

CONTRIBUTION OF STATE EXCISE REVENUE IN ECONOMIC GROWTH AND DEVELOPMENT OF CHHATTISGARH



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Abstract:-

Economic growth is the basis of improved prosperity. This makes the attainment of growth a key objective for governments across the departments. State Excise Revenue plays a very critical role in the Economic growth and development of a region. The State Excise Department of Government of Chhattisgarh is the third major earners of revenue, next only to Sales Tax and Stamp Duty. This paper surveys the empirical analysis of Contribution of State Excise Revenue in Economic Growth and Development of Chhattisgarh

Keywords:

Economic growth , empirical analysis , Economic Growth , Development of Chhattisgarh.



INTRODUCTION

“State Excise Revenue” is derived or derivable from any duty, fee, tax, penalty, payment other than a fine imposed by court of Law or confiscation imposed or ordered or agreed to under the provisions of the Chhattisgarh Excise Act 1915, or of any other law for the time being in force relating to liquor or intoxicating drugs.

Economic growth and development on the other hand is concerned with the increase in the amount of the goods and services produced by an economy over time which is conventionally measured as the percentage rate of increase in real gross domestic product or real GDP as well as promotion in the standard of living and the economic health. Economic growth and development leads to quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives. Economic development however differs from economic growth. Where Economic Development is a policy intervention endeavour with aims of economic and social well-being of people, Economic Growth is a phenomenon of market productivity and rise in GDP.

The primary function of the Chhattisgarh State Excise Department is to collect Excise Duty on the alcoholic products and to regulate the trade of these products. This object is achieved by issuance of various types of licenses for the manufacture, possession, sale, transport, import and export of alcoholic products and effective enforcement through detection of crimes. The contribution of the Excise receipts to the total tax revenue of the state during the last five years was nearly 20 per cent. Receipts from excise comprise receipts derived from duty, fee or confiscation imposed or ordered under the provisions of Chhattisgarh Excise Act, 1915 and rules and notifications issued there under. It also includes revenue from manufacture, possession and sale of liquor, Bhaang and poppy heads.

The department follows the under mentioned Acts and Rules:

Chhattisgarh Excise Act, 1915;
Chhattisgarh Entertainment Duty and Advertisement Tax Act, 1936;
Chhattisgarh Distillery Rules, 1995; And
Chhattisgarh Foreign liquor Rules, 1996.

2. RESEARCH DESIGN

Research design is considered as a "blueprint" for research. There are many ways to classify research designs such as Exploratory Research, Descriptive Research, Causal Research. The present study deals with exploratory and descriptive methods of research design.

2. a. Sources of Data: Data can be collected from two sources i.e. Primary and Secondary. Determining the source of data is an important decision for a research design to be reliable.

Primary data for this study is collected through questionnaires and Interview Schedule. This research will assimilate the essence from the information taken from following secondary sources:

Records maintained by the Chhattisgarh Excise department.
Information collected from the print media: i.e. newspapers, magazines and journals.
Information gleamed from the internet.
Other published data like reference books etc.

2. b. Sample Design: After the research design is formulated, the next step is to decide the sample design. Judgmental sampling which is a Non probability sampling technique is used in the study. The researcher chooses the sample based on who they think would be appropriate for the study. This is used primarily when there are a limited number of people that have expertise in the area being researched.

2. c. Objectives:

- a) To examine the role of state excise revenue in overall economic growth and development of Chhattisgarh.
- b) To study the composition of excise collected by the government with a view to find out its contribution in the total revenue.
- c) To review critically the excise policies implemented by the Government.
- d) To suggest measures to make the whole planning process more efficient and effective.

2. d. Hypothesis:

- a) There is a continuous increase in the Chhattisgarh State Excise Revenue from past years.

- b) Rise in Chhattisgarh State Excise Revenue is essential for Growth and Development of the State.
- c) There should be changes made in the overall working pattern of the State Excise Department in order to increase the efficiency.
- d) Liquor consumption adversely affects the working capability of the consumer.

3. ANALYSIS OF CHHATTISGARH EXCISE REVENUE:

The excise revenue comprises two parts, i.e. license fee and excise duty. The license fee is 60 per cent of the target fixed which has to be compulsorily paid regardless of the actual sale of liquor and is, therefore, fixed. The second part is the excise duty on actual sales subject to minimum of 40 per cent of the target fixed and is, therefore, the variable component of the excise revenue.

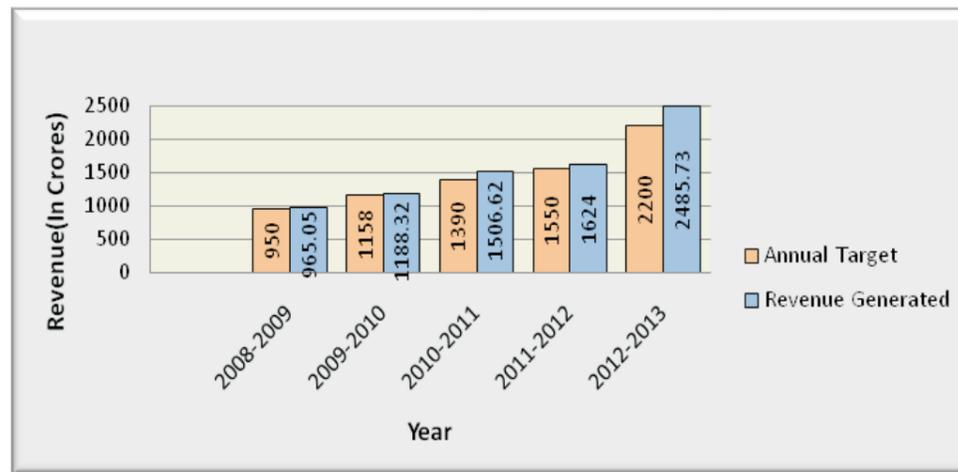
The following table shows the year wise revenue of the Chhattisgarh Excise Department of last five years:

Crore

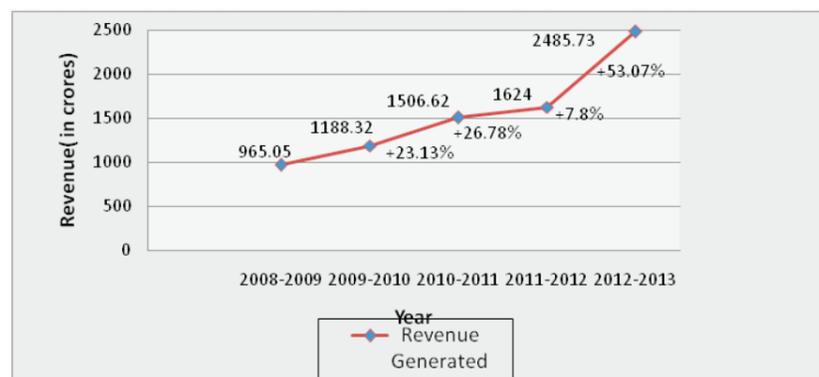
In

S. No.	Year	Annual Target	Revenue Generated	Percentage
1	2008-2009	950	965.05	+14.31
2	2009-2010	1158	1188.32	+23.13
3	2010-2011	1390	1506.62	+26.78
4	2011-2012	1550	1624	+7.8
5	2012-2013	2200	2485.73	+53.07

Comparison between Annual Target and Actual Revenue Generated:



Percentage increase in Actual Revenue generated in last 5 years:



4.ANALYSIS OF CHHATTISGARH EXCISE EXPENDITURE:

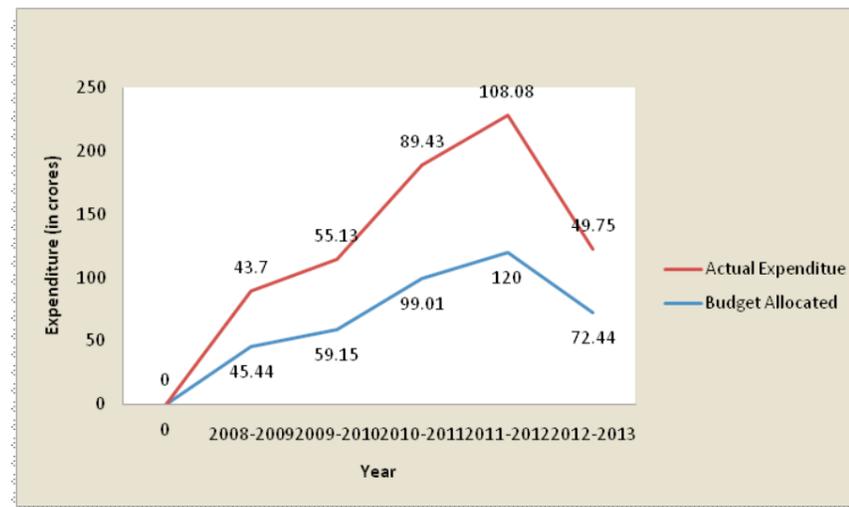
Chhattisgarh State Excise Department is the only Revenue Earning Department of the State that does not use the revenue in further expenditure. The revenue earned by the department is handed over to the state treasury. The state government further takes the amount and allocates it for various welfare activities of the state.

Following schedule shows the Details of expenditure of the department of last five years:

In crores

S. No.	Year	Budget Allocated	Actual Expenditure
1	2008-2009	45.44	43.7
2	2009-2010	59.15	55.13
3	2010-2011	99.01	89.43
4	2011-2012	120	108.08
5	2012-2013	72.44	49.75

Budgeted and Actual Expenditure of last five years:



5.ANALYSIS OF CHHATTISGARH EXCISE SAVINGS:

State Excise revenue is an important source of revenue of the State Government. The Government has not yet specified norms for the production of alcohol from grain due to which there is chance of potential revenue loss. There are deficiencies in fixations of annual excise revenue targets for group of shops. The State has not set up a sample testing laboratory even after seven years of State formation resulting in revenue loss

The following schedule and graphs will depict the savings made by the excise department in the last five years.

In Crores

S. No.	Year	Actual Revenue	Actual Expenditure	Actual Savings
1	2008-2009	950	43.7	906.3
2	2009-2010	1158	55.13	1102.87
3	2010-2011	1390	89.43	1300.57
4	2011-2012	1550	108.08	1441.92
5	2012-2013	2200	49.75	2150.25

Actual savings of last 5 years:

6.FINDINGS:

Constant increase in the revenue: The figures of last five years of Chhattisgarh State Excise Revenue reveal that there is a constant increase in the revenue generated by the department.

Deficiencies in fixation of revenue targets: With effect from financial year 2002-2003, the Government of Chhattisgarh introduced a new system of annual allotment of liquor shops by lottery. Every year, the District Collectors with the assistance of DEOs divide the shops into groups and propose the excise revenue target for each group of shops. Scrutiny of the records of DEOs in Bilaspur, Durg, Jagdalpur and Raipur revealed that the targets were proposed by increasing the target of the previous year by a certain percentage. The increases were not uniform in different districts.

Loss of revenue due to delay in testing samples: The State does not have any departmental/Government laboratory even after more than seven years of the formation of the State. The samples drawn in distilleries are sent to the departmental laboratory of the Government of Madhya Pradesh, located at Gwalior.

Working of Internal Audit Wing: Due to non-conducting of internal audit, the department is not in a position to ensure that the various activities were being carried out as per the provisions prescribed in the Act, rules and manuals and to plug leakages of revenue. Proper functioning of this wing can result into increased revenue to the state government.

Non-maintenance of records of receipt and consumption of empty bottles etc.: Scrutiny of records of the bottling units and distilleries revealed that the officers-in-charge posted there were maintaining detailed records of receipt and consumption of empty bottles and corks/caps for country liquor as per provisions of Chhattisgarh Country Spirit Rules, 1995.

Actual loss in transit not recorded: Scrutiny of the records maintained at distilleries and warehouses showed that the receiving warehouses in every case had recorded a wastage equal to the maximum permissible wastage allowance without measuring the actual loss.

Deficiencies in fixation of budgeted Expenditure: The process of fixing targets and budgets for a financial year takes place in the month of December preceding that financial year. Line graphs were plotted by audit for each district using the available data. It is recommended that the Government should re-examine the methodology for fixing targets using prescribed parameters such as time series data of actual revenue collection to do a trend analysis to fix targets for the districts.

7.CONCLUSION

The study conducted and discussed lead to certain important conclusions. The State Excise is raising a significant amount of revenue. Enormous amount needed by modern governments for Defence, creation of infrastructure and social upliftment schemes. Chhattisgarh State Excise performs an important regulatory role in different socio economic aspects. It discourages consumption of harmful and undesirable goods by levying prohibitive rates of tax. Production is encouraged by exempting new industries from tax for someone, reducing tax on capital goods, increasing tax on imported goods to encourage local production, etc. The State Excise curbs import of products by imposing prohibitively high import duties. Exports are encouraged by cutting duties and taxes on exports.

Raising tax rates reduces the consumption of goods and the demand in general. High levels of taxation can reduce the purchasing power of people and the funds collected can be used by the state for productive purposes to increase supply of goods, thus stabilizing supply and demand equation.

State Excise revenue is an important source of revenue of the State Government. The Government has not yet specified norms for the production of alcohol from grain due to which there is chance of potential revenue loss. There were deficiencies in fixations of annual excise revenue targets for group of shops. The State has not set up a sample testing laboratory even after seven years of State formation resulting in revenue loss. The department is not exercising control as envisaged in rules over the working of distillery/warehouses with respect to non-maintenance of minimum stock, wastage in transit and bottling of IMFL.

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