Introduction
Alcohol use and Illness:

The Global Status Report on Alcohol has led to growing recognition of the significant contribution of alcohol to the global burden of illness, disability and death. In order to accurately arrive at estimations of the burden of illness attributable to alcohol use one needs to factor in accurate assessments of per capita consumption of alcohol, distribution of that consumption in the population as well as the effects of the specific pattern of use which obtains in particular cultures.

Country comparisons in aggregate alcohol consumption are often based on the officially published sales figures (recorded consumption). In some countries these figures are often inaccurate both as concerns trends over time and in absolute levels. Unrecorded alcohol consists of several different elements but with three broad main categories. The first concerns all legal or illegal homemade or organized production of alcoholic beverages. Another category is import from one country (or state) to another. This includes small-scale and large-scale smuggling and legally imported alcohol for personal use, such as alcohol bought in duty free shops. The third category pertains to all the alcohol that is consumed by foreign visitors.

Unrecorded consumption of alcoholic beverages in India:

There has been a rapid rise in the production and sales of beverage alcohol in India, over the last five decades. The industry has been growing at a steady seven per cent per annum over the last eight years. It is well known that the legal and documented production accounts for only a fraction of the total consumption of alcoholic beverages. A significant proportion of the alcohol drunk in India, is produced illicitly by the informal sector or consists of “seconds” (tax evaded beverages) and therefore remains undocumented. There is also a considerable volume of smuggling of alcoholic beverages, especially scotch into the country. With liberalization of imports this sector is becoming less important although it still accounts for a sizeable proportion of unrecorded consumption especially in the larger cities. Although it has been speculated that such unrecorded consumption may be as much as 45% of all use (Lal & Singh, 1978), there is very little recent data. Evidence that such use is widespread is evident in the regular occurrence of poisoning (“hooch tragedies”) following drinking spurious liquor, often on a mass scale (Manor, 1993). Reports of excise raids on illegal distilleries and confiscation of illicit alcohol are also regularly featured in the media.

One factor in under-reporting in the state of Karnataka, in south India (as also in most of the other southern states) is the unaccounted escape of beverage alcohol from the legal production and supply chain, for the purpose of evading excise duties, which is then sold in the market. In popular parlance these are known as “seconds” and are usually indistinguishable from the licit variety of beverages on sale, except when they are sold cheaper than the minimum administered retail prices. The Taxation Task Force of Karnataka estimated that in 1999-2000, while 28 million litres of Indian Made Foreign Liquor [IMFL] was officially sold in the state, almost two and a half times that amount, i.e. 67.9 million litres of IMFL was additionally sold by way of “seconds” (Govt. of Karnataka, 2002).

Most estimates of per capita consumption of alcohol in India do not accurately reflect this information, as it is inherently difficult to estimate. In addition, alcohol production, sales and its taxation are state subjects not mandated by a single federal structure. Each state has different laws governing the production, sales, pricing and retail of alcoholic beverages and has widely divergent practices regarding suppression of illicit manufacture or sales. The estimates of undocumented consumption, then, are expected to vary widely from state to state.
The other source of unrecorded consumption, consists of illegal small scale manufacture of alcoholic beverages. A lot of it consists of traditional home-brewed beverages, which have over the years been supplanted by government regulated industrial production and suppressed and stigmatized by the profit/revenue considerations of the liquor baron-government nexus. However a greater proportion of this illicit brewing and distillation, from relatively recent times has been taken over by small underground networks, which are often criminalized.

The state of Karnataka, in India

Given, the vast and diverse population of India, coupled with regional differences in regulations governing alcohol beverage availability, it is not surprising that even the official consumption figures vary widely with region. It is natural that estimates of unrecorded consumption will also reflect this diversity.

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The southern part of the country is also the most rapidly growing in terms of social and economic change.

In that respect, the southern region is an appropriate place to start a study on estimates of unrecorded consumption. While it is indisputably clear that it may not be representative for the entire country as a whole, nevertheless, it could provide a snapshot of the status of alcohol beverage consumption as well as some estimates of the magnitude of unrecorded consumption.

From the practical standpoint too, since the principal investigator was based at the National Institute of Mental Health and Neurosciences, Bangalore it was expedient to base the study in the surrounding area. The state of Karnataka was thus chosen for the study.
Aims and Objectives of current study

The most common approach to monitor unrecorded consumption is by means of survey data with specific questions for the different categories of unrecorded alcohol. The main purpose of this study was to map the extent of unrecorded alcohol consumption in the state of Karnataka, by surveying alcoholic beverage use in a representative sample of the population of Karnataka state.

The study also sought to examine specific patterns of alcohol use in the community, with specific emphasis on certain alcohol use variables, which are known to contribute to hazardous use. To this effect we examined among others, variables such as frequency of use, typical quantities and beverages used, circumstances of use, normalization of use, concurrent tobacco use.

The health status of users compared to that of abstainers was also assessed, as well as some of the health consequences of heavy alcohol use.

A subsidiary aim was to arrive at estimates of per capita consumption.
Review of Literature
1. Alcohol use in India – Historical perspective

The types of drink consumed in India, over the past century, and one suspects even the way alcohol is drunk, has changed considerably. Such a change in drinking practices is probably quite recent, despite the prevalent assertion that India represents a traditional temperance culture. Hobsbawm and Ranger in The Invention of Tradition (1983) contend “traditions which appear or claim to be old are often quite recent in origin and sometimes invented” (Hobsbawm, 1983). Moreover, these “constructed” traditions are usually manifested during a “rapid transformation of society”.

In most regions peasant manufacture of country drink has become a furtive occupation banned by law. As suggested by some observers [Hardiman, 1985] the production and consumption of alcoholic beverages has become suffused by politics. Drink, which was to a large extent obtained freely by custom, has in the modern epoch starting from colonial times become a most important commodity. As such it provides a profitable item of manufacture for capitalists and a lucrative source of taxation for governments. This development could only be brought about by political means: by the formulation of liquor controls by the state and the enforcement of these controls by the executive machinery of the state.

Monopolies and restrictive practices, naturally spawn forces of reaction, which seek to circumvent their control and domination, through fair means or foul. The social, political and economic history of alcohol beverage production and sales offers a fascinating insight into the invention of a tradition which has had and continues to have a major impact on the health and welfare of Indian society.

Alcohol use in antiquity

As early as 2000 B.C., the Indus valley civilization seems to have practiced not only alcoholic fermentation, but also distillation. Excavations have unearthed clay items, which form the complete assembly of a distillation outfit. Joseph Needham attributes the origins of distillation of alcohol to India. In Vol. V(4) of Science and Civilisation (especially pages 85-6, 97, 104-7 and 131-2), Needham offers a fundamental reconstruction of the history of liquor distillation in India, and, by its reconstruction has forced a review of the theory prevalent until recently that the production of alcohol originated in the Mediterranean world in the thirteenth century. Based on the archaeological evidence of stills from Taxila, and numerous remains of stills from the Shaikhan Dheri (Charsadda, NWFP, Pakistan) excavations. Needham gave these stills the name of “Gandhara stills”, compared them with the western or Hellenistic type of his still-classification, and then propounded that they were essentially "retorts" and, because of their early date (150 BC-150 AD), they might well be "the origin of all such forms of still". The pottery remains at Shaikhan Dheri were so extensive, viz. one alembic, 130 receivers so capacious, that one must assume alcohol (not, for example, mercury) to be the intended product. This would give precedence to India over all other countries in liquor distillation.

A circular basin, with a wide hole was fitted snugly on the mouth of a water pot. In the hole was cradled a smaller basin with several perforations in its base, an item repeatedly found in excavations in the valley. Alcohol boiled in the lower pot rose through the holes and condensed on the underbelly of a handled vessel (which held cold water) placed on top of the assembly to fall in drops into the annular space of the fitted basin. This distilled product may well have been the intoxicating liquid called sura, derived from fermented rice and barley and condemned in the Rig Veda. Later Vedic literature mentions various fermented and distilled liquors.

Needham speculates that the Gandhara stills could have given only a heavily diluted alcohol, and, if the fire was kept low, to reduce dilution, the pace of collection must have been very slow. The modifications introduced in Italy in the twelfth century (possibly in close exchange or ideas with
the Arab world, as some terms tend to show) were designed to improve cooling so as to increase pure alcohol collection at a low level of heat. The "Moore's head" had a water-container set over a spoon-like alembic, a concave roof and annular rim-collection, connected by a tube with the receiver. This undoubtedly led to the achievement of a much higher degree of purity in the distilled alcohol than under any other device. There is a possibility, that, travelling through the Islamic world, the new stills would have soon reached India. The fresh wave of alcohol extraction, then, which India seems to have witnessed by stills now received. It is true that by this time there were alternative forms of stills also available, as Needham shows: these are what he calls the "Mongol still" (condensation in a catch-bowl within the still) and the "Chinese still" (with the catch-bowl connected by the side-tube with receiver outside), the former depicted on the wall of a cave of the period 1031-1227, and the latter shown in a drawing of 1163 in China (Science and Civilisation, V(4), pp. 62-68, 78-79). But neither of these devices could have probably competed successfully with the improved stills from the Mediterranean.

A famous passage of ca. 1595 in the A'in-I Akbari of Abu'l Fazl, describes three kinds of liquor-stills [Needham, pp. 106-7] the Mongol, the Chinese and the Hellenistic types. Habib (2000) asserts that while one may let pass the identification of the first still as "Mongol", the second is clearly Gandharan. Abu'l Fazl expressly states that the condenser was the receiver itself placed in cold water. The third, which Needham identifies as "Hellenistic" is still more interesting, since it clearly has the Moore's head (water at the top and still-head shaped like a "spoon", so expressly described). It was, in other words, the medieval Italian-Arab still.

Needham observes that it was the Gandhara still, which some time between the seventh and twelfth centuries, was recognized as more practical than the Mongol and Chinese types and "adopted accordingly" (Pp. 265-268).

Alcohol use was common and widespread in the Epic period

The epic Ramayana [in its description of society, circa 1200 - 1000 BCE] mentions several different types of alcoholic beverages. It contains references to Sita who promises the river Ganga a thousand jars of wine should the party return safely from exile. And when they do, the atmosphere of Ayodhya reeks with wine as its citizens celebrate.

Although, from the beginning, drinking was frowned upon in the Rig Veda and subsequently always interdicted for Brahmins and students, the Sutras enjoin that strong liquor be served to guests as they enter a new house, or when a bride first enters her husband’s home.

The warrior class of Kshatriyas and the trading community, the vaishyas could take liquor brewed from honey, mahua flowers or jaggery but not spirits distilled from fermented grain.

Kautilya, the prime minister of India's first great emperor, Chandragupta Maurya in his treatise on governance [Arthashastra, circa 4th Century BCE], often compared to Machiavelli's Prince, mentions the manufacture of, as well as the instructions for the preparation of at least 12 different varieties of alcoholic beverage. The text codifies the rules and regulations of the Mauryan government pertaining to sales and production, regulation of sale, taxation of alcoholic beverages and the conduct of “public taverns in almost every village furnished with seats and couches”.

Alcoholic beverages were made from fermentation and distillation of grain (masara – from barley gruel, kilala, kashaya, prasanna – fermented rice flour and svetasura), flowers (parisruta and varuni from the mahua flower and jathi from the jasmine)and fruits (sahakarasura and mahasara from mango, khajurasara – dates, kadambari- kadamba fruit, kaula – ber and madhu and mridvika from grapes). The sweet exudates from the spathes of the palmyra or coconut palm were fermented into thalakka (thari or toddy) a practice which has survived till today. The toddy was / is distilled to yield arrack, a drink which was very popular (and remains to this day) in south India.

At the height of its trade with Rome in the early Christian era, south India also imported amphorae of wine for use by the nobility. But the common drinks were toddy, arrack and a variety of high flavoured rice wine.
Brewing was practiced all over the country, and contemporary references in 600 AD note extensive drinking in Kashmir and in Assam where tribals brewed a rice beer called laopani. A Chinese visitor in the seventh century, Xuan Zang, noted that kshatriyas drank liquor brewed from the grape and sugarcane, vaishyas preferred strong distilled liquor and Brahmins drank only fruit juices. The classic Indian medical authorities took a balanced view of drinking and moderation was counseled. Alcohol was felt to increase the mental principle pitta, while diminishing both the physical and vitality principles, kapha and vata. So, while wine mixed with fruit juices could be enjoyed together with friends, wine was to be particularly avoided in summer and the rainy season, when the digestive fire was at its lowest ebb, but could be consumed in winter and spring.

Drinking in Southern India

In south India, there is evidence that alcoholic beverages were in common use at all levels of society. Even women drank especially in the company of their lovers. The poorer classes drank toddy made by fermenting the sap of the palmyra palm (Kanakasabhai, 1904). Poetry of that time celebrates sturdy sailors who lived dangerous lives and were fond of strong liquor. Much mention is made of wine brewed from germinated grains. Liquor shops in the southern city of Madurai, floated gay streamers and it was the recommended practice to chew a piece of raw ginger as an antidote to ward off drunkenness (Iyengar, 1932)! During the first and second centuries AD, trade with Rome was at its peak and ‘cool, green and fragrant’ Italian wine was imported. Excavations near Pondicherry (the Poduke of early Roman writers) have unearthed remains of warehouses with Roman amphorae in which wine was transported (Rasanayagam, 1926). The literature from the south of India describes ritual drinking as a social activity that was undertaken leisurely, under pleasing surroundings and in decorated pavilions. The goddess of wine (Madhudevate) was invoked and the Earth propitiated. Draughts of liquor were poured into intricately shaped bowls with bird heads and carved from mother of pearl, beautiful shells etc. and offered to the elders. Then it was turn of youngsters to help themselves. Lovers, married couples, family members, friends and relatives joined in the drinking bouts. Drinking among women along with gossip was common. Various snacks were consumed in between roast meat, deep fried vegetables, fried gram, egg and fish fries as also peppery tender mangoes and pulp of bilva seasoned with salt, ginger and pepper. To avoid inebriation a dose of ghee (clarified butter) and some herbal medicine was recommended. Kanakadasa, a well-known saint-poet of the of 16th century, in his Mohanatarangini describes such ritual social drinking. As evening advanced the courtyard of houses was cleaned and intricate patterns of coloured powder (Rangoli) was traced on them. Pots (poornakumbha -- containing wines) were kept on the mounds of rice, gram and panyara (offerings) and decorated with flowers, neem leaves, sandal wood paste and arati (was performed. After worshipping Goddess Shakti with great reverence drinking was undertaken. Toddy was offered in coconut shells and members of the family, both men and women, coaxed each other to drink.

Medieval India

While the Koran prohibits the use of alcohol and of games of chance since ‘in both there is great sin and harm’ the Muslim nobility in India, nevertheless, with a few exceptions, imbibed liquor. From the beginning of the Sultanate period in Delhi, to the Mughals, there are frequent references to regular use of alcoholic beverages. Babur the first Mughal emperor, would have periodic bouts of abstinence, when he would break up his flagons and goblets of gold and silver, only to resume drinking and the use of bhang, with the explanation: ‘The new year, the spring, the wine and the beloved are pleasing; enjoy them, Babur, for the world is not to be had a second time’. He had planned to fill a great tank carved out of a single piece of stone in Dholpur with wine, but when it was finished he was on the wagon and so filled it up with lemonade instead! Although, Akbar the
great Mughal, rarely drank wine, preferring drinks made from bhang (cannabis) his successor Jahangir was a prodigious drinker and by the end of his reign would imbibe twenty cups of double distilled liquor daily, 14 during the day and the rest at night. Drinking bouts and games were very popular at court and among the nobility. It is widely believed that it was after such a drinking game in 1612, that the emperor Jahangir granted Captain William Hawkins (1575-1613), a brandy-drinking, Turkish-speaking seaman and adventurer and the first Englishman to reach the court of Jahangir, the vital trade concession to the East India Company to set up a factory at Surat. A decision which was to change the course of world history ! (Wild,1999)

Jahangir once asked the East India Company representative, Sir Thomas Roe, whether he would prefer a natural grape wine or a `made’ wine. He tried the latter, which he found strong, and it made him sneeze, much to the amusement of the court. This liquor was made by putting arrack or rice spirit in an empty barrel that had contained wine from Europe, and to it was added the dregs of other wine barrels, water and sweet sugar. After eight months, this yielded a strong clear liquid tasting like white wine. Another wine was made by steeping raisins in rice spirit for 3 to 4 days, straining and then holding the liquid in an empty barrel for 6 to 8 months; an extract of dates was sometimes added to this for sweetness and flavour. Emperor Jahangir himself, in his memoirs described a strong wine called sir or acchi, ten years old, made at Pigli, near Attuck, by fermenting rice and bread together (Rahman, 1984).

In colonial times, Portugese monks in Goa developed a distilled liquor with a distinctive flavour from the cashew fruit, called feni or fenny, which is still the most popular drink in that part of the country.
The First distillery in the country was set up at Cawnpore (Kanpur) in 1805 by Carew & Co. Ltd., for manufacture of Rum for the army.

Changes under the British Empire

The British administration noted the widespread production of toddy and arrack all over India. Wine as well as distilled products made from rice and also from mahua flowers was also common. Since alcoholic beverages were felt to be an exciseable commodity, the British colonial administration (Achaya, 1998).

The British East India Company had inherited from the Mughal administration and the administration of the Maratha kingdom and others, the age old farming system pertaining to alcohol manufacture. Under this, large areas were ‘farmed’ to individual bidders for excise purposes. The native governments of that time received a tax and then showed no more interest in either manufacture or sale or consumption of liquor. Neither was there any pressure on the people who held the license, to increase consumption. The buying and management of the farms were more or less a hereditary occupation. The aim of the buyers was, according to an early 20th century treatise on drinking in India (Hassan, 1922), not so much to reap a fine harvest as to prevent other people from buying them up on subsequent occasions. Rivals had to be avoided or discouraged by making it abundantly clear that there was but little profit in such undertakings. If the farm were improved, it would excite the cupidity of other rivals; if the sales increased, the ruler might frown upon such efforts or enhance the price of the bid. The result was that under the pure farming system, consumption never attained any marked proportions…It was this system, which provided the least possible incentive to consumption, that the Government of India set to improve.
The British disliked this system as it provided an opportunity for widespread evasion of revenue. The obvious remedy was to ban village-based manufacture. Such a measure had already been carried out in another colonial territory of theirs, Ireland. During the eighteenth century there had been a mass of petty distilleries in Ireland manufacturing whiskey, and evasion of duty had been rampant. In 1779 small-scale distilleries were banned by law so as to “draw the trade as in England
into hands of persons of respectability and capital” (Hardiman, 1985). Such a policy could not be carried out in India initially, for the British lacked effective control at the local level. Only after the suppression of the 1857-8 revolt did the Government of India feel that the time was ripe for the initiation of a policy of centralization. In 1859 a circular was sent to the provincial governments suggesting that central distilleries be established in all populous regions (Tek Chand, 1964). The section that follows is taken from detailed descriptions provided by two early 20th century temperance tracts from India 1] The Drink and Drug Evil in India by Badrul Hassan (1922) and 2] The Temperance Question In India by Bishop Hurst (1889).

The excise regulations of the Government of India began in Bombay in the year 1790. It was claimed that the people began to develop a taste for liquor, and that the cost of a quart of mowali spirit, made of the juice of the palm, was so low — only a half-penny — that anybody could get drunk on it. The argument used was that putting a tax on the tree, would make people drink less. However, the real motive, at least according to some contemporary observers, was “to grind money out of a vice, and not to pulverize the vice”.

The system initially adopted by the Government, was to restrict manufacture by licensing Government distilleries - the Sudder (District) Still system. “There was usually one still, or only a very few, in the district. The Government was the responsible proprietor of every distillery in the land. It built large sheds for the distilleries, provided all the necessary utensils for distillation and measurement, and set apart special police to watch the pandemonium. It was the owner of the machinery. To do the work, there was a native contractor. He was closely watched. The amount turned out by each distillery was fixed by law. A duty was levied on still head; that is, a certain rate was levied per gallon according to strength. The system had its safeguards. Only a certain number of distilleries were permitted in each district. Only a limited amount of London proof liquor was allowed to be produced from a certain amount of material e.g. only two and a half gallons of proof spirits were to be manufactured from eighty pounds of mowak cassia. The size of the stills was limited, and only pure liquor could be manufactured, and that must be from whole-some material. The distillery was strictly watched by the Government police, and the fluid left under lock and key. However the result was that the Government did not make all the money it wanted for its general treasury. For example, in the province of Bengal, in order to carry on the Government, £640,000 were assigned to the Excise Department of Bengal, as its share to meet demands. But under the Government distillery plan only from £50,000 to £600,000 had been raised for years. Seldom did the revenue go beyond £600,000.

In an attempt to increase revenues, the Government introduced the Out Still system. Attributed to a Mr. C. T. Buckland, the new arrangement was introduced in the year 1876, but did not go into complete operation until two years later. All the Sudder distilleries for country spirits were shut up. The right to set up Out Stills, or stills outside Government control, were offered at auction to the highest bidder. The people who successfully to set up these Out Stills could distill and sell unlimited amounts of beverage alcohol for the period of a year.

The direct result of this system was that the number of distilleries enormously increased. There was also an appreciable increase in consumption. The increase in revenue was enormous. “In 1873—74 the excise revenue from drink was £2,300,000. By 1878—79 it had increased to £2,600,000. Every year afterward it increased. In 1883 it was £3,609,000; in 1884, £3,836,000; in 1885, £4,012,000; in 1886, £4,152,000; and in 1887, £4,266,000. Such was
the financial triumph of the Out Still, that the Commissioner of Revenue could exclaim in his report, for the joy of the Government in London, “The expansion of revenue under this system has been marvelous.” [No. 166 of Government of India’s Papers for 1887]

A special Bengal commission, appointed in 1886 for the purpose of investigating the effects of this excise policy, declared that in Bengal, with a population of 66,000,000, the quantity of liquor distilled and sold in 1874—75 was one and a half million gallons. The population at the utmost had increased only 8 or 9 per cent., but the output and consumption of liquor increased 135 per cent., and in some districts 180 per cent.[ Ridley, “One Aspect of the Present Outcry against Foreign Missions,” p. 9. ]. The House of Commons in London in March, 1888, debated the issue, in which a Mr. Caine, member of the House of Commons, said: The fact is the Indian Government are in the position of licensed victuallers, who hold a monopoly of the liquor traffic, and are responsible entirely for the amount of the liquor that is sold and for the methods by which it is sold. . . . According to the evidence laid before the commission the Out Stills are frequented by large numbers of people, young and old, who are found often in a high state of intoxication, singing ribald songs, and creating all kinds of disorders; in fact, the condition of things you would expect to find — if un-controlled and un-checked public houses should exist in this country — in the lowest slums of London. . . . I contend that the whole tendency of the excise system is to increase consumption, and that I have proved it to the hilt from the very documents which the Government of India, misled by some mendacious official, has put forward to prove the contrary. The Government are driving this license trade as hard as they can. Collectors find it the easiest way to increase their contribution to the revenue, and for years they have been stimulating the consumption of liquor to the utmost. If the Government continue their present policy of doubling the revenue every ten years, in thirty years India will be one of the most drunken and most degraded countries on the face of the earth.[“India and the Excise Revenue.” Report of the debate in the House of Commons, March 13, 1888, pp. 3, 7]

The distillery system was designed ostensibly for controlling the traffic in liquors and the strength of country spirits (which it may be noted is the same noble aim that current excise policies in independent India follow today), but in reality for enhancing the revenue and assuring maximum profit to government. However, the Indian Excise Committee of 1905-06, reported that: “The consumption of all classes of foreign liquors has largely increased…the consumption of country beers is causing much drunkenness in certain areas…..Between 1901-02 and 1911-12 the issues of country spirits in distillery areas rose in Bombay from 1,792,618 proof gallons i.e. about 117 gallons per 1,000 population, to 2,705,567 gallons, or about 168 per 1000; in Sind from 52 per 1000 to 55 per thousand; and in Madras the increase in consumption of country spirits was from 24 gallons to 41 gallons per thousand”.

**Temperance movements and Nationalism**

Contemporary accounts testified that this increased production meant more drunkenness and crime. Increasingly, accounts of that time while mentioning this rise in production and use, consider this phenomenon to be an imposition of English rule and drinking a peculiarly English vice. Voices were raised against drinking and that other English imposition, the educational system. A contemporary writer from the Bengal Presidency in the late 1800’s lamented that “private drinking (was) now indulged in by nearly nine-tenths of the Bengalis instructed in the English colleges and schools”.

During the course of the nineteenth century there was the growth of an evangelical movement against drinking which had its roots in the English experience. Sydney and Beatrice Webb in their 1903 tract on the history of liquor licensing in England (Hardiman, 1985) expressed the opinion that this movement came from several distinct but converging currents of public opinion – the new-found Evangelical zeal of saving men’s souls, the growing dislike of the propertied class of the insecurity of life and property, the alarm both of financier and ratepayer at the increasing burden of the poor rate, and last but not the least, the half-conscious desire of the rising class of industrial capitalists to drive the manual workers out of the ale-house and gin-shop into the factory and workshop. During the nineteenth century this local ideological requirement of the British bourgeoisie became translated into an absolute moral value to be imposed on all subjects of the British empire. It was probably not a value that had much to do with rural India, but that did not prevent temperance reformers from applying their dogmas to the Indian peasantry. A directive sent out by the Bombay government to its districts in 1838 illustrates this:

It cannot be too strongly urged on Collectors that the object which Government has in view is to restrain, and if possible, to correct and diminish the total actual consumption of spirituous liquors, being fully persuaded that any amount of revenue that may be lost by the efficiency of the system for this will be repaid a hundredfold in the preservation and advancement of moral feeling and industrious habits among the people.

Under a system where liquor manufacture was in the hands of the people, it was not possible to regulate the manufacture and consumption of alcoholic drinks effectively. Proper control was only possible if liquor was made in a limited number of factories under the close supervision of excise officers. In this wish for central distilleries, the moral ideals of the colonial administrators, turned out in best Victorian fashion, to be in complete accord with their financial needs. The response of the government, to further these noble aims, was to recommend that customary drinks such as toddy and locally made arrack be replaced by a mass produced commodity produced

Keshub Chunder Sen, a noted proponent of social reform and a founder of the Brahmo Samaj movement, says: So long as the men are in the university we can hold them, because they are not allowed to drink; but the moment they pass, away they go, and now the Sabbath day in Calcutta is simply a bacchanalian festivity for the educated Bengalis of the city. . . . Friends never meet nowadays without spirit being consumed. Crime and immorality are also in large measure attributable to this cause. The instances of petty crimes and heinous offenses committed under the influence of drink are of frequent occurrence, as may be proved by the criminal records of the country. . . . It is, indeed, harrowing and painful to contemplate the extent to which sensuality, profligacy, and brutal revels on the one hand, and irreligion, blasphemy, and practical atheism on the other, are making ravages among all classes of the native community in consequence of the spread of drunkenness, and undermining the religious and moral life of the nation. . . .

An English medical officer says: The quantity of intoxicating liquor drunk on holidays is incredible. In the course of practice, I have met patients who have astonished me by describing their powers of drinking. One, a Mohammedan moonshe (clerk), asserted that he had finished a bottle of brandy and three bottles of beer at an evening sitting; another, a Kayastha vakil (lawyer), that he had swallowed a bottle of brandy almost at a draught. The way in which the ever-increasing temptations to drink are breaking down all old religious restraints of the Hindus and Mohammedans is easily seen. Native doctors say that delirium tremens is a common disease among their patients. Drunkenness is the almost invariable result of a native dinner party. Indeed, liquor is being introduced into the zenana, and women are acquiring the passion. The Mohammedans are yielding, in spite of the Koran. Scarcely a social meal takes place among the better class without European wines being used.

All barriers are falling down before the enlarging facilities for drinking. When there was no tax on the palm furnishing the juice, which served as a simple beer for the natives, the natives contented themselves with that. But now the Government taxes every tree, which produces that juice. The people having gotten the taste of the strong drink, now prefer it. It is quite convenient to reach the roadside groggy, and the liquor is furnished so cheaply that it requires but a small sum of money to drink at will.
in central distilleries for supply to liquor shops throughout each district. This would, it was envisaged by the Abkaree commission in 1869, produce more wholesome spirits at less cost than the village distilleries and that the excise rates could be raised as a result. As the liquor trade became a monopoly, the tax on drink increased by leaps and bounds and the price of alcoholic beverages soared over the years. The Bombay Excise Administration Report of 1927-8 reported that, in parts of Gujarat, before the 1878 Act a quart bottle of mahua daru cost five to six annas. By 1928 it cost Rs. 2-8-0 which represented a fivefold increase in price. A contemporary account notes that ‘throughout a great part of the Bombay Presidency the native of India now pays as much, relatively, for common country liquor as the Englishman does for champagne’.

This state of affairs, increasingly meant that at least in rural India, people increasingly sought to obtain their drink illicitly. In effect this meant either resorting to illicit distillation or buying cheap liquor in the princely states or territories not under the British (e.g Portugese territory) and where the British Abkari (excise) acts were not applicable and smuggling it over the border.

Another radically different solution to the problem brought about by British abkari policies was to give up drink altogether. In the Brahmanic Hindu culture abstention from spirituous drinks was considered a great virtue, and even before the colonial era there were certain tribal and low-caste peasants who refused to drink in the belief that this would raise their status in the wider society. These families tended to be the more prosperous ones which were trying to distance themselves from other members of their community, for refusal to drink together in a community in which such drinking represented a symbol of mutual solidarity could be considered a gesture of renunciation of membership of that community. Food is an important identity symbol in South Asian society - as elsewhere - and is related to issues of purity and impurity as well as to issues of status and social mobility. Food symbolizes identity at the same time as it marks boundaries. The boundaries drawn by the discourse and practice around food deal with questions of status. In the caste system, the hierarchy of foodstuffs attributes to each stratum’s diet its hierarchical value. A change in dietary practices has frequently been described as a means for the lower strata to acquire a higher social status.

Such a process has been termed as “Sanskritisation”, a practice that the anthropologist M.N. Srinivas has defined as ‘the process by which a “low” Hindu caste, or tribal or other group, changes its customs, ritual, ideology and way of life in the direction of a high, and frequently, “twice-born” caste’ that is the Brahmins, but also the Kshatriyas or even the Vaishyas. Low castes may for instance adopt the most prestigious features of the Brahmins’ diet and therefore emulate vegetarianism and abstinence from alcohol. Such a process reflects a special coherence in society, all the groups admitting the values of the upper castes as the legitimate value system. Such a coherence is not synonymous with cohesion. In fact, sanskritisation itself bears witness of an aspiration to social mobility: low castes constantly try to improve their social status by imitating the high castes and contest the position which has been assigned to them in the system.

The difference between these isolated types of renunciation and the popular temperance movements which started in the late nineteenth century was that in the latter case entire communities, often those which were undergoing pauperization, attempted to give up liquor and toddy. The Kayasths of North India were probably the first to show the way in that direction. In the late nineteenth century, Munshi Kali Prasad, a Lucknow-based rich lawyer from this caste, wrote Kayasthas Ethnology, a book where he showed ‘to which of the four great divisions of the Aryans in India [,the Kshatriyas,] the Kayasthas belonged’. Subsequently, the Kayasths claimed that they were the descendants of the Emperor Chandragupta. The Kayastha Conference was founded in 1886 on the basis of the Kayasth Dharma Sabha. One of its resolutions it passed at its first annual meeting in 1887 established a Temperance section and repeatedly - and allegedly successfully -
requested the Kayasths to give up drinking [A short account of the aims, objects, achievements and proceedings of the Kayastha Conference, Allahabad, Conference Reception Committee Muttra, 1893.] (Turin, 1997)

In South Gujarat, the collector of Surat noted in 1895, the formation of total abstinence leagues almost through the district. The movement began in the towns of Surat and Nowsari and spread to the outlying villages. An organized crusade against drink was carried on for a while by means of public meetings and caste pressure. The great mass of those who joined did so under the persuasion that they would force down the prices of liquor and toddy while a few were roused by a sincere desire to diminish drunkenness. This particular movement was short-lived, collapsing rapidly after several influential caste leaders were found to be drinking secretly, however many such movements were recorded in Gujarat, ultimately culminating in the famous Devi movement of 1922-23. This anti-liquor movement represented a major attack on the abkari system throughout south Gujarat, as well as on the much hated Parsi liquor and toddy dealers. The movement forged an alliance between the peasants and tribals and the middle class Gandhian nationalists of Gujarat. The common platform was that of abstention from liquor and toddy. (Hardiman, 1985). There were similar caste based anti-liquor movements of the Gounders of Salem and Coimbatore districts in the Madras Presidency.

THE DEVI MOVEMENT

On November 9th 1922 about 2000 adivasis (tribals) congregated near Khampur, near Surat (south Gujarat). They had come from six different villages as they had heard rumours of the wonders of a new goddess of great power known as Salabai. This Devi expressed her demands through the mouths of spirit mediums who, during the meetings, went into states of trance. They pronounced the commands of the Devi: "Stop drinking liquor and beer; stop eating meat and fish; live a clean and simple life; Men should take a bath twice a day; women should take a bath thrice a day; have nothing to do with the Parsi (liquor vendor)." During the meeting, a little girl, dressed as the Devi, received offering of coins before her. In the following days the Devi cult spread rapidly all over the Surat area as it was believed that whoever failed to obey the Devi would suffer misfortune and perhaps become mad or die. By the end of November the Devi cult had spread over a very large area including parts of Maharashtra. In the same time some new commands of the Devi began to be heard. Salabai was telling the adivasis to take vows in Gandhi’s name, to wear khadi cloths and to attend nationalist schools. The Devi effect started to be felt soon: liquor and beer drinking had, to a large extent, stopped and there was a marked improvement in the material conditions of the adivasis. The people did not require to borrow from money-lenders to pay the land revenue instalments, they reduced their ceremonial expenses, their general appearance as well as their homes improved. The Devi movement in south Gujarat was similar to other adivasi movements in the late nineteenth and early twentieth century which occurred in other parts of India. All these movements had as their rallying cry the exhortation to give up alcoholic drink, meat and fish. One such movement occurred in 1921 among the Bhumiji. A rumor was spread among them that a new king had appeared on earth who was the incarnation of God himself. The movement spread very fast, people disposed of chickens and goats in any way they could. In the following years there was a bumper crop which convinced the adivasis that their action had been correct. Three or four years later the name of the king was revealed of being that of Mahatma Gandhi. Many people believed that the Devi movement had occurred among the adivasis long before Gandhi appeared on the scene. These previous movements had as a main scope to change the way of life of the adivasis and to integrate them into the Indian society. They were isolated in their culture and religion. It was only as result of the extension of state power into the hills and forest in the nineteenth century that their way of life began to change.

in practice the local revenue officers did their utmost to stimulate the consumption of liquor. They
also argued that the government had allowed many liquor shops to be opened in places in which they had never existed before, often in defiance of local opinion. (Chandra, 1966)

Among the nationalist leaders there were two schools of thought on the subject. One school believed that colonial policy was distorting the existing healthy drinking culture of the people, in particular causing the mild and harmless drink of toddy to be replaced by bad spirits. However, since some in this group were supported by rich Parsis from Bombay, and the government tended to write them off accordingly as mere spokesmen for Parsi liquor traders and toddy interests.

The other school of nationalist thought, and the predominant one, demanded complete prohibition in India. Many of the political leaders held the belief that an independent India had to be a pure India, and one way to advance national purity was by legal prohibition. This seemed to be quite in the sacred tradition, but in fact was in one respect a radical departure from it. The Sanskrit tradition did not rule out alcohol for all in society but only for the most spiritually elevated (Mandelbaum, 1965).

G.K. Gokhale one of the leading spokesmen for this school during the early nationalist phase favored prohibition because liquor drinking was ‘contrary to the sentiment of the great majority of the people of India’ and argued that the British were stimulating the liquor trade and liquor consumption was increasing rapidly. Demands for complete prohibition became more vociferous after the highly successful First All – India Temperance Conference in 1904, which brought together 301 temperance associations, which existed, scattered over India. These associations were, however, largely urban, with a predominantly high caste membership which showed little interest in the popular temperance movements which were becoming increasingly important; instead they preferred to lobby the government for a change in policy (Chandra, 1966). It was only with the emergence of Gandhi within the Congress after 1918 that positive attempts were made to link the temperance activities of the middle classes with the anti liquor movements of the masses. In 1921 Gandhi

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**Satyagraha movement: women picketing a liquor auction**

Mahatma Gandhi made prohibition as an important part of his civil disobedience movement. Writing in Young India in 1931, he wrote, “If I was appointed dictator for one hour for all India, the first thing I would do would be to close without compensation all liquor shops, destroy all toddy palms such as I know in Gujrat, compel factory owners to produce human conditions for their workmen and open refreshment and recreation rooms where these workmen could get innocent drinks and equally innocent amusements.... For the loss of revenue from drinks, I would straight away cut down military expenditure”.

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gave his blessings to a campaign to picket liquor and toddy shops. As a result sales of drink decreased significantly in many areas. In the Bombay Presidency liquor consumption fell by 19% as a result of picketing during Non-Co-operation (Brown, 1972).

In Post-Independence India

The subject of legalizing prohibition was the subject of much debate during the framing of the Constitution by the Constituent Assembly. According to the Directive Principles of State Policy in the Constitution, "the State shall endeavour to bring about prohibition of the consumption, of intoxicating drinks and of drugs which are injurious to health."

In 1948 and 1949 that prohibition was introduced in Madras and Bombay. In trying to keep up its commitment to prohibition the Congress Government appointed the Shriman Narayan Committee under the Planning commission.

The main recommendations of this committee were as follows:- a) Prohibition should be regarded as an integral part of the second five year plan, b) that the target date for completing nation-wide prohibition should be April 1, 1958, c) that there would be prohibition committees in each district and at the village and mohalla level, d) that the excise duties on narcotics and intoxicants collected in the states are highly iniquitous, regressive and anti-social and this kind of levy has no justification to exist in a progressive tax system and should be wiped out at the earliest, e) that the Union Government would give adequate assistance to those states which depend on excise for a considerable part of their revenue to introduce prohibition in their areas, f) that a clear cut statement may be issued by the union Government to this effect that prohibition has become a national policy. The second five year plan included prohibition as part of its social welfare services. It strongly felt that advertisements encouraging drink should be discouraged. There should be no public drinking in hotels, clubs, restaurants. It also wanted to encourage and promote the production of healthy soft drinks.

Keeping these goals in mind it setup a technical committee with the main objective of :-

1) Reducing progressively the number of liquor shops both in rural and urban areas.
2) Closing liquor shops for increasing number of days during the week.
3) Reducing quantities supplied to liquor shops.
4) Progressively reducing the strength of distilled liquor produced by distilleries in India.
5) Closing of shops in and near specified industrial and other development project areas, 
6) Removal of shops to places away from main streets and living quarters in towns and villages.

Another important committee was the Justice Tek Chand Committee, which submitted its report in 1964. It emphasised on a four phased programme culminating in total prohibition preferably by 30th January 1970. It also recommended changes in the provision of liquor laws, electoral disqualification of persons involved in liquor offences, mass education and publicity against the drinking of liquor.

When one reviews the history of the drink question in India, especially over the last two hundred years, one can discern two important elements. On the one hand, there was the impact of colonial policies, on a society, which barring a segment of the brahminical elite, had until then what appears to be a relatively relaxed attitude to drink (Dorschner, 1983; Castairs, 1979). As a result of the changes wrought by the colonial excise policies, the traditional drinks such as toddy or cottage-made daru or arrack were replaced rather rapidly by mass-produced factory made alcoholic beverages, which by and large, had greater alcohol content, had less variety and was progressively more expensive due to increasing taxation. This in turn has led to organized and unorganized
attempts to circumvent the excise laws and produce illicit alcoholic beverages, in most parts of the country.
The state wanted its excise and the capitalists their captive market for cheaply produced alcohol. The system imposed in 1878 has continued to provide state governments in contemporary India the basis for policy towards drink.
The other distinct element has been the changing attitudes to drink over the past century and a half. As detailed by Hardiman (1985) on the one hand the nationalist leaders of India evolved a demand for total prohibition fired by the belief that the Indian nation should be ritually pure. This ambitious desire to build a nation of the orthodox became linked during the Gandhian era with popular temperance movements. These movements were fuelled in part by resentment against the colonial abkari (excise) laws, but were also a widespread movement throughout India in which low-status communities began to demand to be considered equal to those of higher social status. Sadly, despite its many successes in a number of fields, this movement has failed to promote temperance of a lasting nature amongst the mass of the poor in India.
What it has done however has been to temper the prevailing social expectancies about drinking, wherein alcohol use is viewed by and large, often, even among consumers themselves as a disreputable and ego dystonic activity. This has been responsible for the development of what some have termed an “ambivalent” drinking culture – neither dry nor wet. But one in which alcohol use attracts social opprobrium at the same time that governments and alcohol manufacturers promote alcohol sales in pursuit of revenue and profit. Social proscription promotes apologetic and furtive drinking; which is therefore conducted in solitary (away from the family and public) or exclusively in male dominated drinking places; the aim of drinking is to drink to intoxication. Drinking is confined mainly to spirits, as they are far cheaper to drink than beers or wines. Also, since the prevailing social expectancy views alcohol use as a dissolute activity and alcohol use likely to lead to disruptive and disorderly behavior (Room et al, 1996) alcohol use is understandably associated with a spectrum of high risk behaviors as well as violence and wreaks a disproportionate social cost in India. (Benegal, 2000). This is a phenomenon which has been clearly reported as a signature feature of temperance cultures, and even the so-called “ambivalent” cultures as obtain in India.
2. Alcohol use in India – Production, sales, consumption, policies

2.1 Policies

Directive principles of state Policy

The underpinning of alcohol policy in post independence India, has been the recommendation laid down in the Constitution of India, to attempt to bring about prohibition of consumption of intoxicating drinks and drugs which are injurious to health. This obviously encompasses all alcoholic beverages. However, placed as it is in the section of the Directive Principles of State Policy, this injunction amounts to a direction for policy makers rather than a binding dictate.

State subject

The IMFL and beer industries share common characteristics arising from a similar policy framework. Under the Indian constitution, country liquor, IMFL and beer are state subjects, with each state controlling the duty structure and distribution. Import and export duties result in the high cost of inter-state movements, which has resulted in each state having attributes of a separate market. This naturally has proved to be an incentive for large scale smuggling of alcoholic beverages across state borders.

Prohibition

Alcohol prohibition is a state subject in India with each state having full control of alcohol legislation, state excise rates and the organization of production and sale of alcohol. There is thus significant variation in prohibition across states and over time within states. In the 1950s the prohibition movement grew from the emphasis placed on abstinence by Gandhi - an ideology that still underlies much of alcohol policy in the contemporary period. By the mid 1960s this trend had stemmed with several states lifting prohibition orders until the 1970s when prohibition did not exist in any state except for Gujarat. Since trade liberalization in 1992/93, central and state attitudes to alcohol changed dramatically with the previous restrictions on consumption and production being relaxed. At the same time social taboos associated with consumption within a particular socio-economic group (the urban middleclass) decreased rapidly.

Despite this, several states enacted prohibition orders during the same time (early 1990s) as a response to lobbying from women's movements that had gained considerable popular support. The most well known of these is the Anti-Arrack Movement in Andhra Pradesh spearheaded by women's groups in the Telengana area. Given that state excise from potable alcohol is approximately 20-25% of state-revenue, this inevitably led to a massive loss of revenue resulting in the prohibition orders being reversed in subsequent years. The experience of Haryana is the most striking example of this where, after two and a half years of complete prohibition between 1996 and 1998, the state treasury was practically bankrupt.

At present there is only one state with complete prohibition in force and 3 with bans on production and consumption of arrack. There are three main types of prohibition policy: complete prohibition.
of production and consumption; partial prohibition where one or more type of liquor (usually arrack) is prohibited; and dry days where consumption is prohibited for certain days of the week or month. Partial prohibition (of arrack) has been the main policy choice of the Southern states of Tamil Nadu, Kerala and Andhra Pradesh where much country liquor is distilled.

Kumar (1996) traces the rise of criminal organizations in India to the prohibition against the sale of liquor introduced after Independence in several Indian cities. This led - as in the United States when there was a ban on alcohol after the First World War - to the development of organized criminal groups in cities such as Bombay (Mumbai), Madras and Delhi. The criminals not only manufactured and distributed the illegal alcohol, they also made illegal payments to politicians and members of law enforcement agencies to buy protection from arrest and prosecution.

Excise earnings as a proportion of total tax earnings of government

Alcohol is also a significant contributor to government revenues in most states. Excise taxes on alcohol provide most of the state excise tax revenues that, in turn, account for more than 10 per cent of state own-tax revenues in most Indian states. In the state of Punjab, excise taxes contribute to more than one-third of own-tax revenues. These are in addition to amounts raised through taxes on sales of alcohol levied by states. In the state of Karnataka, excise revenue accounts for about 20% of all government revenue, and is the second largest item of revenue, second only to sales tax.

Under the Constitution, taxation is largely a Central Government monopoly. The Centre's exclusive right to taxation extends not just to income earned by corporations and individuals, but also to domestic production (excise) and imports (customs).

Liquor, on the other hand, is one commodity on which the States are entitled to charge excise duty. The State List contained in the Seventh Schedule (Article 246) includes "intoxicating liquors, that is to say, production, manufacture, possession, transport, purchase and sale of intoxicating liquor".

During the current fiscal, total earnings of State Governments from alcohol, i.e. State excise, is budgeted at a massive Rs 17,674.80 crore, accounting for about 14 per cent of their aggregate revenue of Rs 125,563.40 crore from own taxation sources. In fact, excise is the second largest revenue contributor for States after sales tax (Rs 75,480.70 crore) (2001 figures).

The only State that does not depend on alcohol to generate revenue is Gujarat, which imposes prohibition and in 2000-01, excise was budgeted to yield a mere Rs 30-crore accounting for just 0.29 per cent of the State's total own tax revenues. The States in which liquor contributes a major chunk of their revenue kitty include Uttar Pradesh (Rs 2,500 crore or 21.77 per cent), Tamil Nadu (Rs 2,153.25 crore or 17.22 per cent), Maharashatra (Rs 1,800 crore or 9.29 per cent), Andhra Pradesh (Rs 1,400.01 crore or 13.02 per cent), Karnataka (Rs 1,400 crore or 15.29 per cent), Punjab (Rs 1,385.80 crore or 25.90 per cent), Madhya Pradesh (Rs 1,220 crore or 18.84 per cent), Rajasthan (Rs 1,171 crore or 21.27 per cent) and Haryana (Rs 1,033.50 crore or 24.83 per cent).
This is similar to the position that obtained under the colonial administration in British India, circa 1905 when the excise on alcohol was the largest item of revenue excepting revenue from land. Despite its obvious success in recent years and its importance to state governments as a source of revenue, the alcohol industry has come under a lot of fire in India. Indeed, the production, sale and consumption of alcohol has been a volatile political issue whether during the pre-independence period or, for that matter, in the 50 years of the post-independence period. Arguments against its production and use have ranged from its negative impacts on the economic and general well-being of alcohol consumers and their dependents, to causing motor vehicle accidents and to consumption being inherently immoral. This has led to two perspectives with regard to policy on alcohol in India. The first calls for outright prohibition as a matter of state policy, taken to mean a ban on the production, sale and consumption of alcohol. Support for prohibition has provided a basis for periodical bouts of anti-alcohol agitation spearheaded by women in Indian states. Mahatma Gandhi, in the pre-independence period, issued several strong statements against the sale and consumption of alcohol [Abraham 1995; Reddy and Patnaik 1993]. Prohibition is mentioned even in the Constitution of India, where it is considered a stated, but not legally enforceable, goal of the state [Government of India 1996]. The second view supports the notion of individual choice in alcohol consumption, albeit with reservations. This view accepts the right of individuals to voluntarily consume alcohol, especially that of tribal communities that consume alcohol as part of their cultural milieu. However, to the extent that alcohol consumption can have negative externalities associated with it, supporters of this line of reasoning do not rule out policy measures other than prohibition to curtail its use. A key element of their strategy is increases in excise and sales tax rates on alcohol, so as to raise its market price [Saldanha 1995]. Both views have their detractors in India. It has been suggested that the consumption of alcohol is price inelastic and, therefore, an increase in its price would simply increase the expense of alcohol consumers aggravating the economic hardship of their family members, without necessarily reducing any of the other negative impacts [Reddy and Patnaik 1993]. Others have argued that prohibition may be counterproductive and may increase corruption, crime, and the production and consumption of illegal liquor with even more adverse health impacts [Saldanha 1995]. They point out that experiments with prohibition policy have failed in India and elsewhere in the world and it makes no sense to move to an obviously inferior policy regime [Vyasulu 1998].

**Liberalisation of imports of alcoholic beverages - MNC invasion**

Of the few industries that have seen a no-holds-barred entry of Trans-national Corporations (TNC), the alcoholic beverages industry perhaps tops the list. The Government’s long-term ban on the import of bottled spirits was lifted on April 1, 2001. Anticipating the move, most global liquor majors have set up shop in India, over the past seven years, and have actively pursued market opportunities, despite constraints. This

**Outlook**

*The consumer base for alcohol in India will gradually expand. The target segment – men between the ages of 20 and 59 – is estimated to be around 23% of the Indian population. In 2001, that aggregated to 233 million people. This segment of the population is expected to grow by 3.4% annually, to approximately 260 million by the year 2006. Taken together with the socio-economic changes that are occurring, this makes India one of the most attractive markets for overseas investors. There are also many potential consumers to be found in other segments of the population. The introduction of new products such as flavoured and mild alcoholic products, aimed to recruit non-drinkers and is targeted primarily at women*

*Excerpt from Indian Spirits Market: Regulatory Shackles easing. Rabo India Finance Pvt. Ltd. April 2002*
is because the liquor industry, witnessing a declining trend worldwide, has shown robust growth in India, bucking the recessionary trends in the economy and the official liquor industry policy. India was compelled by a World Trade Organisation pact to remove quantitative restrictions on all imports of alcoholic beverages from April 1, 2001 but was allowed to slap tariffs on them as compensation. However, the government retained basic duty on imports at 210 per cent and a special additional duty at four per cent. But it imposed a three-slab additional import duty of 150 per cent, 100 per cent and 75 per cent, depending on the price of the spirits being imported to protect domestic industry. The government said the additional duty was imposed because domestic firms paid a state excise duty from which foreign companies' imported bottled spirits were exempt.

But bottled imports (of spirits), after the duty was increased, are reported to have declined 42 per cent over the previous year and led to an increase in illegal imports. In 1999, 25 per cent of the scotch whisky consumed in India was bought from duty paid sources, which dropped to 10 per cent after imports were freed in 2001 and the import duty on spirits was increased [Source: Rediff budget 2002-03; http://www.rediff.com/money/2002/feb/20liquor.htm].

The root cause of rampant smuggling and counterfeiting of scotch is a combination of import restriction and high tariffs. The import duty on the preferred whisky is pretty stiff — 215 per cent basic customs duty plus an additional duty of 13.8 per cent. As the duty makes cost of the genuine scotch prohibitively high for most, smuggling of premium brands thrives. And those who churn out fakes are flourishing.

Only 25 per cent of the scotch consumed in the country is duty paid. According to The Scotch Whisky Association, only 45 per cent of the supply comes from legal channels. All this leads to a notional revenue loss of a few hundred crore rupees for the Indian government (As reported in The Economic Times, 12 January 2001).

2.2 Estimates of alcohol consumption in India

The liquor industry has traditionally been a money-spinner for the Government of India. The size of the organized liquor industry in the country is around Rs 45 billion (inclusive of excise duty), comprising 56 breweries and 25 Indian Made Foreign Liquor (IMFL) manufacturers. The major states accounting for alcohol production are Maharashtra, Karnataka, Tamil Nadu and Uttar Pradesh. Most of the breweries are located in Andhra Pradesh, Karnataka, Tamil Nadu, Haryana and Punjab.

The liquor segment also comprises the unorganized Rs.100 billion country liquor segment. At more than 250 million cases per annum, it has distinct characteristics of its own. Country liquor, an unbranded, highly potent alcohol drink is produced by distilleries and sold through separate distribution channels. There is also a thriving market for illicitly made country liquor.

Estimates of production and consumption from the industry

The Indian Made Foreign Liquor industry in India in total sales is currently (2001-02 figures) estimated to be around 650 million litres [roughly 73 million cases – each case containing 12 bottles of 750 ml]. IMFL can be further classified into whisky, rum, brandy and white drinks. Of this whisky constitutes close to 65 per cent of the market, followed by rum and brandy with 16 per cent and 12 per cent respectively. In the liquor market, consumer preferences are swayed more by costs. The high-cost structure deters many consumers. The liquor penetration in the country is around 12 per cent. Of this, around 75 per cent of the consumers have an estimated income of Rs 6,000-7,000 per month. Given this low base, price increases leads to reduced consumption.
A classic example is the consumers’ preference for rum, which is comparatively cheap. The rum market is expanding at 22 per cent per annum. Regular whisky is growing at 6-7 per cent and premium whisky at around 10 per cent.

Moreover, the premium whisky segment has not been growing in the recent past, selling on an average, around 1.4 million cases. Though the overall industry has been growing at around 7 per cent per annum, this segment has been languishing. Therefore, when companies cannot push the high end brands, the logical choice would be to push volumes in the lower end.

The cheap-to-medium-priced market and the lower-end segment are set to expand. The main reason for this is the flooding of products from the grey or country liquor market.

It has been estimated that country liquor and the unorganized alcoholic beverage sector accounts for a further 200 million cases. In South India, however, Tamil Nadu and Kerala have banned country liquor. This is good news for IMFL manufacturers. The ratio of IMFL consumers to country liquor consumers would be around 1:5. With the ban on country liquor, some consumers move into the IMFL segment, expanding the market. The market these consumers would most likely turn to is the cheap-to-medium segment. The market is growing at 9-10% per annum in volume terms. The industry is witnessing entry of new players and international brands launched by the global players in the market. The domestic players have also been revamping their existing brands in order to meet the impending threat of competition from international players.

Beer is still classified in India at par with IMFL (Indian Made Foreign Liquor). There are thus strict rules and licenses for selling beer. But there are hefty excise and tax levies. These levies are more severe on beer because they are based on volume and not on alcoholic content as in the case of IMFL. This makes whisky or rum cheaper compared to beer and tends to be value for money in terms of alcoholic strength to the consumers. Total beer sales in the country in 2001-02 was around 75 million cases. The market is dominated by the 'strong beer' brands with alcohol content of 7.5-8 per cent, and this segment is growing significantly. During the year 2001-2002, mild beer segment in the industry grew by one per cent, while strong beer grew by 10 per cent. The per capita consumption of beer is 0.55lts in India compared to world average of 23lts (140lts in USA, 130lts in Germany, 103lts in UK, 50lts in Brazil and 17lts in China). Globally around 70% of total alcoholic beverage consumption is in the form of beer, which in India is just 16% in volume terms and 2.4% in absolute alcohol terms.

It is only very recently that wine has begun to be produced on a significant scale in India. Its production takes place in both the organised and the household sectors. Sparkling wine is also manufactured in India. However, this is intended for the export market and the volumes involved are small.
There are around 23,000 licensed liquor outlets in India, with another 10,000 outlets such as bars and restaurants. States vary as to their treatment of liquor and there are restrictions on the transfer of alcohol between states. In the southern states of Tamil Nadu, Kerala and Andhra Pradesh the distribution is controlled by the state government, which enables changes in political parties to dramatically affect the availability of alcohol. In Andhra Pradesh a change of government resulted in a ban on the sale of alcohol in the state temporarily, while in Uttar Pradesh, Rajasthan and Punjab, liquor distribution licenses are auctioned to the highest bidder. [Source-Annual Report 1999-2000, Ministry of Food Processing Industries <http://mofpi.nic.in/industryspecificinformation/beer/beer_present/beer_present.htm]

### 2.3 Types of alcoholic beverages:

#### Legally produced alcoholic beverages

Alcoholic beverages officially manufactured in India are categorised as beer, country liquor and Indian Made Foreign Liquor (IMFL). IMFL production includes wines, whisky, rum, vodka, gin and brandy. In India, country liquor and IMFL (Indian-Made Foreign Liquor) cater for two quite different sectors of the liquor market. Country liquor is consumed in rural areas and by low-income groups in urban areas. IMFL is consumed by the middle and high income groups, primarily in urban areas, however in the last decade cheap IMFL has been displacing country liquors, with a few states going so far as to ban the sales of country liquor resulting in a switch to IMFL by country liquor customers.

The ethanol content of whisky, rum, brandy and gin (IMFL) are mandated at 42.8% volume by volume (75° proof) and of country liquor or arrack at 33.3% volume by volume (65° proof) at 15/15°C. The Karnataka Excise Act specifies that for the manufacture of IMFL and arrack, the basic material is Rectified spirit [manufactured by distillation of molasses] of not less than 166° proof. Such spirit has to be reduced to strengths of 75° proof or 65° proof depending on whether IMFL or arrack is the final product [Karnataka Excise Rules (Regulation of Yield, Production and Wastage of Spirit, Beer, Wine or Liquors) 1997].

#### Illicit liquor only source of income for UP poor

Large-scale deaths in hooch tragedy in Bareilly district on Monday have exposed the nexus between law enforcers, excise department officials and manufacturers of illicit liquor in several parts of Uttar Pradesh.

Take the example of nearly 150 hamlets, situated within 10 km on the banks of the Ganga in Gangaghat town in Unnao district, around 20 kms from Kanpur. Illicit liquor is the sole source of income for inhabitants of these almost inaccessible villages on the banks of the holy river.

Men, women and even children in the liquor belt here are experts in distillation and transportation of liquor but except “routine raids” and perfunctorily made appeals by local leaders, nothing concrete has been done to persuade locals to do away with the illegal profession.

On an average, each of these villages has four to five ‘bhattis’, taking the collective production of illicit liquor to 600 bottles per day. The Lodhs, Pasis and mallahs (boatmen) have been brewing the liquor for the last 20 years. The production cost of each bottle is a paltry Rs 10 and is sold at a minimum rate of Rs 25 to 30 while a 200 gm pouch of the “official” country made liquor costs Rs 25. “Our product is better than the country made liquor which can be corroborated from the evening rush in our selling outlets,” says a resident of Behata village which tops in illicit liquor production.

The ingredients? Rotten plastic, chappals and urea for an early kick besides a tinge of poisonous leaf known in local parlance as besharm ka patta. An overdose of this leaf makes the brew killer at times. Gone are the days when these people used earthen pots to ferment the mahua by burying them in sand for about a week.

Whenever law enforcers have tried to conduct raids in these villages, they have faced retaliation from locals. Sub-inspector Rai Singh and constable Jagdish were killed by bootleggers when they tried to “infiltrate” into Fatehpur Chaurasi village in 1992.

“The police raids are a formality. No one can persuade villagers to stop producing illicit liquor because this is their only source of earning,” says Chandrashekhar Awasthia, a local leader.

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Whisky accounts for 60% of the IMFL market. There are three types of whisky permitted for manufacture in India:

1. Malt whisky: which is the alcoholic distillate of malted or unmalted cereals or a mixture of both.

2. Whisky: is defined as the alcoholic liquor possessing the distinctive color, odour and taste characteristics of whisky. It is made from neutral spirit or rectified spirit or a mixture of both. All the whisky in the non-premium segment and even some in the premium segment belong to this category.

3. Blended malt whisky: is a mixture of at least 4% malt whisky with whisky.

Beer is sold as mild beer (ethanol content of 5% v/v) and strong beer (ethanol content 7.5-8% v/v). The market is dominated by the `strong beer' brands which account for 70%.

Illegally produced alcoholic beverages

Illicit liquor, produced without a license, has been available in Bangalore and Karnataka, as well as in the rest of India, ever since licensing was introduced during the British colonial period. But the process by which most of it is produced has changed in relatively recent times. At least until the 1950s most of this illicit liquor in the city, often termed *hooch* by English language commentators, appears to have been manufactured in small distilleries located in villages within easy reach of Bangalore. The traditional manufacturers were mainly from the Lambani community, whom the British had designated a `criminal tribe', partly for their propensity to produce liquor as a cottage industry.

In the rest of the state, alcohol production especially the manufacture of toddy was also traditionally carried out by hereditary toddy tappers, belonging to the castes of Billavas and Idigas, the toddy tappers, who are in the current socio-political scenario, dominant communities especially in the districts of Chikmagalur, Mangalore, Shimoga and Udipi.

But as demand rose in the middle decades of the last century, rivals from a number of other social groups also took up small-scale production alongside them. These producers, especially in the bigger cities in Karnataka, certainly in Bangalore, marketed their output through large networks of vendors constructed by underworld entrepreneurs resident in the city. In the 1970's, turf battles and mergers had reduced the number of such networks to two or three. It has been observed that a majority of network employees are women. This owes something to the comparative ease with
which women (and often children) can transport illicit drink, given the reluctance of authorities to subject them to thorough searches (Manor, 1993). Illicit hooch usually consists of a distillate of a fermented wash, comprising a variety of ingredients, like fruits and grains. Additional substances are added to increase the ‘kick’. While there is certainly no authoritative description, well-informed witnesses have documented the ‘addition of items like rotten fruit, tree bark, jaggery; copper sulphate and a small dose of methyl alcohol. It was also widely acknowledged that occasional additives including rotting refuse, cow dung, chicken droppings, disused footwear, the bodies of cockroaches, frogs, lizards and rats… and the innerds of slain fowl….Consumers of hooch consistently stated that it made them feel more merry than arrack did, and that it was more effective in helping them to sleep soundly…Even when illicit hooch is not really stronger than legal arrack – as is often, or perhaps usually the case – it can appear to be so because additives give it an exotic taste (Manor, 1993).

Recipes vary widely, but it is not uncommon for a basic mix containing ethanol (potable alcohol) as a result of distillation, to be ‘enhanced’ with the addition of small doses of methanol and / or French polish paint or battery cells. The resulting beverages deliver a sufficient ‘kick’ or the appearance thereof, to make them more attractive than legal arrack. This also makes it potentially far more dangerous than the legally produced drinks. Deaths due to drinking illicit hooch, are common.

An important consideration for the popularity of hooch is the ease with which it can be obtained, especially at hours when authorized shops are closed…..Hooch outlets are often situated within settlements and working class dwelling areas. The stronger down the hierarchy one goes, the stronger is the preference for these outlets. This is because low caste people and especially the Scheduled castes (‘ex’-untouchables), risk being insulted or turned away from legal arrack shops because they are viewed as unclean by many of those higher on the social ladder. It is safer to buy drink closer to home where the vendors are often from the same or similar socially deprived group, where people usually do not congregate like in an arrack shop, and where no questions are asked. This applies all the more to women consumers from socially deprived groups. Most women regard entry into the largely male preserve of an arrack shop as virtually unthinkable. Since the purchase of illicit hooch is a more furtive affair and since women do most of the selling, women consumers are less hesitant to buy from them. Another advantage, which is seldom available in arrack shops – is the possibility of regular customers purchasing illicit liquor on credit. Vendors of hooch appear sometimes to engage in money-lending, a practice which appears to be associated with purveyors of drink in some parts of India.

And of course, the decisive reason for the popularity of hooch is its price. Although legal arrack is cheaper to produce than illicit hooch, the cost of arrack due to the taxation on it is far higher (Manor, 1993).

Low alcoholic illicit beverages
Low alcoholic beverages are not unknown...
to India. Toddy is drunk all along the coast. Tribals drink handia, a drink quite like the Tibetan beer, chhang.

In Karnataka "neera" the sweet sap that is produced by the coconut tree's spathe is a traditional drink. When left to ferment it results in a toddy.

Neera tapping, however, has been banned by the state government. It feared that if tapping was allowed neera would be sold as toddy, which Karnataka banned in 1992. The Karnataka administration saw neera as a direct threat to the huge revenue it earned from the sale of liquor. In the previous financial year, the revenue from liquor sales was Rs 2,000 crore; the expected target was Rs 2,500 crore in 2001-02.

As a result of an endemic of a mite infection which attacked coconut palm trees in Karnataka, farmers demanded the right to drain the sap from the trees (as the mite is apparently attracted to the sweet liquid) and sell it. The white-coloured sweet drink fetches Rs 25 a litre. As each coconut tree produces two litres of neera every day, farmers who tapped neera earned Rs 50 from each tree every day. The Karnataka Government conceded to their demand and eased the ban on tapping neera from coconut trees. The caveat was that, neera should not be used to make toddy, an act that remains punishable under the Excise Act. Only licenced individual growers or cooperative societies could tap and sell neera and its by-products like jaggery and candy.

Drinking neera caught on like wildfire. Youth in Bangalore, Mysore, Shimoga and other urban centres travelled to nearby villages early morning to savour the drink. Urbanites organised 'neera parties' in coconut groves at dawn while neera-stops became a common sight along highways in the coconut-growing districts. It was reported that as a result, arrack went down by 50 per cent.

The government's decision to allow the tapping and sale of neera, under pressure from coconut farmers, did not go down well with the arrack lobby in the State. Within a week of the decision clashes erupted between neera tappers and arrack sellers at Keeralu village in Mysore district after a neera tapper was attacked allegedly by an excise contractor. Villagers burnt down arrack shops and set fire to a jeep belonging to an excise contractor. The media reported that this was due to fears that neera would replace arrack as the drink of choice at the level of the masses. This would mean losses for arrack contractors who had obtained arrack licences at auctions.

**Related Literature on Alcohol Consumption in India**

Rahman (2002) in a paper on Alcohol Prohibition and Addictive Consumption in India, analysed a dataset compiled from 13 rounds of the National Sample Survey of India (NSS) between 1983-2000. (The NSS is a random, representative, household-level consumption expenditure survey of Indian states and union territories. Each survey is based on 30-day recall and records consumption of over 500 food and non-food items. The sample included only the 17 major states since their large sample size facilitates examining alcohol consumption by type of alcohol).

The survey showed that approximately 11.7% of the sample reported consuming some form of alcohol. Arrack was the most widely consumed form of liquor although in the Southern States (Andhra Pradesh in particular) the quantity of toddy consumed was also high. 71% of the total sample reporting alcohol consumption in the last 30 days consumed arrack; the corresponding figure for toddy is 20% and 10% for IMFL.

However the consumption of IMFL has been steadily increasing, and in some states is higher than the consumption of toddy. Beer and wine have the least coverage and is consumed mainly in urban areas - only 3% of the alcohol consuming sample report beer consumption. The data suggests that the majority of households consume a particular type of liquor - only 4% of households reporting alcohol consumption consume more than one type of liquor.

Average quantity consumed is 10 litres per month, with 8.5 litres of arrack, 13.3 litres of toddy, 2 litres of IMFL, and 5.1 litres of beer.

The budget share allocated to all alcohol items for the alcohol consuming population has a mean of 5.1% and a median of 3.6%. In line with other studies on alcohol expenditure, the distribution is
skewed to the right: 5.5% have a budget share larger than 15% and 0.5% have a share greater than 30%. There did not appear to be any systematic (socio-economic or sectoral) difference between households with large budget-shares (i.e. greater than 15%) devoted to alcohol and the rest of the sample. There was significant variation in reported consumption across states with the percent of households reporting alcohol consumption ranging from 4.7% in Gujarat to 20% in Andhra Pradesh. However, the disparity in average alcohol budget shares is lower with households in Gujarat reporting an average budget share of 5.2% relative to 6.0% in Andhra Pradesh. There is also a distinct sectoral split in the level and type of liquor consumed - reported consumption is much higher in the rural sector, 14% compared to 8.3% in the urban sector, as is quantity consumed – 10.3 litres per month relative to 8.6 in the rural and urban sectors respectively. However, average budget shares are significantly higher in the urban sector, 5.6% relative to 4.9% in the rural sector. While arrack is preferred throughout both areas, there is a preference for toddy in rural households and IMFL in urban centres. There is no significant difference in taste for beer across sectors.

In the data, a higher proportion of scheduled castes and tribes report alcohol consumption compared to general caste households, 36% and 17.5% relative to 8%. They also have a stronger preference for arrack - of those households consuming alcohol, 84.5% and 73% of scheduled caste and tribe households consume arrack compared to 64% of general caste households. Household caste is a highly significant determinant of alcohol consumption across all liquor types. The coefficients, which are all significant at the 1% level, indicate that scheduled caste and scheduled tribe households are more likely to report higher budget shares of alcohol relative to general castes. This may be because as members of the lower castes in the caste system they are less bound by the Hindu principles of temperance which are most strictly enforced on the priestly (Brahmins) and higher castes.

The consumption of alcohol is higher amongst rural households with illiterate heads and those with more than 1 acre of land. However this is mainly more consumption of arrack; landless households tend to consume toddy slightly more and less IMFL and beer. In the urban sector there does not seem to be any significant difference in the reported or type of alcohol consumption by literacy or landownership of the household head. The sex-specificity of consumption is reflected somewhat in the observation that female-headed households report less alcohol intake: 3.7% compared to 12.6% in male-headed households. Alcohol consumption also differs by the proportion of adult women in household with households with a higher proportion of males reporting higher consumption. Labourers and farmers report the highest consumption rates, 16% and 15%, followed by service and production workers, 13.4% and 12.7%. Arrack and toddy are more represented amongst blue-collar workers with the former being most widely consumed by labourers and the latter by farmers. On the other hand, professionals, administrative staff and executives report significant consumption of IMFL and beer - 40% of professionals who drink consume IMFL compared to 3.4% of labourers. This is highly plausible as IMFL is a more refined spirit and more expensive than arrack, and because of the legacy of the British Raj which instilled a culture of drinking whiskey and rum in the professional and administrative classes.

Alcohol budget shares are significantly lower in female-headed households and in households headed by older individuals, but significantly higher in households with married heads. Literate household heads imply significantly lower consumption of arrack and toddy but a strong preference for IMFL.
3. Alcohol use in Karnataka

3.1 Production and Sales of Beverage Alcohol in Karnataka with reference to other states

Manufacture of alcohol

Production of Alcohol drinks from non-molasses sources is very small in the country compared to the total production of alcoholic drinks. The bulk of alcohol is produced from sugar cane molasses. Molasses is a thick viscous by-product of the sugar industry which is acidic in nature, rich in salts, dark brown in colour and it also contains sugar which could not be crystallized. For manufacturing alcohol, the Molasses is diluted with water into a solution containing 15-16% of sugars. This solution is then inoculated with yeast strain and is allowed to ferment at room temperature. The fermented wash is distilled in a series of distillation columns to obtain alcohol of adequate/requisite strength and quality/specification. This alcohol is used for various purposes including potable and industrial. For manufacture of alcoholic beverages, the alcohol is, if required, matured and blended with malt alcohol (for manufacture of blended whisky) and diluted to requisite strength to obtain the desired type of liquor/Indian Made Foreign Liquor (IMFL). This is bottled in bottles of various sizes for the convenience of consumers.

Production and distribution chain for alcoholic beverages

The production cycle for alcohol production both for country liquor and IML with reference to the common production input-molasses-is as follows:

Sugar cane produced by farmers is brought to sugar factories which are bound to crush the cane brought by registered growers allotted to the factory when it was established. If the factory has excess capacity, it may also crush cane grown by unregistered growers at its discretion. All cane is not, however, brought to factories. Some of it could be converted into jaggery on the farm or be crushed in khandsari units. Molasses produced under these conditions cannot be accounted for and could be used for distillation without undergoing quality checks or paying duty.

Licensed primary distilleries seek allocation of molasses from the Excise Commissioner, in order to produce rectified spirit.

Rectified spirit, produced by primary distilleries, is issued to two distilleries MSIL and Mysugar for manufacturing arrack and to licensed blending units which produce four major IML brands—rum, gin, brandy and whiskey. It is also issued for alcohol based (chemical) industries and for pharmaceutical units.

Karnataka has today 20 primary distilleries manufacturing spirit, 37 IML manufacturers and 6 brewers. Of these, only 7 are composite units combining distillation and blending. 2 are in the cooperative sector and one in the public sector.

IML brands are sold through licensed sales points and excise duty is collected from the producer at the issue point to vendors, arrack is sold through approved shops of successful bidders. Undocumented or illicit alcoholic beverages may be produced outside the licensed and authorised chain, using molasses released from on-farm or khandsari processed sugarcane or from unaccounted molasses from sugar factories and distilleries to produce rectified spirit. Unaccounted rectified spirit from distilleries and unaccounted blends are various sources for undocumented alcohol.
**Liquor availability**

Most states in India (apart from states, which have opted for prohibition like Gujarat), control the macro availability of liquor to restrain consumption. This is done both by limiting the number of production points as well as by reducing the number of sale outlets.

The Karnataka government has often forwarded the argument that making liquor available in a fairly extensive manner at reasonable prices, forestalls the possibilities of illicit distillation and attendant health hazards as well as ensures lower outgoes from family budgets on an inevitable item of expenditure. It claims to do this by “combining wide retail availability of cheap liquor brands and foolproof mechanisms of quality control.

In all States, social effects attributable to indiscriminate liquor consumption like domestic violence, anti-social behaviour, public disturbance and the like have given rise to spontaneous uprisings against liquor contractors. Widespread public opposition to the free availability of liquor throughout the nineties has resulted in severe reduction in the number of sale outlets in most southern States. The effects are most apparent in rural areas. Other southern Indian states like Andhra Pradesh and Tamil Nadu have abolished country liquor and cut down drastically on the number of retail sale outlets. Kerala, after a recent tragedy, has strictly regulated liquor sale and routed it through government or cooperative sector shops. 

In Karnataka, country liquor continues to be marketed as a standardised separate cheap low end product for the consumption of poorer sections of the population (blue collar workers in urban areas and labourers in rural areas). Adulteration is supposedly checked by routing the blending of arrack through two public sector undertakings. It is true that, partly for this reason, there have not been cases of mass poisoning of liquor in the State for some time. The effects of these policies in the southern Indian states are apparent in the relative availability positions of liquor varieties with high and low alcohol content for 1999-2000 presented in the table below. The inter-State comparison is restricted to “wine shops” or outlets authorised to sell packaged liquor.

<table>
<thead>
<tr>
<th></th>
<th>High alcohol varieties-arrack &amp; IML</th>
<th>Low alcohol variety beer</th>
<th>All varieties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Karnataka</td>
<td>Kerala</td>
<td>Andhra</td>
</tr>
<tr>
<td>Per capita production *</td>
<td>8.91</td>
<td>NA</td>
<td>6.55</td>
</tr>
<tr>
<td>No. of production points</td>
<td>48</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td>Per capita sales*</td>
<td>7.46</td>
<td>5.87</td>
<td>6.55</td>
</tr>
<tr>
<td>No. of sale outlets</td>
<td>15798</td>
<td>691</td>
<td>6006 **</td>
</tr>
<tr>
<td>Population/outlet</td>
<td>992</td>
<td>17049</td>
<td>3741</td>
</tr>
</tbody>
</table>

*computed on males between 15 and 60 **3434 are in urban areas

Sale outlets do not include restaurants, clubs, bars and the like.

For Kerala, IML production points are only blending units, for Karnataka country liquor is blended in public sector units; these are not included

**Source:** Computed on data furnished by State excise departments using population figures from the 2000 census
Because Karnataka has continued with the policy of permitting the sale of arrack through several dispersed outlets, the number of sale outlets in Karnataka is much higher than in other southern States and the population served per outlet much lower (although per capita sales are largely comparable). Arrack outlets account for 12000 sale points. Karnataka, Andhra Pradesh and Tamilnadu have broadly similar per capita sale figures, but per capita sales of strong liquor are distinctly higher in Karnataka (because of the wider availability of country liquor). Tamilnadu has higher per capita sale figures for low alcohol varieties, principally beer. By permitting manufacture and sale of country liquor, liquor availability, particularly that of strong liquor, is much higher in the rural areas of Karnataka than in other southern States.

Retail outlets

For all practical purposes, the number of retail outlets has been frozen in Karnataka from February 1992 onwards. Grant of licence is covered under the Karnataka Excise (Sale of Indian and Foreign Liquor) Rules of 1968. Rule 12 stipulates that in urban areas there could be one outlet for a population of 7500 or fraction over 3500 and in rural areas one outlet for a population of 15000 or fraction over 7500 (census figures projected for the latest year are used to determine the quota available for each taluk). In Andhra Pradesh, the number of retail shops is now stated to be 6553. In Tamilnadu, the number of outlets is stated to be around 4181 at present. (Against this, Karnataka has almost 12000 country liquor outlets and 3398 IML outlets, around 4 times the number of outlets in Tamilnadu and 2.5 times the number in Andhra Pradesh. These outlets sell liquor with both high and low alcohol content).

Existing country liquor auction arrangements in Karnataka provide a large number of outlets for strong liquor alone in rural areas. From the point of view of retail sales, IML licence holders are entitled to sell bottled beer and wine under the CL2 licence issued under the Karnataka Excise (Sale of Indian and Foreign Liquor) Rules, 1968. Under Rule 4 of the Karnataka Excise (Retail Vend of Beer) Rules 1976, licences can also be given for retail sale of beer alone. Retailing is generally done through dedicated “wine shops” or as a component of the hospitality industry in restaurants (including beer parlours and bars) and clubs.

The Karnataka duty (excise duty and litre fee alone) on beer is the highest among the southern States with specific duties; the Andhra duty on beer is close behind but Kerala and Tamilnadu have much lower duties. In the case of IML too, excise duty is highest in Karnataka (excluding Kerala which has an ad valorem structure), particularly since there is no differentiation based on varieties and price. Even arrack in Karnataka is charged a high duty in comparison with that on IML in the three southern States if per litre auction rentals are considered, but arrack is not subject to sales taxes like IML. Some States like Sikkim, Himachal Pradesh, Punjab, Rajasthan and Uttar Pradesh differentiate between mild and strong beer. What is noticeable is the substantial difference in tax burden between these two in Delhi, where the tax on strong beer is close to 3.5 times that on lager. This has probably been necessitated by the health, traffic and other hazards associated with the consumption of high alcohol content beer particularly in urban areas. None of the southern States or Union Territories differentiates between lager and strong varieties of beer. The Brewers’ Association has also separately indicated that growth in beer consumption has been in strong varieties, which seem to offer better value for money to consumers in terms of intoxicant capacity in comparison with IML.
The continuing complaint in Karnataka is that strong liquor varieties are available cheaper than milder varieties, which explains the undesirable high figure of per capita consumption of strong liquor. The complaint is clearly with reference to arrack, which, as we have already seen, is available fairly freely in the State. In other southern States, due to the abolition of country liquor, the cheapest available strong liquor or IML costs around Rs. 150 per bottle of 750 ml., which is much higher than the maximum price fixed for country liquor in Karnataka (Rs. 85/litre). It is stated with some truth that arrack manufacturers often sell arrack at higher prices (up to Rs. 100/litre) and take advantage of the market.

Present rates of countervailing duty are the following: 1) 150% for brands of alcohol in the low price band, 2) 100% for brands in the medium price band and 3) 75% for brands in the high price band.

This is additional to basic customs duty of 100% for wine and beer and 210% for other liquor.
### Estimate of evasion of excise duty and sales tax on IML

<table>
<thead>
<tr>
<th>Description</th>
<th>99-2000 Rs.</th>
<th>98-99 Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax incidence per litre of IML</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum basic price suggested per case by department</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Excise duty</td>
<td>405</td>
<td>405</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>655</td>
<td>655</td>
</tr>
<tr>
<td>Sales tax at 60%</td>
<td>393</td>
<td>393</td>
</tr>
<tr>
<td>Cess at 5%</td>
<td>19.65</td>
<td>19.65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1067.65</td>
<td>1067.65</td>
</tr>
<tr>
<td>Litre fee</td>
<td>180</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1247.65</td>
<td>1157.65</td>
</tr>
<tr>
<td>Assumed wholesale margin (5%)</td>
<td>62.38</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1310.03</td>
<td>1215.55</td>
</tr>
<tr>
<td>Sales tax (60% after deducting tax paid at wholesale level)</td>
<td>285.02</td>
<td>282.39</td>
</tr>
<tr>
<td>Cess at 5%</td>
<td>14.25</td>
<td>14.11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1609.30</td>
<td>1512.15</td>
</tr>
<tr>
<td>Assumed retail margin (7%)</td>
<td>112.65</td>
<td>105.85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1721.95</td>
<td>1618.00</td>
</tr>
<tr>
<td>Retail sales tax (10%)</td>
<td>172.20</td>
<td>161.80</td>
</tr>
<tr>
<td>Cess (5%)</td>
<td>8.65</td>
<td>8.09</td>
</tr>
<tr>
<td><strong>Retail price</strong></td>
<td>1902.80</td>
<td>1787.89</td>
</tr>
<tr>
<td>Of which excise duty</td>
<td>585</td>
<td>495</td>
</tr>
<tr>
<td>Of which sales tax</td>
<td>892.77</td>
<td>879.04</td>
</tr>
<tr>
<td>Per litre retail price (retail price / 9)</td>
<td>211.42</td>
<td>198.65</td>
</tr>
<tr>
<td>Of which total margin</td>
<td>20.84</td>
<td>19.59</td>
</tr>
<tr>
<td>Licence fee (collected on IML outlets)</td>
<td>125.73</td>
<td>100.79</td>
</tr>
<tr>
<td>Overhead expenses (@ Rs.1 lakh / year for 7545 IML outlets)</td>
<td>74.38</td>
<td>74.38</td>
</tr>
<tr>
<td>Additional cost that must be met from sale of IML</td>
<td>200.11</td>
<td>175.17</td>
</tr>
<tr>
<td>To meet these costs, level of liquor sales required</td>
<td>9.6 cr. litres</td>
<td>8.94 cr. litres</td>
</tr>
<tr>
<td><strong>Reported IML sales</strong></td>
<td>2.81 cr. litres</td>
<td>2.77 cr. litres</td>
</tr>
<tr>
<td><strong>Estimated underreporting of sales (almost two and half times reported sales)</strong></td>
<td>6.79 cr. litres</td>
<td>6.17 cr. litres</td>
</tr>
<tr>
<td>Estimated excise duty evasion</td>
<td>441.35 crs.</td>
<td>339.35 crs.</td>
</tr>
<tr>
<td>Estimated sales tax evasion</td>
<td>673.55 crs.</td>
<td>602.63 crs.</td>
</tr>
<tr>
<td><strong>Total evasion</strong></td>
<td>1114.90 crs.</td>
<td>941.98 crs.</td>
</tr>
</tbody>
</table>

### Duty evasion

Evasion is possible at various points of the production and distribution chain. A major point of the production chain for potable alcohol at which there is unaccounted escape of inputs is when spirit is distributed from distilleries. Rectified spirit (RS) produced by distilling molasses is used for producing country liquor or further refined into neutral spirit (NS). The latter enters into the production of Indian Made Liquor (IML—mainly whisky, rum and brandy) or is used for other industrial purposes (chemical industries). To prevent diversion of NS and tax evasion from the former to the latter category,
it is rendered nonpotable while leaving the distillery by conversion into Denatured Spirit (DNS). It is widely believed that evasion occurs at this stage of the production chain.

A common method of evasion is to set up spurious chemical units and divert spirit (without conversion as DNS) for illicit manufacture of potable alcohol. There are also industries based on rectified spirit, which is not subject to denaturing. All this makes it difficult to prevent misuse of RS/DNS lifted from distilleries ostensibly for use by chemical units.

Distillery capacity utilisation is an important indicator of evasion. Only 7 out of the 20 of the primary distilleries have reasonably acceptable figures of capacity utilisation. In the neighbouring state of Andhra Pradesh, capacity utilisation in distilleries is around 66%. In Maharashtra, 41 cr.litres of spirit were produced by distilleries against an installed capacity of 55 cr.litres. In comparison with these States, the Karnataka position is dismaying. It gives rise to the suspicion of significant leakage of spirit, a suspicion that is confirmed by the availability of IML at unusually low prices in the market.

Evasion is also likely at the point of distribution and sale of liquor. Although vending rights for country liquor are auctioned in Karnataka, excise duty is also levied on reported consumption figures. There is, therefore, a tendency for contractors to underreport consumption and reduce excise duty liability so that total outgoes to government are kept under control since bid amounts themselves are fixed and cannot be avoided. High auction rentals are likely to be compensated through lower consumption and excise duty figures. In the case of retail sales of arrack and IML, States use external indicators to informally pressurise distributors to report consumption. In Tamilnadu, retail sales data is maintained shopwise and offtake targets fixed for each shop. Despite this, there are apprehensions that “seconds” are being sold in licensed shops; it was indicated that illicitly distilled liquor is more likely to be sold in parallel unlicensed shops.

In Karnataka, consumption targets are fixed by the department using 3 year averages of reported consumption. Nevertheless, there is strong evidence of evasion of duties and sales tax on arrack and IML.

Adulteration is also sought to be controlled by close regulation of the packaging sizes and designs of seals used for liquor containers. Under the Karnataka Excise (Bottling of Liquor) Rules 1967, (Rule 15-2) liquor bottles are expected to be marketed in sizes of 750, 600, 500, 375, 300, 250 and 180 ml. (except for arrack and beer) and 650 and 325 ml. for beer. Country liquor is permitted to be marketed only in polythene sachets of 50 ml and 100 ml.

Security devices have not been noticeably successful in preventing evasion and adulteration.

Misuse of transport permits is another method of evasion that is widely used. To ensure that duty-free exported liquor does not find its way back to the State of origin, check posts and other controls are laid down in Excise Rules. The Karnataka Excise Excise (Possession, Transport, Import and Export of Intoxicants) Rules of 1967 and accompanying circulars provide for excise guards to compulsorily escort export consignments of IML up to the destination point when exports are made to Union Territories in southern and western India.

Estimation of evasion

It is widely believed that there is substantial excise duty evasion for both arrack and IML. It is generally accepted that the amount of excise duty realised on country liquor is not a good guide to actual consumption. Expected annual increases in auction rentals put pressure on bidders who make the expected trade-offs in terms of under-reporting consumption and sales and lower excise duty payments. To ensure supply of quality, duty-paid country liquor, from 1993, the Karnataka government has restricted the manufacture of arrack to the two State owned/controlled undertakings-Mysore Sales International and Mysore Sugar Company. Successful bidders are therefore compelled to draw supplies from these units which considerably reduces the scope for
duty evasion by under-reporting sales. It is feared, however, that manipulations continue through illicit distillation and distribution of country liquor by bidders themselves. It has not been possible to establish a clear inverse correlation between quantities of country liquor drawn from MSIL and Mysugar and rentals realized talukwise from a preliminary examination of data pertaining to two consecutive years.

Distillery utilisation capacities reported to the Taxation Commission, showed surprising fluctuations (ranging from 6% to over 100%) and inconsistencies raising suspicions of under-reporting of production to facilitate evasion. Calculations based on departmental and other figures do indicate possibilities for evasion on a large scale for both country liquor and IML.

Duty evasion for arrack results from pressure to increase bids and compulsion to draw supplies from government sources as well as price fixations of both procurement and maximum sale prices. Evasion operates through illicit distillation at the instance of successful bidders as well as others. The Taxation Commission made a conservative estimate of the first type of evasion using data supplied by the Excise department. It appears likely that duty evasion in arrack is of the order of around Rs. 61 crs. in 1998-99 and Rs. 106 crs. in 1999-2000 which amounts to 51% and 74% of the excise duties from arrack for those years!

A similar exercise has been undertaken for IML also. Evasion in the case of IML follows a different pattern. There is no notified procurement price, but a minimum figure of Rs. 250/case has been indicated as the basic price for estimating sales tax liability. Proliferation of non-duty paid IML in the form of seconds is the most widely used mechanism for evasion. Physical checking by staff at distilleries is neutralised by usual methods, export permits misused and re-used and sales underreported. There are also large scale inter-State movements to take advantage of marketing and pricing opportunities. The Commission’s estimate of IML evasion produced startling results. For excise duty, the average of estimates of evasion for 1998-99 and 1999-2000 comes to Rs. 390 crs. which is thrice the average excise duty from IML for these years. In addition, sales tax evasion amounts to Rs. 638 crs; the total coming to Rs. 1028 crs.

Despite the guidance basic price indicated by the Excise Commissioner of Rs. 250 per case, it is widely believed that IML is sold at lower prices in the market. If this is taken into consideration, evasion would be even higher.

3.2 Documented consumption

Working on the principle that whatever is sold is consumed, the records of the Excise Department of the Karnataka state, 89.3 million litres of arrack (country liquor), 28.67 million litres of Indian Made Foreign Liquors (IML), 49.15 million litres of beer, 2.8 million litres of fenny and 0.48 million litres of wine were sold and presumably consumed in 2000-01.

This amounts to the availability of 46.42 million litres of absolute alcohol equivalent of alcoholic beverage for 33.6 million adults (15 years and above) in Karnataka [63.9% of 52 million].
Which works out to 1.4 litres of absolute alcohol equivalent per person per year or 3.2 litres of spirits per person per year.
This figure itself is much higher than the figure of 0.2 litres per capita consumption in India estimated by the World Drink Trends Database.

### 3.3 Patterns of Use of alcohol – Studies from the region

**Patterns of alcohol consumption in Karnataka state**


**Men drink far more than women, but women’s drinking is rising**

The overall prevalence of alcohol use is lower than in non-temperance cultures. Males are still the predominant consumers, however women are increasingly using and abusing alcohol.

There is a large sex difference with reference to drinking behaviour with very few female users. The prevalence of alcohol use among women has never been studied in detail. 24% of all males and 5% of all females had ever used alcohol in a Bangalore study done in 1983 [Mohan and Sundaram, 1983]. However an indirect measure of this difference can be gauged from the male:female ratio of 57:1 in people seeking help for alcohol related neuropsychiatric problems at the NIMHANS De-addiction centre (1995). What is striking however is the four-fold increase in women registering with alcohol related problems, at the same facility, over the last 10 years. This is likely to be only the tip of the iceberg. Depending on the area sampled the prevalence of alcohol use varies. Centers near to alcohol sales outlets have a larger number of users. Figures in rural areas vary from 20% of
The prevalence rates in an urban slum at Bagalur in Bangalore city were about 27% of all males and 2% of all females.

**People start drinking earlier than ever and develop problems earlier**
The average age at which males start regular drinking has dropped to 23 years [1998] from 25 years in 1988. The mean age at which they develop alcohol dependence is now approximately 29 years, down from 35 years in 1988. This is a significant drop over the last 10 years.

**Consequences of consumption**

*One out of two people who drink develops problem drinking [drinking in quantities sufficient to cause significant medical problems]*

Most of the persons who drink have problems related to drinking. Irrespective of the high or low prevalence rates in that geographical location, the proportion of the drinkers having heavy enough alcohol consumption to result in medical problems, vary from 68% to 46% of all users. More than 50% of all people who drink alcohol appear to have problem drinking patterns, i.e. either drinking more than 2 drinks per day [one drink = 30 ml. “peg” of spirits = ½ bottle of beer] or drinking more than 5 drinks at any given setting. These patterns of drinking usually lead to significant medical problems and contribute to significant cumulative economic loss to the state in terms of forgone industrial production.

*People with heavy use of alcohol develop early health problems*

This high proportion of problem drinkers have more frequent health visits at hospitals and clinics due to alcohol related physical illnesses. Among the patients admitted at the district general hospital at Mandy, nearly 100 km. From Bangalore, 54% of the male patients and 16% of the female patients were alcohol users and 52% of these male users had problem drinking. Among the patients attending the general practitioners clinics at Malavalli, a town in the Mandy district, 50% of the male patients were using alcohol and 54% of these users had problem drinking. Similarly, studies done at a large general hospital in Bangalore (Savitha Sri et al, 1997) revealed that 40% of all males and 6.6% of all females admitted for medical and surgical problems, had problem drinking.

*Early alcohol related health damage is under recognized by primary care physicians*

Inspite of these high prevalence rates of alcohol problems in their patients only 1.4% to 2.3% of the patients were asked about alcohol use by their doctors where as none of the patients were advised to stop alcohol use. Although a large proportion of the patients were consulting for what appeared to be clearly alcohol related problems, the medical professionals attending to them, did not pick them up. The patients were treated symptomatically without attending to the root cause. This sets up a revolving door pattern of repeated admissions and discharges, which are a heavy toll on the state’s resources.

*The rate of admissions for alcohol related neuropsychiatric disorders is progressively increasing and there is a clear relationship with the increased per capita consumption*

There has been a 302% rise in admissions for alcohol related neuropsychiatric problems at the National Institute of Mental Health and Neurosciences, Bangalore, from 228 per year in 1990 to 917 per year in 1999. There appears to be a clear relationship between these admission figures and the rise in per capita consumption in the state.

*Early intervention is more cost beneficial than late intervention*

These same patients with medical problems arising as a result of harmful alcohol use, continue to visit multiple primary care physicians and avail of hospital facilities for an average of 11 years before they seek treatment for the advanced condition of alcohol dependence at a deaddiction.
facility. [Singh et al,1999] By this time the condition is more refractory to treatment, the patient has developed considerably more serious medical problems, has contributed in no mean measure to considerable economic and industrial loss to the state, severe and often irreparable harm to the family.

Heavy drinkers [people who drink heavily but do not yet qualify as being alcohol dependent] account for more medical, social and economic problems than the chronic “alcoholics”. This is NOT a problem of a handful of “chronic alcoholics” but a much larger and immediate economic and social cost

In a study of the causes of suicide in Bangalore in 1999, it was observed that out of 2600 completed suicides, 14% of all males who completed suicide and 1% females, heavy alcohol use featured as a trigger or predisposing condition. 24% of all attempted suicides [1500 subjects attempted but did not complete] were similarly alcohol related. [Gururaj & Isaac, 2001]

A pilot study assessing causes of death in the community in Bangalore found that 9 out of 30 deaths [30%] had heavy alcohol use as a direct or indirect cause [Gururaj & Narasimhan, 1999]. Similarly, heavy use of alcohol was associated with 30% of all strokes listed in the Stroke Registry at NIMHANS [Gururaj & Nagaraj, 1999]

The Karnataka Government loses more money from alcohol related industrial losses and costs of treating alcohol related disease than it gains from the excise on beverage alcohol. The shortfall is above Rs. 975 crores. [Benegal et al, 1999]

It has also been calculated that the monetary loss to the Karnataka State Transport Corporation alone, due to alcohol related causes in 1995 –96 was Rs. 55.8 Crores. As part of the effort at Workplace Prevention of Alcohol and Drug Abuse in collaboration with NIMHANS and the International Labour Organisation, the KSRTC were able to bring down their losses by Rs. 27 Crores [Murthy et al, 1999]

Alcohol dependence and social cost

Alcoholic individuals and their immediate families suffer significant economic and health burden

It is estimated that there are likely to be more than 0.5 million alcohol dependent individuals in the state. Their average daily individual consumption is around 224 +/−112 ml of absolute alcohol equivalent per day ie. equivalent to 255 bottles of whisky per year.

The average monthly expenditure on alcohol [Rs 1938.40+1649.82] of patients with alcohol dependence is more than the average monthly earning [Rs 1660+1704] which again, is likely to be reduced because of absenteeism, sickness & unemployment. They contribute very little or nothing to family and are likely to incur heavy loans [ average Rs 8388 ± 2145 per year].

The economic burden of the individual with alcohol dependence alters the structure and functioning of the family (forcing other members of the family to take up financial responsibilities inappropriate to their roles eg., young children, widowed mother, sister's husband etc.) This sets up a chain of longer term losses to society (eg., when children lose out on education and subsequent social upliftment, not to speak of the direct consequences of failure and frustration in such a role change) (Benegal et al,1999).

The state bears a major cost in terms of industrial losses and treatment costs due to alcohol dependent individuals

Forgone production, loss of productivity due to sickness, absenteeism and unemployment amongst alcoholics in the state approximate: Rs. 691.18 crores per year [1997 data]. The potential cost of treating all alcohol dependent subjects in the state at least once a year is estimated at Rs. 1139.39 crores per year. In contrast the total health and family welfare budget of the state (1995-96) was Rs
A 1991 study at NIMHANS found that people with habitual use of alcohol accounted for 35% of all head injuries. 75% of these individuals had consumed alcohol in the past 3 hours preceding the injury [Gururaj et al 1993].

High risk sexual behaviour is prominently associated with alcohol misuse and studies have shown that this population is at high risk of developing HIV and other sexually transmitted disorders. A NIMHANS study showed that around 40% of people with alcohol dependence had associated high risk sexual activity and 75% of people who were HIV positive had heavy alcohol use [Chandra et al, 1999].

The social costs of material damage, criminal activities, of reducing external costs and distress to family and friends are considerable but difficult to monetise. Women and children bear the indirect costs of predominantly adult male alcohol abuse.

**Current responses** : The thrust of the interventions for alcohol and drug misuse has been focused on a] chronic and habitual users in b] urban centers, whereas there is clear evidence that the problem is larger and more serious in rural Karnataka.

There are no mainstreams of ideas either in medical or sociological research on alcoholism which can form the basis for a rational drug policy. Worse still the aims of the Revenue and Excise arms of the government are at cross purposes with that of Health planners. Consequently there has been no concerted effort to either look at the problem in a constructive way nor to evolve rational solutions.

Instead there has been a preoccupation with prohibition policies, which have their political and moral compulsions and are difficult to sustain and easy to override.

**Regulatory Measures in Current Use**

Taxation structure: As mentioned earlier, taxation is largely based on the volume of alcoholic beverages rather than on their strength. This encourages and promotes the use of stronger beverages as it is cheaper to buy spirits than beer or wine. Multi - point excise duties and sales taxes constitute loopholes for evasion.

Existing Regulations against Sales and Retail are not effectively used:
a) Prohibited sales of alcoholic beverages to children below 18 years
b) Restricted sales at retail shops between 9 a.m. and 9 p.m.
c) Prohibited sales of alcoholic beverages in pubs, hotels etc. between 2.30 p.m to 5.30p.m and after 10 p.m
d) Prohibited setting up retail outlets within 1 km radius of schools, places of worship etc.
e) Attempts to regulate the sales and consumption of alcohol along the state highways.
f) Restrictions against drinking and driving or operating heavy machinery

Advertising: Although there is advertising of alcoholic beverages and tobacco products is banned, several companies get past this regulation by means of surrogate advertising. The norms regarding advertising of beverage alcohol are insufficiently enforced.

Demand Reduction: Demand reduction strategies, which have proved to be relatively more effective than supply reduction strategies the world over, have received little attention in Karnataka. Admittedly these require planners to take a long range view. Prevention efforts in the workplace, life skills training to children and adolescents, building up grassroot initiatives against alcohol misuse have occurred sporadically and never as a part of a larger, well planned initiative. Also treatment and prevention efforts in the state have targeted the urban sector and largely ignored the large rural sector.
4. Undocumented alcohol use in Karnataka

There is very little substantiated documentation on the amount of illicitly produced and unauthorized alcohol, which is consumed or produced in the Karnataka state. However, there are various references that attest to the large volumes, which may be involved.

In a report in the local newspaper, The Times of India (Bangalore edition, dated 9th March, 2002) the Federation of Wine Merchants Association of Karnataka, in a memo to the state government, asked for a reduction in the excise duty on beverage alcohol as “the prevailing duty structure had led to the sale of unauthorized and fake liquor”. The statement further added that “there (are) around 8,500 licensed liquor vendors in the state and twice as many unauthorized sellers. Around 265 lakh litres (26.5 million litres) of authorized liquor is sold in the state. Unauthorized and fake liquor amounting to at least 3 to 4 times this quantity is being sold in the market.

Karnataka's beer sales have apparently declined by almost 10 per cent in recent years. Industry information suggests that beer sales in the state fell from 6.5 million cases in 2000-01 to roughly 5.8 million cases in 2001-02. There has been a rapid decline of beer consumption in the Bangalore urban segment, which accounts for 40 per cent of the overall State sales. It is estimated that the metro sales dropped between 18 and 20 per cent in 2001-02. It has been reported [Business Line Saturday, Mar 16, 2002] that the main reason behind this is the high consumer price driven by increasing taxation and arbitrary trade practices. The retail price of 650 ml beer in Bangalore is Rs 46 -Rs 50. It is significantly higher in the upcountry markets of the State, especially during summer season. Despite lobbying, the State Government has refused to cut back tax on beer, citing the mounting leakage in IMFL revenues. The rampant sales of tax-evaded IMFL products have contributed to the slump in fortunes of beer business. This illegal trade has ensured that nips (180 ml) of frontline liquor brands are available below Rs 30, making them a better option for those ‘kick-for-buck’ consumers. The arrival of neera in the market is another recent development which adversely impacted beer sales in pockets like Chennapatna, Mandya and Chamarajanagar. Neera sold in 650 ml beer bottles is priced at Rs 15 in these areas.
5. Karnataka

Karnataka is a large province/state in South India spread over an area of 190,498 square kilometers and having a population of about 52 Million (52,733,958 according to Census of India, 2001). It consists of the erstwhile princely state of Mysore and districts carved from the old State of Hyderabad and the Madras and Bombay provinces of British India. The result is a diverse socio-cultural population with differing attitudes and habits of alcohol consumption. The Urban:Rural ratio is approximately 34:66.

There are 5 Urban Agglomerations with populations in excess of 500,000 (Census of India 2001)

<table>
<thead>
<tr>
<th>Karnataka (Population)</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>52,733,958</td>
<td>26,856,343</td>
<td>25,877,615</td>
</tr>
<tr>
<td>Rural</td>
<td>34,814,100</td>
<td>17,618,593</td>
<td>17,195,507</td>
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<tr>
<td>Urban</td>
<td>17,919,858</td>
<td>9,237,750</td>
<td>8,682,108</td>
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</tbody>
</table>

### FIGURES AT A GLANCE - KARNATAKA

- Number of Districts: 27
- Area in Sq. Km: 191,791.00
- Total Population Persons: 52,733,958
- Males: 26,856,343
- Females: 25,877,615
- Decadal Growth Rate 1991-2001: Absolute 7,756,757
- Percentage: 17.25
- Population Density [Per Sq. Km]: 275
- Sex Ratio [No. of females per 1000 males]: 964
- Per Capita Income (1999-2000): Rs. 16,377 *

### Sociodemographic profile of Karnataka state

Extending the age distributions obtained from the 1991 census (since equivalent data was not available from the 2001 census when this study was conducted) one arrives at a figure of 34.8 million adults (15 years and above). This comprises 17.3 million adult males and 16.5 million adult females.

<table>
<thead>
<tr>
<th>AGE DISTRIBUTION (in Percentage)</th>
<th>1991 census</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 4 years</td>
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<tr>
<td>Persons</td>
<td>11.4</td>
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<tr>
<td>Males</td>
<td>11.3</td>
</tr>
<tr>
<td>Females</td>
<td>11.4</td>
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<tr>
<td>5 - 9 years</td>
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<tr>
<td>Persons</td>
<td>12.7</td>
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<tr>
<td>Males</td>
<td>12.5</td>
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<tr>
<td>Females</td>
<td>12.8</td>
</tr>
<tr>
<td>10 - 14 years</td>
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<tr>
<td>Persons</td>
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<tr>
<td>Males</td>
<td>11.9</td>
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<td>Females</td>
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<td>15 - 44 years</td>
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<tr>
<td>Total</td>
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<tr>
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<tr>
<td>Urban</td>
<td>11.7</td>
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<tr>
<td>45 - 59 years</td>
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<td>60 years and above</td>
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</table>

The per capita income in the state (1999-2000) at current prices is Rs. 16377.