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Liberalizing Local Liquor of India, Promoting Indian Tourism and Saving Indigenous Heritage of India

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ABSTRACT

India is the fastest growing economy in the world since past few decades its tourism has increased drastically, one of the major contributors of GDP is liquor market, India has its own culture of preparing liquor which is direct, indirectly connected to the cultural, climatic inheritance of the country however restrictive government policies continue to keep Indian local liquor out of the economic importance. The purpose of this paper is to contribute author's thoughts on how local liquors can affect tourism including GDP and economy of the nation.

Many different factors determine the performance of the tourism industry in addition to the contribution of the local drink industry. These include cost competitiveness, other competitiveness factors such as management, quality of services, product, international economic conditions, promotion and marketing, access and competing for location and last but not the least government policies.

This policy paper will offer an analysis of Indian local liquor policies, importance and its significance on Indian tourism. This paper examines the issues facing the local liquor industries in India and suggesting liberalizing the sector for specific advantages to various stakeholders.

Keywords: Social Awareness, Marketing Promotion, Indian Local Liquor Market.

SUMMARY

India is one of the world's most favorable place for trade and tourism. The country was ranked 133 out of 152 countries by World Bank this year in terms of its business score. Many studies have indicated trade barriers continue to be a major hindrance to India's development and prosperity, making trade liberalization and further deregulation critical to its economy.

Consumption of alcoholic beverages by Indian consumers predates British colonization and has often been suppressed by taxes and other restrictive policies. India has the world's fastest growing market for alcoholic beverages consumption. Restrictive policies at the federal and state levels are often carried out under the concern that alcoholic beverages should be heavily regulated to prevent public health and safety issues related to drinking. However, these policies have often proven to be defective and harmful to the Indian people. In fact, they have only fuelled a black market exchanges, corruption, and price hike and raised more public health concerns due to prevailing cheap, extremely poor quality products.

The drinks industry, along with other sectors, contributes to the national and international tourism performance in several ways. The primary purpose of the restaurants is to supply foods and drinks and due to the supply of local drinks, the native restaurants get additional benefits.

The drink industry supports a wide range of tourism generating festivals and art activities. Since India is a cultural nation it gives an additional opportunity to generate the economy.

Tourism takes many forms. Contemporary cross culture tourism is both an outcome of and a contributor to globalization. India is a developing country and being a tropical nation it has almost every landscape that can attract tourism. It would be right to say tourism is one of the most important factors to increase foreign reserve of any nation and since past few decades Indian tourism has increased drastically. However one may be to learn the way of others, tourism commonly takes the customs of their own culture with them notably includes customs with respect to drinking alcoholic beverages.

Tourism is in this way a source of both benefits and problems in the society that hosts substantial tourism. As shall describe, alcohol consumption is heavily involved in tourism, particularly for tourism from high-income countries .while the drinking potentially brings economic benefits to the host society .scholarly attention to tourism and drinking has primarily focused on the high-income destination.In India, since past few years, tourism has increased 4-5 times than earlier

BACKGROUND OF LIQUOR MARKET IN INDIA

India has the world's third largest and fastest growing market for alcoholic beverages. The whiskey market—estimated at 300 million cases—is the largest in the world. The World Health Organization (WHO) reports that liquor consumption in India has been growing steadily since 2005. In the meantime, per capita consumption of alcohol beverages has increased from 3.6 liters to 4.3 liters between 2003 and 2010, 93 per cent of this growth comes from liquor (spirits). .While tariffs on imported liquor remain high, domestic liquor manufacturing and sales are also enmeshed in a complicated network of laws and regulations on both the federal and state levels.

Indian Made Foreign Liquor (IMFL): Hard liquor that has incorporated imported raw material or borrowed the concept from foreign branded liquor are often termed as Indian Made Foreign Liquor (IMFL).v Among all IMFL, whiskey accounts for approximately 46 percent of total sales. Despite its origins, freedom to buy IMFL is restricted in some federal states.vi The southern states are often more heavily regulated in liquor manufacturing and distribution than the north. They are often available at retail outlets and privately owned bars. A licensing system is used by the federal states to control the number of private bars. Nevertheless, purchase of IMFL in southern Indian states including Kerala, Tamil Nadu, Karnataka and Andhra Pradesh still accounts for more than 60 per cent of the total annual sale in the country.

Imported Foreign Liquor (IFL): IFL includes foreign produced liquor imported to India. IFL constitutes only a marginal share of the total alcohol consumption in India. Consumers of IFL are often rich and upper middle-class people or international travellers. (Table 1) Duties on IFL are as high as 150 percent, a reason why its share of India's total liquor market is less than 3 percent. Despite the high customs duties on IFL and strict quotas on the amount of liquor travelers can carry into the country, whiskey imported has grown steadily over the years primarily driven by purchases from the government, licensed retailers and manufacturers using IFL as raw materials for their own products.

Country Liquor: Country Liquor, also called Indian Made Indian Liquor or (IMIL), is brewed and mostly sold domestically. Most of the country liquor is sold in northern states. Ethanol from molasses and grains are used in the north while palm and coconut are used in the south for producing the country liquor. The price of country liquor is much cheaper compared to IMFL and IFL; the reason it constitutes 48 per cent of the domestic liquor market.

Emerging Black Market: Restrictions on foreign liquor have led to a growing number of illegal liquor businesses in India. For instance, a state-wide ban on liquor sale in Gujarat, a state in western India, has given rise to wide-

scale sales of spurious and cheap liquor followed by an increase in organized crimes in areas where demand is high.

More money is invested to employ more policemen and personnel to maintain public safety where black markets prevail. In 2013 alone, around 1,305 liquor smugglers were arrested in Greater Noida, a town in Northern India with a 1,00,000 population, 48 kilometers from New Delhi. In the meantime, 32,000 liters of smuggled liquor was seized and a large amount of fine has been collected. ix The black market in liquor is so large that it creates great uncertainty for the economy. It is impossible to estimate the size of this market. However, tax burden generated every year from this can be remarkable. Fines and penalties collected through the illegal trade are difficult to track. Liquor obtained through the black market can sometimes be of unpredictable quality and can even cause serious chronic illnesses.

PROBLEMS WITH CURRENT LIQUOR POLICIES AND RESTRICTIONS

- High Taxes on Foreign and Domestic-Produced Liquor In 1947, Article 47 of the Constitution under the Directive Principles of State Policy stated that The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties and, in particular, the State shall endeavor to bring about prohibition of consumption except for medicinal purposes of intoxicating drinks and of drugs which are injurious to health. Even though the implementation of this Article differs from state to state, it is constantly used as a moral and legal foundation for restrictive policies. According to the law, alcohol is a sensitive state subject so that Imported Foreign Liquor (IFL) shall be heavily taxed and regulated by federal government. The current system of taxation on imported spirits including BIO (Bottled in Origin) and BII (Bottled in India) dates back to 2001. Imported spirits are taxed at both the federal and the state levels. As a result of a case against Indian's liquor policies at WTO filed by the European Union, the country has removed some of its barriers to liquor imports. However, it later introduced new restrictive measures.

• REGULATORY BARRIERS

Challenging Liquor Trade Discriminatory regulations such as the Food Safety and Standards (Packaging and Labeling) Regulation established by Food Safety and Standard Authority (FSSAI) since 2011 has led to a great loss to foreign manufacturers, domestic importers, and consumers. xv In June 2014, over 60 shipments of Scotch whiskey bottles were stopped at the customs for not listing malted grain, water and yeast as ingredients. This sudden action of authorities has resulted in the loss of millions to foreign manufacturers and created a blockage of supply to the Indian liquor market. An individual private retailer claimed to have lost Rs 3 crore (USD 488,400) given that eight of his containers were stopped at customs. Importers of many bigger brands stand to lose more. Since India's liquor industry serves as a hub for importers from neighboring countries including Bangladesh, Nepal and Sri Lanka, the influence has also spilled to these neighboring countries leading to further shortages and price hikes. xvi, However, this is only one of the contentious aspects of the labeling rules. Intricate provisions and a lack of transparency in customs procedures have also seriously disrupted the market. One provision states that the particulars of declaration required under these Regulations to be specified on the label shall be in English or Hindi in Devanagari script. As a result, cases labeling —Prodotto di Italia instead of —Product of Italy would be rejected at customs. xvii Furthermore, consignments have also been blocked when labels only carried brand names instead of explicitly stating —manufactured by, or even when —produced by are presented in a different language other than English. Because this is not an internationally common practice it would be difficult and costly for manufacturers to come up with a special production line only for India

THE ECONOMIC ROLE OF TOURISM

Tourism of India generated about 6.3% of the country's GDP in the year 2015 along with supporting 37.315 million jobs, which makes for about 8.7% of the total employment. As of 2016, the future of tourism is bright and prosperous because of various favorable aspects in country .with wonderful tourist spots, diverse topography, varied cultures and heritage sites in the country.India is one of the most lucrative options for tourists. The tourist industry of country has undergone various changes over time .some of the latest trends prevailing in tourism industry are

1. Growing options for low budget travellers

With set ups like hostels for travelers, various low budget options have come up recently India. The bread and bed charges including taxes are comparatively lower from other foreign destinations.

2. Visa on Arrival boosting tourism

A bureaucratic and fast growing country like India Has a lot dependent on its government policies. Visa on arrival in India, which applies to tourist from over 40countries, was started in 2014, since then a rise of foreign visitors has own extended to more than 100 nationalities.

3. Rise of Boutique hostels

A recent surge in the number of boutique hostels in the country has offered a wide variety of staying options for tourists. The boutique hostels provide the comfort while letting the visitors indulge more into their surroundings, thus promoting tourism.

4. Exploring new destinations

Domestic as well as international tourists both are expressing continued interest in exploring new and lesser known destinations in the country , with improved connectivity and penetration of internet more and more such destinations .more and more such destinations catching the eyes of the travellers.

5. Travel Tradeshows Promoting tourism

Travel trade shows like SATTE are working as a factor to promote tourism in India, by offering a platform for various stakeholders in the country to showcase their services and products. It offers a combined place to them to have discussions over various policies, trends and how to improve its growth.

COST ANALYSIS

We estimate the cost to consumers mainly comes from three critical aspects:

Heavy Customs Duties and Taxes Cost on the production and distribution side can be hard to track given that the IMFL industry is largely controlled by the state with interventions from different lobby groups whose information is undisclosed. However, it is not hard to see the cost from the consumption side. The most indicative data available now is the National Sample Survey Organization (NSSO) which gives households' monthly expenditure on intoxicants across the country. The 'intoxicants' surveyed primarily include the following products: ganja, toddy, country liquor, beer and foreign/refined liquor. This gives us information roughly on how much people here are spending on liquor. In general, there are more liquor consumers in rural areas than in urban areas. The value of consumption (in Indian Rupees) of intoxicants per person for a period of 30 days for all fractal classes of Monthly Per Capita Expenditure (MPCE) varies from state to state. The average spending in states like Chhattisgarh and the National Capital Region of Delhi is much lower than the rural national average but is significantly higher than the urban national average.

The federal states exert authority over all the three categories of liquor available in India. The impact of taxes and other restrictions are borne by the consumers. It is estimated that country liquor constitutes the largest segment of alcohol sales in India. Consumption is especially high in the northern federal states where taxes on liquor are comparatively lower. In the case of IMFL, the federal states which control production and retail have a slew of taxes and other charges which inflate prices. Liquor taxes in Kerala, one of the states with the most restrictive liquor regulations, for instance, includes a warehouse margin, labelling charges, shop margin and sales tax. Taxes in these states would usually multiple liquor prices by five to six times. IFL is the costliest liquor category for the consumer. The flat rate of 150 per cent domestic customs duty on liquor increases prices consumers pay significantly. The effect of tariffs on imported liquor on consumers is given in table 7. The table shows the impact of basic customs duties on IFL, as well as the effect of domestic taxes, which further inflates the price. For whisky, consumers end up paying approximately five times the average import price. In states where taxes are extremely high, the liquor price can go way beyond national average. Foreign Direct Investment in liquor through the automatic routes remains less exploited due to high state level taxes and intricate license systems nationwide

LOCAL LIQUOR INDUSTRY OF INDIA

India is a cultural and tropical country , it has different areas and climatic zones and for each such zones, Indigenous people developed their own indigenous drinks , as the climate as varied and extreme in India the people required myriad options to keep their thirst appropriately quenched according to the cultural requirement and weather conditions. Different regions in the country serve different drinks made with an electric assortment of ingredients including local foods, spices, flavours and herbs.

SOME OF THE LOCAL LIQUORS ACROSS THE COUNTRY

- Chhang –Ladak (Barley Beer)
- Po Ro Apong – Assam (Rice Beer)
- Chuwarak – Tripura (Whiskey From rice, pineapple, jackfruit)
- Handia –Jharkhand (Rice beer)
- Feni –Goa (Fruit beer)
- Judima –Assam (Rice Beer)
- Kiad-Meghalaya
- Zutho – Nagaland (Rice Beer)
- Kesar Kasturi –Rajasthan (wine from Saffor and other 22 spices)
- Xaj –Assam(Rice beer)
- Zawलाई- Mizoram (Grape wine)
- Toddy –Andhra Pradesh (From palmyra tree)
- Kodo Ko Jaanr – Sikkim
- Kinnauri Ghanti/Chulli-Kinnaur (Apple and Apricot beer)
- Mahua –Maharastra (From Mahua flowers)
- Sekmai Yu-Manipur
- Raksi –Sikkim
- Bangla-West Bengal
- Lugdi –Himachal Pradesh(Rice Beer)
- Arak –Ladakh(Whisky)
- Gudamba- Hyderabad(From sugarcane)

THE LIQUOR INDUSTRY CONTRIBUTES TO TOURISM THROUGH:

- The extensive and geographically spread network of public houses and other full on licensed premises providing services and facilities.
- A substantial contribution to the visitor experiences.
- Financial and other support for festival tourism
- Financial and other support for support events
- The general awareness of Indian local liquors
- Increase export of Indian liquors

CONCLUSION

India is a cultural and climatic diverse country where liquor plays an important role in both culturally and climatically. In many cultures like in Sikkim, local wine is offered while marrying a girl similarly in Manipur liquor are said as yu which has its synonym as medicine. Liquor is offered in many religious goddesses as well like the goddess Kali and God bhara .since ancient period liquor are considered as religious, spiritual, medicinal and cultural significance.

Promoting local liquor will not only increase the economic growth of Indian economy also it will help to save indigenous beverage of the indigenous people of the country.

Liquor manufacturing is an art of Indian culture and it is the major source to attract foreign investment and to increase Indian export. Take an example of North east where every state has a beautiful landscape and have its own local drink that makes it a favorable destination for tourism.The government should not

only promote local liquor in Indian market but also promote local manufacturers to make this local beverage worldwide flavours and popular. Indian government should liberalize tax policies on local liquors so that local people get employment and Indian heritage can be preserved.

Existing liquor policies in India are harmful to consumers and fuel corruption, cronyism and black-marketeering Tariffs on liquor have made foreign liquor unaffordable to the majority of Indian consumers. Moreover, heavy taxes and nonuniformity of policies at federal state-level have turned liquor businesses into the biggest cash cow for the government. It is estimated that the combined earning of the states and union territories (excise) from alcoholic beverages in 2011 fiscal year is estimated to be around 4.67 billion USD, accounting for about 16 per cent of their own tax revenues.

Longstanding government intervention in the liquor market has been a problematic approach which seriously disrupted the market economy. A feasible starting point for reform could be lifting controls and removing tariffs on IFL, which is growing as a preferred brand in India. Despite the high cost to import IFL, sales have grown by approximately 27 per cent since 2009. Therefore, concrete steps should be taken towards reducing duties and harmonizing regulations among federal states. We propose that the government phase out import tariffs on IFL and build a common policy platform on which state-level liquor policies can be harmonized and liquor trade facilitated. As a result, both consumers and businesses would benefit at large. Liberalizing liquor trade in India will inevitably increase the number of liquor producers and retailers in the market. The competition will incentivize the production of liquor at a reasonable market price with higher quality.

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