in 2010-11 and it further surged to ₹4117.51 crore in the year 2021-22. In the last two decades the state excise duty collection in Odisha has been showing a continuous and consistently increasing trend though the potential of state excise duty collection has remained underutilized.

Figure1. State Excise Duty collection in Odisha from 2000 to 2021-2022



Source: Office of the Excise Commissioner, Government of Odisha

Collection of state excise duty from Western Odisha

Western Odisha comprises ten districts of Odisha namely, Sambalpur, Bargarh, Balangir, Subarnapur, Boudh, Deogarh, Jharsuguda, Sundargarh, Nuapada, Kalahandi and one block namely Athmallik of Angul District. The Excise Duty collection from western Odisha has contributed substantially to the total state excise duty collection in Odisha. The district wise state excise duty collection from western Odisha has been shown in the figure below.

Figure 2: Collection Of Excise Revenue From Western Odisha

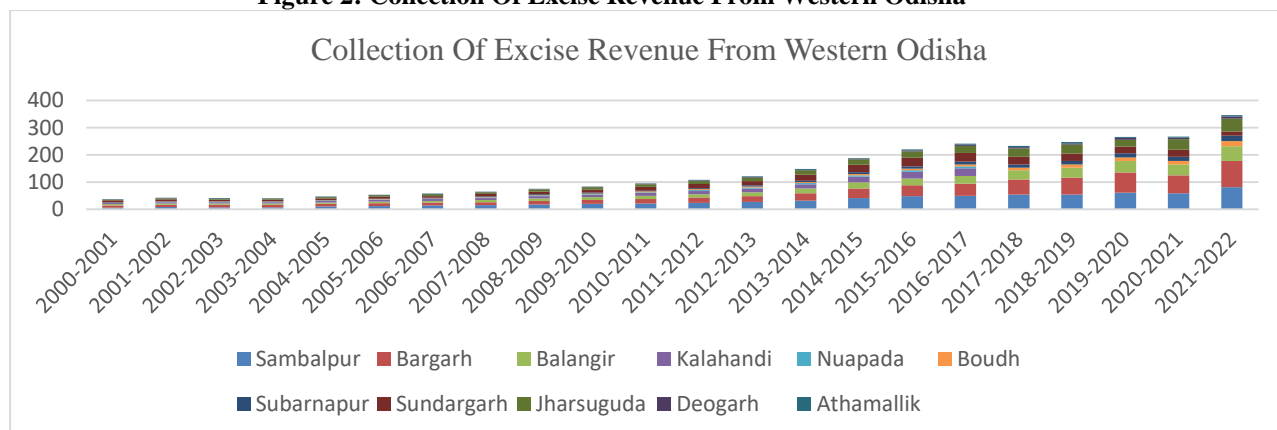


Table 2: Collection of Excise Revenue from Western Odisha (Amount in crore)

Sr. No	Year	Sambalpur	Bargarh	Balangir	Kalahandi	Nuapada	Boudh	Subarnapur	Sundargarh	Jharsuguda	Deogarh	Athamallik	Total	% Change
1	2000-2001	5.97	8.4	4.48	4.3	0.94	0.98	1.14	6.25	3.25	0.68	1.2	37.59	-
2	2001-2002	7.9	8.81	4.98	3.82	1.11	1.35	1.63	6.53	4.32	0.37	1.17	41.99	11.70%
3	2002-2003	7.56	8.96	4.75	4.44	1.34	1.33	1.53	5.43	3.56	0.5	1.35	40.75	-2.95%

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4	2003-2004	7.09	9.13	4.7	4.56	1.43	1.37	1.65	5.33	3.55	0.66	1.44	40.91	0.39%
5	2004-2005	10.04	9.4	5.47	5.34	1.34	1.03	1.78	5.46	5.19	0.72	1.45	47.22	15.42%
6	2005-2006	12.19	10.32	6.29	5.96	1.52	1.04	2.06	6.06	5.93	0.82	1.07	53.26	12.79%
7	2006-2007	13.75	10.54	6.69	6.14	1.73	1.69	2.04	6.16	6.08	0.87	1.41	57.1	7.20%
8	2007-2008	14.78	11.59	7.85	7.06	1.77	1.85	2.26	8.87	6.73	1.06	1.03	64.85	13.57%
9	2008-2009	17.84	12.91	9.65	7.73	2.01	2.1	2.58	10.12	7.56	1.17	1.15	74.82	15.37%
10	2009-2010	19.51	14.5	10.25	8.84	2.21	2.41	2.99	11.32	8.68	1.34	1.38	83.43	11.50%
11	2010-2011	21.38	16.67	11.65	10.42	2.45	2.83	3.03	13.36	10.46	1.67	1.66	95.58	14.56%
12	2011-2012	24.04	19.39	12.08	11.81	2.99	3.22	3.94	15.37	11.19	1.91	1.93	107.87	12.85%
13	2012-2013	27.53	21.27	13.94	13.31	3.42	3.82	4.48	15.82	13.38	2.06	2.14	121.17	12.32%
14	2013-2014	31.79	27.34	17.38	15.56	3.84	3.94	5.23	22.16	15.77	2.2	2.57	147.78	21.96%
15	2014-2015	41.33	35.62	22.28	20.77	4.31	5.2	6.82	27.56	19.84	2.08	2.51	188.32	27.43%
16	2015-2016	48.15	39.6	25.44	24.55	5.28	6.49	8.23	31.06	24.6	3.01	3.23	219.64	16.63%
17	2016-2017	49.09	45.58	27.22	29.08	6.36	7.57	9.81	32.01	26.25	4.32	4.29	241.58	9.98%
18	2017-2018	53.76	55.95	34.14	36.4	NA	8.75	11.46	28.58	31.35	4.59	4.64	269.62	0.11%
19	2018-2019	53.66	62.43	36.32	35.85	NA	12.58	12.25	27.18	33.01	5.2	4.2	282.68	4.84%
20	2019-2020	61.22	73.59	42.66	43.09	NA	13.42	15.13	23.9	25.78	6.4	3.69	308.88	9.26%
21	2020-2021	58.56	66.32	39.78	43.93	NA	13.1	15	25.75	39.32	5.65	3.51	310.92	0.66%

22	2021-2022	80.72	96.6	54.47	53.13	NA	18.74	19.35	15.46	47.27	8.31	4.32	398.37	28.12%
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Source: Offices of the Excise Superintendents of concerned districts in western Odisha

Note: Information relating to State Excise Duty collection of Nuapada district since the year 2017 is not available in the Office.

The twenty years' average district wise data shows average state excise duty collection from Sambalpur district in western Odisha is highest followed by Bargarh District. Deogarh district is the lowest contributor in terms of the state excise duty collection from western Odisha. The collection of state excise duty from newly created districts like Nuapada, Boudh, Subarnapur and Deogarh have been very low in comparison to rest of the districts of western Odisha.

Total collection of state excise duty from western Odisha in the year 2000-01 was ₹37.59crore which increased to ₹95.58crore in the year 2010-11 and again to ₹398.37 crore in the year 2021-22. If an inter-district comparative analysis of earnings of excise duty from western Odisha is made then Sambalpur district contributes the highest amongst the ten districts of western Odisha followed by Bargarh and Balangir while Jharsuguda is the fourth largest contributor in terms of excise duty collection and Deogarh is the least scorer amongst the districts in western Odisha.

Figure 3: Districts wise Percapita ED of 2001, 2011 and 2021

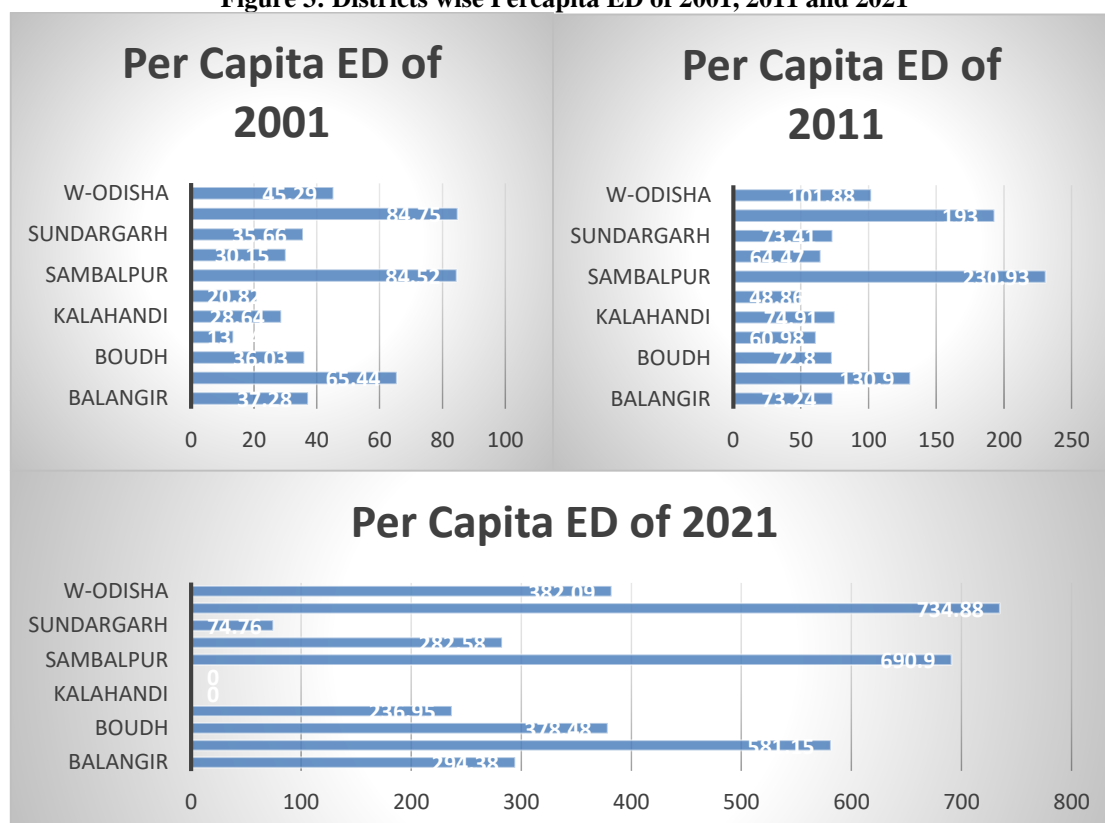


Table 3: District wise percapita Collection of Excise Duty in Western Odisha

Sr.No	District	2001			2011			2021		
		Population	Collection	Per Capita ED	Population	Collection	Per Capita ED	Population	Collection	Per Capita ED
1	Balangir	1337194	49839680	37.28	1648997	120761185	73.24	1850340	544697918	294.38
2	Bargarh	1346336	88106906	65.44	1481255	193887003	130.9	1662116	965950612	581.15
3	Boudh	373372	13453540	36.03	441162	32118267	72.8	495028	187363091	378.48
4	Deogarh	274108	3686659	13.44	312520	19057283	60.98	350679	83096378	236.95
5	Kalahandi	1335494	38237093	28.64	1576869	118124961	74.91	1750325	531280074	303.53
6	Nuapada	530690	11050594	20.82	610382	29819542	48.86	NA	0	NA
7	Sambalpur	935613	79081609	84.52	1041099	240419451	230.93	1168217	807132681	690.9
8	Subarnapur	541835	16332740	30.15	610183	39336564	64.47	684686	193482942	282.58
9	Sundargarh	1830673	65280861	35.66	2093437	153698295	73.41	2067639	154595423	74.76
10	Jharsuguda	509716	43201390	84.75	579505	111901749	193	643251	472718040	734.88
11	W-Odisha	9015031	408271072	45.29	10395409	1059124300	101.88	10672281	3940317159	369.21

Source: Offices of the Excise Superintendents of concerned districts in western Odisha

If a micro analysis of the district wise SED collection from western Odisha is done then in the year 2001 Bargarh district earns the highest SED i.e., ₹881.07 lakh followed by the districts of Sambalpur and Sundargarh i.e., ₹790.82 lakh and ₹652.82 lakh respectively. In the year 2011-2012, just after a decade, SED collection from Sambalpur district was highest i.e., ₹2404.19 lakh followed by the districts of Bargarh and Sundargarh from where the collection of the same was ₹1938.87 lakh and ₹1536.98 lakh respectively. In the year 2021, SED collection from Bargarh district was ₹9659.51 lakh which was highest in Western Odisha while, the districts of Sambalpur and Balangir become second and third highest earner of state excise duty in Western Odisha respectively. In per-capita terms, in the year 2001 Jharsuguda's SED collection was highest at ₹84.75 which was slightly above the excise duty collection of Sambalpur district. Likewise, the per-capita SED collection from Sambalpur district was highest in 2011 and in the year 2021 Jharsuguda district earns the highest per-capita state excise duty.

SED collection from Odisha and Western Odisha.

**Table.4: Western Odisha's share in Odisha's total state excise duty collection
Amount in Crores**

Sr.No	Year	ED collection from Western Odisha	ED collection from rest of Odisha	ED collection from Odisha
1	2000-2001	37.59	97.76	135.35
2	2001-2002	41.99	155.36	197.37
3	2002-2003	40.75	205.3	246.05
4	2003-2004	40.91	215.78	256.69
5	2004-2005	47.22	259.39	306.61
6	2005-2006	53.26	335.94	389.2
7	2006-2007	57.1	373.02	430.12
8	2007-2008	64.85	459.98	524.83
9	2008-2009	74.82	585.22	660.04
10	2009-2010	83.43	765.53	848.96
11	2010-2011	95.58	998.8	1094.38
12	2011-2012	107.87	1272.04	1379.91
13	2012-2013	121.17	1378.73	1499.9
14	2013-2014	147.78	1632.51	1780.29
15	2014-2015	188.32	1850.47	2038.79
16	2015-2016	219.64	2349.04	2568.68
18	2016-2017	241.58	2544.65	2786.23
19	2017-2018	269.62	2951.41	3221.03
20	2018-2019	282.68	3642.73	3925.41
21	2019-2020	308.88	4186.64	4495.52
22	2020-2021	310.92	3742.59	4053.51
23	2021-2022	398.37	3719.14	4117.51

Source: (1) Office of the Excise Commissioner, Bhubaneswar, Govt. of Odisha (2) Offices of the Excise Superintendents of concerned districts in western Odisha.

*Since the information relating to the SED collection from Nuapada district is unavailable in the office concerned, Nuapada has been deliberately excluded in the calculation of SED from western Odisha in the post 2017 period.

Though state excise duty collection since the year 2000 increased many folds especially in post 2010 period, the share of Western Odisha to the total state excise duty collection from Odisha in terms of percentage has been declining i.e., from 27.78% in the year 2000 to 8.67% in the year 2016-17 though slightly improved in the year 2021-2022 i.e. to 9.67%.

The state excise duty collection in Odisha has increased many a times over the years and so has the per-capita state excise duty collection as has been represented by the table 4.

Table 5: Odisha’s per-capita state excise duty collection

SI No	Year	Odisha's Excise Duty Collection	Population	Per Capita Excise Duty
1	1991	550000000	31659736	17.38
2	2001	1353500000	36804660	36.76
3	2011	13799100000	41974218	328.76
4	2012	14999000000	42559561	352.42
5	2013	17802900000	43141196	412.66
6	2014	20387900000	43718988	466.33
7	2015	25686800000	44292808	579.93
8	2016	27862300000	44862533	621.06
9	2017	32210300000	45428045	709.03
10	2018	39254100000	45989232	853.54
11	2019	44955200000	46545990	965.82
12	2020	40535100000	47098218	860.65
13	2021	41175100000	47645822	864.19

Source: (1) Census, 2011. (2) Office of the Excise Commissioner, Govt. of Odisha

As we can infer from the Table 1.4, the per-capita state excise duty collection in Odisha was ₹17.38 in the year 1991 and it increased to ₹36.76 in the year 2001 and within a decade it surged to a high ₹328.76 in the year 2011 and again to an all-time high ₹864.19 per-capita in the year 2021-2022.

Figure 4: Odisha’s per-capita state excise duty collection

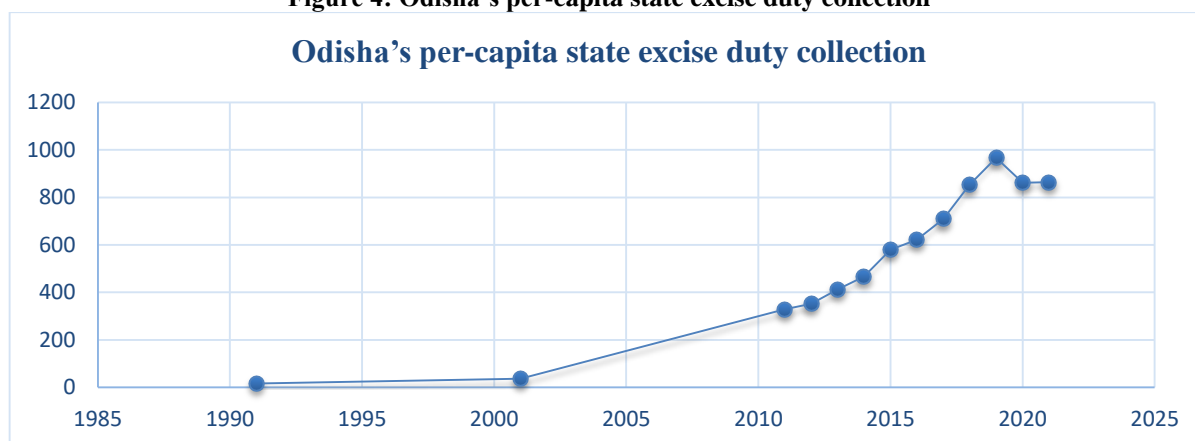


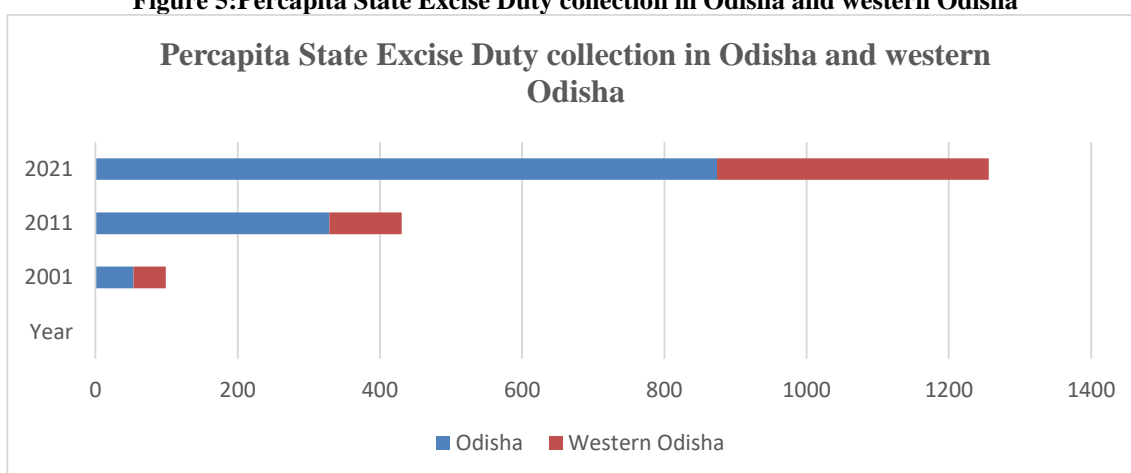
Table 6: Per-capita state excise duty collection in Odisha and Western Odisha

Sl. No	Year	Odisha			Western Odisha		
		Excise Duty	Population	Percapita Excise Duty	Excise Duty	Population	Percapita Excise Duty
1	2001	1973500000	36804660	53.62	408271072	9015031	45.29
2	2011	13799100000	41974218	328.75	1059124300	10395409	101.88
3	2021	41175100000	47099274	874.21	394031715	10672281	369.21

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Note: As information related to the SED collection from Nuapada district is unavailable from the year 2017 to 2021, the district has been deliberately excluded from the calculation of per capita SED calculation of Western Odisha in the Year 2021.							

A comparative analysis of per-capita excise duty collection from Western Odisha and Odisha confirms that the per-capita state excise duty collection in Odisha was ₹53.62 in the year 2001 while during the same period the collection of the same from Western Odisha was ₹45.29 per capita. In the subsequent years the scenario of per-capita state excise duty collection from Odisha changed dramatically i.e., it was ₹328.76 in the year 2011. While, during the same period the per-capita state excise duty collection from Western Odisha was a meager ₹101.88. Similarly, in the year 2021, Odisha's per capita state excise duty collection became ₹874.21 while the same from western Odisha was ₹369.21, which is not quite impressive.

Figure 5: Per capita State Excise Duty collection in Odisha and western Odisha



Source: (1) Office of the Excise Commissioner, Bhubaneswar, Govt. of Odisha (2) Offices of the Excise Superintendents of concerned districts in western Odisha

In the year 2021-2022 per-capita state excise duty of Odisha hiked to an all-time high ₹874.21 while that of Western Odisha remained at ₹369.21 only (*the actual figure would be a little bit high, as we have excluded Nuapada district from the SED calculation of Western Odisha in the year 2021-2022). Within two decades the per-capita SED collection from Odisha grew approximately sixteen times while that of Western Odisha grew only eight and half times, implying leakages in the imposition and collection of the state excise duty in Western Odisha. What bothers the most is the same rules and regulations applied to both parts of the state though, the western part of Odisha has not been able to actualize its potential. Had the tax authorities followed stringent norms by showing sincerity and dedication towards their duty, the tax potential would have not remained underutilized in Western Odisha.

**Table 7: Odisha's State Excise Duty to GSDP ratio
Excise Duty to GSDP ratio of Odisha (₹ in Lakh)**

Sr.No	Year	Odisha		
		Excise Duty	GSDP	Ex Duty to GSDP ratio
1	2000-2001	13535	4841484	0.28
2	2001-2002	19735	5170371	0.39
3	2002-2003	24605	5480111	0.44
4	2003-2004	25669	6610014	0.38
5	2004-2005	30661	7772943	0.39
6	2005-2006	38920	8509649	0.45
7	2006-2007	43012	10183947	0.42
8	2007-2008	52483	12927445	0.4
9	2008-2009	66004	14849071	0.44
10	2009-2010	84896	16294643	0.52
11	2010-2011	109438	19752990	0.55
12	2011-2012	137991	23098708	0.59
13	2012-2013	149990	26169960	0.57
14	2013-2014	178029	29647538	0.6
15	2014-2015	203879	31424995	0.65

16	2015-2016	256868	32859263	0.79
17	2016-2017	278623	38462884	0.72
18	2017-2018	322103	43467283	0.74
19	2018-2019	392541	48600380	0.8

Source: (1) Offices of the Excise Superintendents of concerned districts in western Odisha. (2) Finance Department, Government of Odisha.

Odisha' SED to GSDP ratio in the year 2000 was 0.28% and it increased continuously to 0.80% in the year 2018 over the years as has been depicted in the figure above.

SED collection of MP, CG, ODISHA and Western Odisha: a comparative study

Finally, the SED collection made in the sates of Madhya Pradesh, Chhattisgarh, Odisha and the imagined state of Western Odisha have been compared in order to justify the revenue potential of Western Odisha to carry forward the sustenance of the state to be bifurcated.

Table 8: SED collection in MP, CG, ODI and Western Odisha (Amount in Crore)

Sr.No	Year	Madhya Pradesh	Chhattisgarh	Western Odisha	from rest of Odisha	Odisha
1	2000-2001	NA	324.87	37.59	97.76	135.35
2	2001-2002	NA	323.61	41.99	155.36	197.37
3	2002-2003	NA	362.48	40.75	205.3	246.05
4	2003-2004	1098	403.57	40.91	215.78	256.69
5	2004-2005	1195.1	460.02	47.22	259.39	306.61
6	2005-2006	1376.65	632.95	53.26	335.94	389.2
7	2006-2007	1536.31	708.05	57.1	373.02	430.12
8	2007-2008	1856.11	844.22	64.85	459.98	524.83
9	2008-2009	2300.22	965.05	74.82	585.22	660.04
10	2009-2010	2952.77	1188.32	83.43	765.53	848.96
11	2010-2011	3604.2	1506.62	95.58	998.8	1094.38
12	2011-2012	4317.77	1624.35	107.87	1272.04	1379.91
13	2012-2013	5083.19	2470.97	121.17	1378.73	1499.9
14	2013-2014	5908.05	2556.54	147.78	1632.51	1780.29
15	2014-2015	6697.42	2896.95	188.32	1850.47	2038.79
16	2015-2016	7926.29	3337.58	219.64	2349.04	2568.68
18	2016-2017	7519.42	3439.64	241.58	2544.65	2786.23
19	2017-2018	8223.38	4054.21	269.62	2951.41	3221.03
20	2018-2019	9506.98	4491.35	282.68	3642.73	3925.41
21	2019-2020	10773.29	4952.79	308.88	4186.64	4495.52
22	2020-2021	9520.96	4636.9	310.92	3742.59	4053.51
23	2021-2022	7906.25	4459.26	398.37	3719.14	4117.51

Source: (1) Office of the Excise Commissioner, Bhubaneswar, Odisha. (2) State Excise Office, Bhopal, Madhya Pradesh. (3) Office of the Excise Commissioner, Abkari Bhawan, Raipur, Chhattisgarh

In the figure above, during the entire period of study the SED collection in Odisha includes the SED collected from Western Odisha.

Though the states of Chhattisgarh and Odisha share certain common features like the composition and size of population, geographical area, culture and socio-economic conditions, the collection of SED between these two states differ widely.

In the year 2003-04 the collection of SED from MP, CG, & Odisha was ₹1089 crore, ₹403.57 crore and ₹256.69 crore respectively while the same from Western Odisha was a petty ₹40.91 crore. The panel data shows a many fold increase in the SED collection from these states during the entire period of study. From the year 2003 to 2021-2022 the SED collection from Madhya Pradesh increased seven times i.e., from ₹1098 crore to ₹7906.25 crore while that of Chhattisgarh increased eleven times i.e., from ₹403.57 crore to ₹4459.26 crore. In case of Odisha the SED collection was ₹256.69 crore in 2003-04 which surged to ₹4117.51 crore in 2021-2022 showing an impressive sixteen times increase. While in the case of Western Odisha, SED collection is not so impressive. It shows a mere eight times increase from the year 2003 to 2021-2022 i.e., from ₹40.91 crore to ₹394.03 crore only.

When it comes to the demand for creation of a new state imagined as “Koshal/ Western Odisha” by bifurcating the existing state of Odisha, the assessment of own tax revenue generation potential of the state to be created, is necessary. Whenever the demand for “Western Odisha/ Koshal” arises, a comparison of the revenue generation potential of the state of Chhattisgarh and the imagined state of “Western Odisha/ Koshal” are made. But the revenue generation potential of Chhattisgarh is unparallel with that of Western Odisha. As has been clear from the panel data, the SED collection of Chhattisgarh is nearly thirteen times higher than that of Western Odisha. In fact, the SED collection of Chhattisgarh in the year 2021 is ₹341.75 crore higher than that of Odisha even though the population of Odisha is more than that of Chhattisgarh.

According to a recent WHO assessment on alcohol, alcohol usage is harmful and causes more than 3.3 million deaths per year, accounting for 5.9% of all fatalities globally. Alcohol-related liver cirrhosis was responsible for 439,300 fatalities in 2010. While alcohol-related cancer fatalities were 337,400, alcohol-related injuries killed 669,300 people globally in the same year.(Poduthase&Vellappally, 2016).

Though alcohol, tobacco and other related items cause various health issues for which the governments are imposing restrictions and devising new norms stringent enough to check counterfeit and smuggling, the revenue extraction potential of these items are not to be underrated.

Own tax revenue generation of a local government plays a vital role in financing local area development projects. External transfers discourage rather than encourage local government’s own-revenue generation(Mogues& Development, 2012). Hence, a state should not depend merely on intergovernmental and external transfer to fund all its socio-economic activities. The own tax revenue generation plays a vital role for the fiscal autonomy of the local government. Hence the assessment of the own tax revenue generation potential of the imagined sate is inevitable before the demand for the creation of a new state is made.

IV. Conclusion

Over the years alcohol taxation has changed its role from crucial to negligible. The administrative machineries have evolved many innocuous alternative avenues of revenue extraction for the state exchequer. Still, there is much need to tax the production and consumption of alcoholic beverages as the socio-economic cost of nuisance at public place and public health problems are borne by the government. Over time, alcohol consumption has received social approval in a globalized world. The fastest growth has been in developing countries in the Asian subcontinent where the per capita pure alcohol consumption has increased by over 50% between 1980 and 2000(K & M, 2014). Hence in order to strike a balance between the newly evolved drinking habit and negative socio-economic cost borne by the society, a proper and efficient alcohol taxation system must exist. Opting complete prohibition is never a solution as it may lead to brewing of spurious local made alcohol resulting in loss of live.

Also, it is evident that the various medical and social negative consequences of alcohol grow in frequency as per capita intake increases and decrease as consumption decreases. It is also widely recognized that as earnings grow or the price of alcoholic drinks declines, consumption rises, and when prices rise, consumption reduces(Kendell & Roumanie, M De, 1983). It is therefore necessary that the real price of alcohol must be raised in order to combat the ill effects of alcohol both for the individual and the society for which heavy taxation is a necessary step.

Though the growth statistics seems to be very lucrative, the revenue potential of the local governments in Odisha and Western Odisha in particular has remained underutilized as compared to rest of the states in India. The state excise duty collection in Odisha’ has been increasing in a continuous and consistent manner but the collection of the same from western Odisha has been showing a declining trend over the years. Odisha’s SED collection is even lower than that of Chhattisgarh, a state having less population and geographical area than Odisha. The potential of SED has remained somewhat underutilized in Odisha as a result the state is at a rank which is far below Chhattisgarh and Jharkhand. Had the state taken necessary steps by being vigilant enough to adopt appropriate policy implications, devising stringent rules and regulations, the situation would have been different.

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