

Prohibition and Demand for Alcohol in Maharashtra: A Micro-Econometric Analysis

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Author Note

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Extended Abstract

Alcohol is an important element of consumption expenditure and an important source of tax revenue for the government of Maharashtra. This paper deals with the effect of prohibition policy (at district-level) on alcohol participation and consumption. In measuring the consumption levels this paper departs from simple consumption and introduces a pure alcohol consumption. Apart from that this paper deals with income elasticity, price elasticity of self and cross of various types of alcohol available in Maharashtra. In dealing with the various types of alcohol it was also possible to compare the impact of prohibition on different types of liquor. To add to these aspects, the paper also introduces the effect of enforcement on alcohol participation and its consumption.

Prohibition policy can be considered a non-success at the district level. Instead the rises in own prices of different types of liquor and increased education are the better means to control alcohol menace. Increased income of the household and increases in the prices of alcohol also suggest increases in excise revenue for the government. The price elasticities are -0.86 for country liquor, -0.82 for IMFL, and -0.66 for beer. This is largely similar to Sornpaisarn et.al. (2013) findings for low and middle-income countries with -0.5 for beer and -0.79 for other alcoholic beverages.

The core link thus is increase in education as it is likely to increase personal income, lower alcohol prevalence and quantity consumed, less than proportional rise in the household budget share for alcohol, increased tax revenue (link from income). Along with this government should rely in increases in taxes and removal of extreme measures like prohibition which will also support government's revenue consideration