

CHAPTER-IV

SUMMARY AND CONCLUSIONS

4.1 A State Government in India is empowered by the constitution to levy excise duties on certain goods manufactured or produced in the State and countervailing duties at the same, or lower rates on similar goods manufactured or produced in other States. The goods which are subject to State excises are -

- a) alcoholic liquors for human consumption.
- b) opium, Indian hemp and other narcotic drugs and narcotics excepting the medicinal and toilet preparations containing the above mentioned intoxicants.

4.2 Well from the British period, these commodities have been subject to State excises. However, after independence, the fiscal significance of State excises was shrouded by the widespread political obsession with the policy of prohibition which underwent frequent changes and ultimately has been more or less discarded by the States mainly for revenue considerations.

4.3 State excises are related to expenditure on intoxicants of various types. They are mainly of the type of sumptuary taxation. The main objectives of the State excises are twin in nature. Firstly, to raise increasing

amounts of revenue and secondly to restrict consumption and/or production of intoxicants of various types because they are undesirable in the interest of the overall welfare both of the individual concerned and the society.

4.4 Excise duties are basically an indirect tax. Naturally shifting of the burden of the State excises is certain. The incidence of excise duties in general, depends on the price-elasticity of demand for and supply of the taxed commodity alongwith the income-elasticity of the demand for the said commodity. In case of the State excises, the commodities subject to the tax being of a habit forming nature, and to a certain extent partaking the nature of a comfort or luxury, the demand for such commodities will tend to be price-inelastic and income elastic. In case of specific excise duties the regressivity will be automatic but even in case of advalorem excise duties, the regressivity is unavoidable because with increasing income levels, the proportion of expenditure spent on the commodities concerned, will decrease. Again because of this price-inelastic and income-elastic nature of demand for such commodities, the long run effects of State excises on production, employment, etc. may not be adverse at all from the individual point of view. And in case of a very high level of excise taxation leading to a certain diversion of resources, the reduction in output and

employment in the industry concerned will be compensated by the new fields of production and employment which will attract the released resources.

4.5 The review of the prohibition policy and its implementation in India, coupled with an examination of economics of prohibition, clearly proves that prohibition is not a practical policy, that it leads to a number of social hazards and results into a substantial loss of revenue for the Government alongwith a sizable expenditure on the prohibition itself. In view of this, it is better to introduce extensive and intensive educational and cultural measures and at the same time enforce rigorous excise duty, so that Governments get revenue and the unnecessary expenditure on the States' ludicrous efforts to moralise the people by prohibition is avoided. It is clear that most of the State Governments in India have, of late, realised this wisdom.

4.6 The empirical analysis of State excises highlights the following things :

- i) Revenue from State excises increases significantly with increasing relaxation in prohibition policy.
- ii) The revenue significance of State excises with reference to total revenue, own revenue and

own tax revenue shows a rising trend. This trend in case of Maharashtra is quite strong.

- iii) Revenue from State excises has increased at a much faster rate than the rate of growth of total revenue, total own revenue and total own tax revenue in case of Maharashtra, whereas in case of All-States model, these rates are more or less the same. On the average, State excises constitute about 8 to 9% of the States' own tax revenue.
- iv) The level of State excises, also shows a rising trend, both in case of Maharashtra and All-States model. Revenue from State excises has increased at a faster rate than the rate of growth of national income. This can be considered as a proof of the buoyant and income-elastic nature of State excises. Per capita burden of State excises as well as per capita level of State excises, also show a rising trend both in case of Maharashtra and All-States model.
- v) The incidence of State excises in respect of the related expenditure both in case of Maharashtra and All-States model shows a gradual increase during the period 1965 to 1971.

- vi) The study of the cost of collection regarding State excises clearly shows that with a rational excise policy the cost of collection ratio decreases significantly.
- vii) Both in case of Maharashtra and All-States model State excises show significantly higher values for buoyancy and income elasticity in comparison with all taxes taken together. These values in case of Maharashtra are significantly higher than those in case of All-States model.
- viii) From developmental point of view, revenue from State excises shows quite a high significance particularly with reference to revenue account plan developmental expenditure and capital account plan developmental expenditure. Over the period the developmental significance of State excises has gradually increased.

In short, the major conclusions of this study are (i) any further experiment with prohibition is not at all warranted and (ii) the State Governments should use this tax handle in a more extensive manner productively and use the high revenue potential for financing growing needs of developmental expenditure.

Basic Table No. 1

POPULATION

(in crores)		
Year	Maharashtra	All-States
1.	2.	3.
1961-62	3.99	44.24
1962-63	4.09	45.29
1963-64	4.18	46.20
1964-65	4.28	47.21
1965-66	4.38	48.25
1966-67	4.49	49.32
1967-68	4.50	50.42
1968-69	4.71	51.54
1969-70	4.83	52.60
1970-71	4.95	53.89
1971-72	5.07	55.08
1972-73	5.18	56.25
1973-74	5.29	57.42
1974-75	5.41	58.61
1975-76	5.52	59.79
1976-77	5.60	61.33
1977-78	5.71	62.58
1978-79	5.81	63.84
1979-80	5.91	65.10
1980-81	6.01	66.36

Source : Statistical Abstract
of India for various
years.

Basic Table No. 2

SDP and GNP

(Rs. in crores)

Year	Maharashtra SDP	All-States GNP
1.	2.	3.
1961-62	1556.20	14799
1962-63	1748.20	15727
1963-64	2030.80	17978
1964-65	2230.80	21113
1965-66	2354.50	21866
1966-67	2759.00	25279
1967-68	3155.80	29652
1968-69	3323.08	30417
1969-70	3556.37	33669 P
1970-71	4004 P	36558 "
1971-72	4307 "	38814 "
1972-73	4566 "	42077 "
1973-74	5958 "	51902 "
1974-75	7463 "	63203 "
1975-76	7693 "	64996 "
1976-77	8479 "	80600
1977-78	9400 "	90200
1978-79	9909 Q	97700
1979-80	N.A.	108500
1980-81	N.A.	104601

P = Provisional

Q = Quick Estimates

Source : For SDP - R.B.I. Bulletins April, 1978 and September, 1982
For GNP - Year book of National Accounts 1980, UN. New York 1982 and Economic Survey of the Government of India, 1982-83.

Basic Table No. 3

REVENUE FROM STATE EXCISES

(Rs. in crores)

Year	Maharashtra	All States
1.	2.	3.
1961-62	1.26	58.58
1962-63	1.47	62.81
1963-64	1.72	72.89
1964-65	3.05	84.54
1965-66	3.26	96.37
1966-67	3.77	108.88
1967-68	4.15	130.56
1968-69	5.49	159.04
1969-70	7.26	173.57
1970-71	6.82	193.92
1971-72	7.89	233.82
1972-73	10.12	212.66
1973-74	25.16	353.70
1974-75	29.36	387.30
1975-76	34.92	435.50
1976-77	40.99	504.80
1977-78	47.88	569.87
1978-79	53.75	583.00
1979-80	70.24	698.48
1980-81	98.70	824.28

Source : R.B.I. Bulletins for various years.

Basic Table No. 4

COST OF COLLECTION OF STATE EXCISES

(Rs. in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	0.242	5.62
1962-63	0.254	5.76
1963-64	0.257	5.90
1964-65	0.292	5.82
1965-66	0.267	6.29
1966-67	0.268	6.75
1967-68	0.355	7.77
1968-69	0.531	13.14
1969-70	0.717	10.62
1970-71	0.731	11.74
1971-72	0.777	13.21
1972-73	0.839	15.54
1973-74	0.924	18.03
1974-75	0.848	21.08
1975-76	0.953	23.91
1976-77	1.14	27.09
1977-78	1.12	N.A.
1978-79	1.75	N.A.
1979-80	1.86	N.A.
1980-81	2.18	N.A.

Source : i) Combined Finance & Revenue Accounts
of the Union and State Government of
India for various years upto 1976-77.
ii) Budgets of Maharashtra Government
1977-78 onwards.

Basic Table No. 5

TOTAL REVENUE

(Rs. in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	116.77	1073.49
1962-63	145.93	1283.86
1963-64	183.61	1490.20
1964-65	198.43	1634.98
1965-66	221.45	1850.21
1966-67	265.70	2135.20
1967-68	293.14	2324.68
1968-69	345.49	2670.00
1969-70	377.03	3052.70
1970-71	431.14	3370.49
1971-72	494.61	4044.72
1972-73	592.54	4912.35
1973-74	771.04	5552.00
1974-75	850.67	6431.51
1975-76	1049.38	7938.16
1976-77	1204.83	9037.02
1977-78	1290.20	9030.57
1978-79	1533.45	11646.69
1979-80	1794.33	13629.31
1980-81	2038.06	16293.30

Source : R.B.I. Bulletins
for various years.

Basic Table No. 6

TOTAL OWN REVENUE

(Rs. in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	89.85	699.70
1962-63	107.12	850.45
1963-64	140.54	1003.11
1964-65	150.76	1107.03
1965-66	165.93	1244.96
1966-67	194.52	1369.54
1967-68	207.79	1441.20
1968-69	255.74	1745.07
1969-70	276.44	1847.86
1970-71	302.92	1980.01
1971-72	332.05	2661.71
1972-73	381.85	2438.36
1973-74	529.40	2750.26
1974-75	689.55	4081.41
1975-76	838.91	5120.54
1976-77	983.04	5852.05
1977-78	1034.37	6286.69
1978-79	1218.83	7421.17
1979-80	1373.84	8138.35
1980-81	1567.68	9881.82

Source : R.B.I. Bulletins
for various years.

Basic Table No. 7

TOTAL OWN TAX REVENUE

(Rs. in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	66.76	438.68
1962-63	77.46	569.92
1963-64	100.39	680.70
1964-65	112.62	764.83
1965-66	122.43	842.60
1966-67	153.01	937.24
1967-68	168.17	1065.52
1968-69	187.49	1205.00
1969-70	216.53	1355.51
1970-71	255.56	1527.85
1971-72	274.57	1696.28
1972-73	302.82	1928.48
1973-74	382.31	2305.37
1974-75	397.87	2880.57
1975-76	585.96	3546.16
1976-77	679.97	4033.45
1977-78	712.80	4349.24
1978-79	850.81	4970.35
1979-80	980.85	5669.14
1980-81	1130.34	6616.18

Source : R.B.I. Bulletins for various years.

Basic Table No. 8

DEVELOPMENTAL EXPENDITURE REVENUE ACCOUNT

(Rs. in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	61.83	660.23
1962-63	62.42	720.06
1963-64	79.24	797.94
1964-65	100.31	913.04
1965-66	126.91	1103.14
1966-67	134.47	1213.19
1967-68	88.51	1062.56
1968-69	120.62	1166.88
1969-70	181.60	1629.70
1970-71	121.46	1844.14
1971-72	229.04	2155.77
1972-73	410.81	3349.49
1973-74	540.84	3742.91
1974-75	495.99	4102.55
1975-76	578.17	4709.24
1976-77	628.87	5369.28
1977-78	717.06	6126.55
1978-79	888.09	7377.77
1979-80	1073.83	8601.20
1980-81	1277.87	10514.74

Source : R.B.I. Bulletins for various years.

Basic Table No. 9

DEVELOPMENTAL EXPENDITURE CAPITAL ACCOUNT

(Rs. in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	27.33	315.15
1962-63	25.42	330.20
1963-64	24.00	350.07
1964-65	33.81	401.07
1965-66	44.75	403.89
1966-67	46.34	421.41
1967-68	53.05	426.18
1968-69	60.49	515.05
1969-70	67.66	500.48
1970-71	76.84	584.43
1971-72	85.40	705.49
1972-73	89.57	718.25
1973-74	110.46	952.95
1974-75	122.21	1086.79
1975-76	204.01	1381.97
1976-77	166.93	1622.90
1977-78	205.46	1818.17
1978-79	256.91	2243.79
1979-80	280.13	2625.85
1980-81	340.49	3128.66

Source : R.B.I. Bulletins for various years.

Basic Table No. 10

PER CAPITA INCOME

(Rupees)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	412	317
1962-63	442	328
1963-64	485	368
1964-65	526	425
1965-66	534	429
1966-67	610	486
1967-68	676	560
1968-69	700	517
1969-70	752	603
1970-71	803	642
1971-72	836	662
1972-73	861	707
1973-74	1091	862
1974-75	1271	995
1975-76	1393 P	1033
1976-77	1506 P	1097
1977-78	1637 P	1214
1978-79	1694 Q	1270 Q
1979-80	N.A.	N.A.
1980-81	N.A.	N.A.

P = Provisional; Q = Quick Estimates.

Source : R.B.I. Bulletins, April
1978 and September, 1982.

Basic Table No. 11

PLAN DEVELOPMENTAL EXPENDITURE REVENUE ACCOUNT

(Rs. in crores)

Year	Maharashtra	All-States
1961-62	N.A.	N.A.
1962-63	N.A.	N.A.
1963-64	N.A.	N.A.
1964-65	N.A.	N.A.
1965-66	N.A.	N.A.
1966-67	N.A.	N.A.
1967-68	N.A.	N.A.
1968-69	N.A.	N.A.
1969-70	N.A.	N.A.
1970-71	N.A.	N.A.
1971-72	N.A.	N.A.
1972-73	89.82	525.48
1973-74	105.04	657.61
1974-75	83.58	636.64
1975-76	102.20	854.39
1976-77	100.42	1236.73
1977-78	131.90	1353.77
1978-79	157.00	1942.05
1979-80	162.02	2001.11
1980-81	200.64	2728.18

Source : R.B.I. Bulletins for various years.

Note : From 1961-62 to 1971-72, R.B.I. Bulletins on State Finances do not given plan non-plan separation of developmental as well as non-developmental expenditure.

Basic Table No. 12

PLAN DEVELOPMENTAL EXPENDITURE
CAPITAL ACCOUNT

(Rs.in crores)

Year	Maharashtra	All-States
1.	2.	3.
1961-62	N.A.	N.A.
1962-63	N.A.	N.A.
1963-64	N.A.	N.A.
1964-65	N.A.	N.A.
1965-66	N.A.	N.A.
1966-67	N.A.	N.A.
1967-68	N.A.	N.A.
1968-69	N.A.	N.A.
1969-70	N.A.	N.A.
1970-71	N.A.	N.A.
1971-72	N.A.	N.A.
1972-73	105.10	482.82
1973-74	104.07	710.95
1974-75	111.14	990.37
1975-76	139.74	1217.55
1976-77	190.04	1591.84
1977-78	213.87	1850.19
1978-79	239.99	2228.99
1979-80	260.04	2525.88
1980-81	239.95	2950.54

Source : R.B.I. Bulletins for
various years.

Note : Same as for Basic Table No.11.

Basic Table No. 13

CONSUMER EXPENDITURE ON PAN, TOBACCO AND INTOXICANTS

(Per person per month)

(in Rupees)

Year	Maharashtra						All-States					
	Rural		Urban		Average		Rural		Urban		Average	
	Average $\frac{2+3}{2}$		% of this expenditure to total expenditure		$\frac{5+6}{2}$		Average $\frac{8+9}{2}$		% of this expenditure to total expenditure		$\frac{11+12}{2}$	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1965-66	0.80	1.47	1.13	2.88	3.14	3.01	0.83	1.04	0.93	2.93	2.85	2.89
1966-67	0.88	1.43	1.15	3.08	2.89	2.98	0.89	1.11	1.00	2.88	2.67	2.77
1967-68	0.94	1.41	1.17	3.07	2.80	2.93	0.98	1.21	1.09	2.93	2.70	2.81
1968-69	1.02	1.55	1.28	3.19	2.98	3.08	1.02	1.29	1.15	2.06	2.80	2.93
1969-70	1.07	1.67	1.37	4.50	2.53	3.51	1.18	1.57	1.37	3.40	3.11	3.25
1970-71	1.03	1.83	1.43	2.09	2.88	2.48	1.14	1.58	1.36	3.23	3.00	3.11

Source : National Sample Survey for the period of July to June for the years 1965-66 to 1970-71.