

Conflicting Role of Liquor Industry towards the Economic and Social Development of Arunachal Pradesh, India

S.Choudhury¹, R.M.Pant², V. Venus³

^{1,2,3} Centre for Management Studies, North Eastern Regional Institute of Science and Technology, Nirjuli, Arunachal Pradesh, India.

Abstract. The budget gaps of the state legislatures are bridged through various methods of revenue inflow. Sometimes by means which are not acceptable socially. Prominent among them are gambling, and alcohol. The objective of the study is to find both economic and social dimensions of the Alcohol industry in the Arunachal Pradesh. The information related to the economic side is obtained from Accounts Officer, other officials of Tax and Excise Department of Arunachal Pradesh. Through interpretive methodology, the need and impact of alcohol based economy is being analysed. Moreover for social dimension of traditional practices of the alcohol was obtained from various tribes of the region such as Nyishi, Apatani, Adi, etc. through face to face interaction. The interviews with the alcoholic beverage producers and retailers of capital complex, helped in getting the full overview of the state alcohol industry of Arunachal Pradesh.

Keywords: Sin-economics, Alcohol, Traditional Practices

1. Introduction

Alcohol industry of Arunachal Pradesh has generated ₹ 25, 35, 90,123/- in the fiscal year 2010- 2011 and ₹ 31, 13, 42,193/- in the fiscal year 2011-2012 as per Tax and excise department of the state. In the state capital complex within the vicinity of around 15 km radius there are around 100-150 alcohol retail shops. The industry plays a vital role in the state revenue generation process. There are 26 major tribes and more than 100 sub tribes are dwelling in the state. Alcohol is inseparable from the state's ethno-cultural celebrations from the time immemorial. People of different tribes have their indigenous approach to prepare local alcohol by rice and millets by different tribes namely "O" by Apatani Tribe, "Oppo" by Nyishi, and Adi Tribe, etc. Gradually the preference for alcohol in the region started shifting towards IMFL (Indian Made Foreign Liquor). However ethnic alcoholic drinks still play the major role in the ethnic cultural celebrations. As compared to other places, Alcohol consumption is not considered as an offence by different communities of the state. More over the low tax rate, cold climatic condition also act as catalyst in the growth of alcohol industry of the state. However there is a consciousness being observed amongst the new generation of the state. They are not ready to ignore the social factor at the expense of revenue generation of the state. Despite of the poor score in the physical infrastructure such as tele-density, transportation, [11] etc.; the state has outperformed in social sector like education with 66.95% literacy rate. The Research work will help in providing the economy's financial strength and capability in terms of development of financial background, it will also help in knowing the different rules and regulations and procedures in obtaining license from the Tax and Excise Department of the state to start with liquor beverage retailing outlet, this research work will also help in contributing the negative effects of the Sin product. This research work will also help to provide useful information for future researches that will be carried out. The objective of the study is to find out the alcohol that, boost up state's revenue vis-à-vis the social threat it possess for communities in long run.

2. Conflicting Socio-Economic Development

Hong, Kacperczyk, in the year 2009 provided evidence for the effects of social norms on markets by studying "sin" stocks—publicly traded companies involved in producing alcohol, tobacco, and gaming [3]. Answering this question; they have shown that at least for sin stocks, the neglect of these stocks by large institutions affected their cost of capital in a significant way. By targeting the vices of a subsector of the

revenue than angering the population at large through raising costs like income taxes. Thus, there has been speculation that economic motives may be at least as much a part of the attraction to sin taxes as public health concerns [4, 6, 7].

Sales of alcohol have seen a growth rate of 8% in the past 3 years. Officially, Indians are still among the world's lowest consumers of alcohol—government statistics show only 21% of adult men and around 2% of women drink. But up to a fifth of this group—about 14 million people—are dependent drinkers requiring “help”. One barrier to developing a national alcohol policy for India, experts say, is the woeful lack of data and research on its national health, social, and economic effect. What is known is that alcohol-related problems account for more than a fifth of hospital admissions; 18% of psychiatric emergencies; more than 20% of all brain injuries and 60% of all injuries reporting to India's emergency rooms. The role of alcohol in domestic violence is substantial: a third of violent husbands drink, according to a WHO study in 2004. Most of the violence took place during intoxication [9].

3. Research Methodology

Interpretive methodology using Phenomenological method of enquiry enables an understanding of socio economic dilemma in alcoholic industry in Arunachal Pradesh in its proper context. Russel (1996) describes interpretive methodology as a research process which is iterative, involving ongoing analysis and reflection through stages of exploration of an initial problem [8]. In order to examine this problem, data were collected from Accounts Officer, other officials of Tax and Excise Department of Arunachal Pradesh. To strengthen the study on the social ground is also equally important for the research work. An insight about the past practices of the alcohol was obtained from various tribes of the region such as Nyishi, Apatani, Adi, etc. through face to face interaction. The present day alcohol consumption practices were studied through interview and validated through observation. The interviews with the alcohol manufacture and retailers of capital complex, helped in getting the full overview of the alcohol industry of capital complex. The data has been analysed using grounded theory methods and procedures [5, 10]. The central aim of this method to construct theory, rather than theory building.

4. Data And Emergent Research Questions

Alcohol is used here in this part of the country from a very long time, and is a part of their culture. The Government of Arunachal Pradesh has introduced A.P goods sales tax act, 2005 which deals with the generation of non-tax revenue by levy of state excise on liquor manufactured, which helps in lowering the prices of the products sold. It will also help in to improve the tax efforts through tax on consumption of goods and excise on liquor is proving the tax resource and excise revenue to be another catalyst in the growth and development of Arunachal Pradesh. There are certain region specific problems which might be leading the state government to opt for alcohol as a source of revenue generation.

The lack of railway and air connectivity in the state has forced the business man to rely only on road transportation. Again the business man of the state faces difficulty in the Entrance check gate of Arunachal Pradesh, Banderdewa. As the state is bounded by Bhutan, China (Tibet) and Myanmar in the north and north-east and towers above the plains of Upper Assam in the shape of a horse-shoe, so due to security concern Arunachal Pradesh has Inner Line Pass (ILP). The formalities associated with ILP often creates problem to enter into the state for the vehicles of other states [11].

The frequent strikes by different Students Unions and Political parties of the region affect the transportation. Landslides caused due to heavy rain fall in the region also causes road blockage. Thus the hilly mountainous region with inferior infrastructure support prohibits the state for its economic prosperity, as compared to other part of the India.

As per Arunachal Pradesh human development report, the HDI of the state for the year 2001 is estimated to be 0.515. The social factors may get further suppressed due to the growth of the alcohol based sin economy [1, 2]. So through the observations and various facts a conscious attempt has been made to get an overview of various other aspects of this sin economy.

5. Socio-Cultural dilemma and Arunachal Pradesh

The alcohol culture that is found in the state has been followed since ages, on each and every festival of the various tribes. 'Apung' is the common name used for alcohol by all the tribes of the state. People of Apatani tribes have two major festivals, namely Dree, and Myoko. Local alcohol consumed called "O" is made from rice, millet. Dree is celebrated for propitiating the forces of nature for better agricultural productivity and Myoko for friendship, both festivals have the same importance and local alcoholic procedures used in plenty in both with no restrictions and inhabitations. The Nyishi tribe has one major festival namely Nyokum and is celebrated during 24th to 26th February. Local alcohol offered during Nyokum is "Oppo" which is made from rice and millet. Nyokum is celebrated for agriculture soundness, for having a good harvest. Another major tribe known as the Adi has its major festival called Solung which is celebrated during 5th to 9th September. Local liquor called "Oppo" made from rice and millet is served to all during the festival. This festival too is celebrated for the same reason that is sound agriculture. All the family members, relatives even the villagers come together to enjoy "Oppo", there is no restriction, and no 'taboos' attached in drinking. Alcohol is part of a person's life in the state since his /her childhood; it is not considered as an offence here and hence absolutely no restriction across the genders. What makes alcoholic beverages more acceptable in tribal society is that "Apung", "Oppo", or "O" are the parts of the offerings made to their deities.

6. Favourable regulatory outline for alcohol business in Arunachal Pradesh

Bondary or the Main Distribution System is the channel that is involved in the supply of liquor to the reseller's for further selling. Bondaries usually buy directly for the company's manufacturing distillery and keep the whole stock with itself and release it quota wise to other seller's. They are responsible in allowing all to know about the products manufactured by a particular company and also helping in accessibility of these products to the population and the fee's involved in starting it is ₹.5, 00,000/- as deposit fee, and with subsequent renewal fee of ₹1,50,000. Wholesaler's or the Bulk Suppliers are the network of suppliers who deal in bulk supplies, they sell to the normal population as well as to other's who again involve in reselling of the items these are the last chain of distribution wherein excise duty tax is involved, which they have to pay to the government. They obtain their license directly from the Zone wise Superintendent's Office. Retailer's (Wine Shops) are the people or shops that are responsible for the availability of the liquor products to the normal population. They serve as a supplier at a very ease of access. However, there are certain methods involved in obtaining a excise license for this purpose and the fee's involvement is ₹75,000/-, ₹25,000/-as treasury challan, security fees respectively, with a subsequent ₹40,000/-as yearly renewal fee. The Government of Arunachal Pradesh has introduced Arunachal Pradesh goods sales tax act, 2005 which deals with the generation of non-tax revenue by levy of state excise on liquor manufactured which helps in lowering the prices of the products sold. The products of both ordinary and premium categories of beer, whisky, and rum are available at a very cheaper price. The price is nearly half as compared to the prices of rest of country (*Table-II*).

7. Emerging Theoretical Prospective

The favourable conditions as discussed above boost up the growth of the alcohol based business in the state. As per the Tax and Excise Department of Arunachal Pradesh Almost from every district there is continual growth observed (*Table-II*). The table presented over here is only the official sources, which excludes local liquor consumed by the peoples of the state. It has been observed that during all the festival there is high preference of local liquor as against of IMFL. The higher disposable income with the people also provides a stable market and demands for the products. The favourable regulatory framework has boosted the revenue generation through alcohol based business. The revenue generation has increased manifold in the recent years which justifies government's extending its support to the alcohol industry. The research work also reveals it is not only the government's supportive policy, rather the culture in the state welcomes the alcohol products. It is also found that this business is recession proof and despite of all the problems it is still thriving in the state.

Another thing which was also found that, as the literacy rate is increasing it is slowly bringing a change in using pattern; people are becoming aware of the ill effects of alcohol. The most awaited rail and air connectivity to the state will also improve the connectivity to the place, which will open up new avenues for the state's economic growth. Further future study may outline the probable causes of sin-economy. There is a scope for further ex post facto research on the negative impacts of alcohol on the peoples of the state, which can include the diseases, accidents, disturbance in the married and community life in this tribal state.

Table-I. Comparative pricing liquor products in Arunachal Pradesh and price (in ₹) at other part of country

Class of Alcohol	Approximate Price at other part of country	Approximate Price at Arunachal Pradesh
Beer (Haywards 5000, Kingfisher, Tuborg)	100-130	60
Beer (Premium) (Foster, Budwiser, Carlsberg)	150-180	90
Whisky	350-400	180-220
Scotch whisky (Teachers, Black Dog,	1200-1300	700-900
Rum	200	100

Source: Through personal observation of authors

Table- II. Revenue (in ₹) collection for the year 2010-2011

Name of District	Quarter 1	Quarter II	Quarter III	Quarter IV	TOTAL
Zone-I	11460238	8831010	10449890	10016558	40757696
Zone-II	1030650	558200	680800	1362725	3632375
L.Subansiri	2719368	2255449	2682770	2349479	10007066
U.Subansiri	2643082	3262362	2673169	3076910	11655523
East Siang	2537750	3981300	5152100	5589033	17260183
West Siang	6811489	14235545	31902912	6268630	59218576
Upper Siang	1369508	742788	959030	1415515	4486841
West Kameng	4299625	5067066	5290673	5190376	19847740
East Kameng	1121300	1784600	1047700	1568600	5522200
Tawang	759369	2253536	1959445	3250960	8223310
Lohit	3668532	4882424	5556240	6358358	20465554
L.dibang Valley	2788970	2500250	3552030	4043520	12884770
Tirap	3655531	2437578	3365740	4634863	14093712
Changlang	2713733	3292260	4757202	3961693	14724888
Anjaw	1103850	493297	1453356	1306113	4356616
Kurung Kumey	564250	615200	583000	1192000	2954450
Dibang Valley	108300	2486600	449298	454425	3498623
Total	49355545	59679465	82515355	62039758	253590123

Source: Tax & Excise Department of Arunachal Pradesh

8. Reference

- [1] Andrew J. Haile (2009), "Sin Taxes: When the state becomes the sinner" Temple Law Review, Vol. 82
- [2] Emily H. Harris "The Economics of Alcohol Consumption: Exploring the Relationship between Sensitivity to the Price of Alcohol and Behavioral Consequences." The Yale Review Of Undergraduate Research In Psychology.
- [3] Harrison Hong, Marcin Kacperczyk, (2009), "The price of sin: The effects of social norms on markets" Journal of Financial Economics 93 (2009) 15-36

- [4] Michael Grossman, Jody L. Sindelar, John Mullahy, Richard Anderson, (1993)“Policy watch: Alcohol and cigarette taxes” The journal of economic prospective, volume 7, issue 4
- [5] Russell J.(1996) “ An approach to organisational ethnographic research strategy, methods and processes”, discussion paper series in Accounting and Management Science (university of Southampton),March 1996
- [6] Newman, J. S. (2003). Slave tax as sin: 18th and 19th century perspectives. Tax analysts. Retrieved from [http://www.taxhistory.org/thp/readings.nsf/ArtWeb/4AF487C90CA14FB985256E000057B5EB? Open Document](http://www.taxhistory.org/thp/readings.nsf/ArtWeb/4AF487C90CA14FB985256E000057B5EB?OpenDocument).
- [7] Newman, R. (2010). 8 sneaky ways to raise taxes. US News & World Report. Retrieved from <http://www.origin.usnews.com/money/blogs/flowchart/2010/02/02/8-sneaky-ways-to-raise-taxes>.
- [8] Russell J.(1996) “ An approach to organisational ethnographic research strategy, methods and processes”, discussion paper series in Accounting and Management Science (university of Southampton),March 1996
- [9] Raekha Prasad (2009) “Alcohol use on the rise in India” ,The Lancet, Volume 373, Issue 9657, Pages 17 - 18, 3 doi:10.1016/S0140-6736(08)61939-XCite or Link Using DOI
- [10] Strauss, A., Corbin j. (1990), Basics of Qualitative Research: Grounded theory procedures and techniques (Sage, California)
- [11] S.Choudhury, A.Saikia, A.Deshmukh (2011), “Accessibility and mobility as price determinant factors in vegetable market: a case study of nirjuli vegetable market”. XV International Conference of the Society of Operations Management.