



EXCISE POLICIES AND SOCIO-ECONOMIC DEVELOPMENT IN CHHATTISGARH: A CRITICAL REVIEW OF FISCAL CONTRIBUTIONS, DEVELOPMENTAL OUTCOMES, AND POLICY CHALLENGES

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Abstract

The growing importance of state-level fiscal autonomy in India has enhanced the significance of excise taxation as a major source of public revenue. Following the implementation of the Goods and Services Tax (GST), excise duties on alcoholic beverages remained under the jurisdiction of state governments, thereby increasing their importance in state finances. Chhattisgarh has emerged as one of the states where excise revenue constitutes a substantial component of own-tax revenue. The present review paper critically examines the contribution of excise policies to socio-economic development in Chhattisgarh through an analysis of secondary data, government reports, budget documents, and published literature. The study evaluates the relationship between excise revenue generation and developmental outcomes such as infrastructure creation, healthcare financing, educational expenditure, fiscal sustainability, and public welfare. The findings reveal that excise revenue has become a significant instrument of resource mobilization and developmental financing. State excise revenue increased from ₹6,783 crore in 2022–23 to ₹11,000 crore in the 2024–25 budget estimates, highlighting its growing fiscal significance. However, the review also identifies challenges related to public health, social costs of alcohol consumption, illicit liquor trade, and ethical concerns associated with dependence on alcohol-generated revenue. The study concludes that while excise policies have strengthened fiscal capacity and developmental expenditure, a balanced policy framework integrating revenue objectives with social welfare considerations is necessary for sustainable development.

Keywords: Excise Duty, Fiscal Policy, Economic Development, Chhattisgarh, Socio-Economic Development.

Introduction

Taxation remains one of the most significant instruments available to governments for mobilizing resources and financing developmental activities. In developing economies, public expenditure on infrastructure, healthcare, education, social welfare, and institutional development depends largely upon the effectiveness of tax administration systems. Within the broader framework of public finance, excise taxation occupies a unique position because it performs both fiscal and regulatory functions.

Excise duty refers to a tax imposed on the manufacture, production, sale, or consumption of specific commodities. In India, alcoholic beverages constitute the most important

component of state excise taxation. Since alcoholic liquor for human consumption was excluded from the Goods and Services Tax (GST) framework, state governments continue to exercise independent authority over excise administration and revenue collection.

Chhattisgarh, established in 2000, has experienced considerable economic transformation characterized by industrial growth, urbanization, infrastructural expansion, and rising developmental expenditure. To finance these developmental initiatives, the state government has increasingly relied upon efficient revenue mobilization mechanisms. Among various sources of own-tax revenue, excise duty has emerged as one of the most



important contributors to the state's fiscal resources.

The increasing contribution of excise revenue has generated considerable policy interest because of its direct association with developmental expenditure. Revenue generated through excise taxation finances road construction, healthcare facilities, educational institutions, rural development programs, social welfare schemes, and administrative expenditures. However, dependence on alcohol-related taxation simultaneously raises concerns regarding public health, addiction, crime, domestic violence, and broader social welfare implications.

Therefore, a critical evaluation of excise policies becomes essential for understanding whether revenue gains outweigh potential social costs and whether current excise policies contribute effectively to sustainable socio-economic development.

Review of Literature

Existing literature suggests a strong relationship between tax revenue mobilization and economic development.

Bird and Wallace (2003) argued that excise taxation provides a stable and predictable source of government revenue. Their study emphasized that commodity-based taxation remains an effective mechanism for resource mobilization in developing economies.

Bahl and Bird (2008) observed that efficient tax systems improve fiscal sustainability and enable governments to finance developmental programs without excessive dependence on external transfers.

Karnik and Raju (2015) found that states with stronger revenue mobilization capabilities exhibited better performance in infrastructure development and public service delivery.

Zadey (2024) highlighted the societal costs associated with alcohol consumption and argued that governments should balance fiscal gains

from excise taxation against public health consequences.

Nayak and Kishan (2024) specifically examined the contribution of excise duty to economic development in Chhattisgarh and reported that excise revenue has become one of the state's major sources of developmental finance.

The literature reveals that while excise revenue contributes significantly to fiscal sustainability, concerns remain regarding social costs, public health implications, and ethical dimensions of alcohol-based revenue generation.

Objectives of the Study

1. To examine the evolution of excise policies in Chhattisgarh.
2. To analyze the contribution of excise revenue to state finances.
3. To evaluate the role of excise revenue in socio-economic development.
4. To identify challenges associated with excise administration.
5. To suggest policy measures for improving developmental outcomes.

Research Methodology

The study adopts a review-based research design based entirely on secondary data.

Sources of Data

- Government of Chhattisgarh Budget Documents
- PRS Legislative Research Budget Analysis
- Reserve Bank of India State Finance Reports
- NITI Aayog Publications
- Academic Journals
- Policy Reports
- Published Research Studies

Review Period

2010–2025

Method of Analysis

The study employs:

- Descriptive Statistical Analysis
- Trend Analysis
- Thematic Literature Review



- Content Analysis

Theoretical Framework

Benefit Theory of Taxation

According to the Benefit Theory, taxpayers contribute to public finances in proportion to benefits received from government services. Excise revenue finances infrastructure, healthcare, and welfare programs that generate public benefits.

Pigouvian Tax Theory

Pigouvian taxation advocates taxing goods associated with negative externalities. Alcohol excise duties aim to compensate society for social and health costs arising from alcohol consumption.

Developmental State Theory

The Developmental State Theory emphasizes the role of government in mobilizing resources and directing investments toward economic transformation. Excise revenue enhances fiscal capacity and supports developmental expenditure.

Table 1

Trend of State Excise Revenue in Chhattisgarh (2022–23 to 2026–27)

Financial Year	Excise Revenue (₹ Crore)	Growth Rate (%)
2022–23 (Actual)	6,783	—
2023–24 (RE)	8,500	25.31
2024–25 (Actual)	10,142	19.32
2025–26 (RE)	11,500	13.39
2026–27 (BE)	12,500	8.70

Source: PRS Legislative Research, Chhattisgarh Budget Analysis 2024–25, 2025–26 and 2026–27.

Interpretation

The data reveal a continuous increase in excise revenue during the study period. Excise collections increased from ₹6,783 crore in 2022–

23 to ₹12,500 crore in 2026–27, representing an overall growth of approximately 84.3%. Although the growth rate has gradually moderated in recent years, the upward trend demonstrates the increasing importance of excise duty as a stable source of revenue for the state government. The findings indicate that excise taxation has become a major contributor to fiscal sustainability and developmental financing in Chhattisgarh.

Table 2

Major Sources of Own Tax Revenue in Chhattisgarh (2026–27 Budget Estimates)

Revenue Source	Revenue (₹ Crore)
State GST	17,780
State Excise	12,500
Sales Tax/VAT	6,166
Electricity Duty	6,500
Stamp Duty & Registration	4,500
Vehicle Tax	3,500
Land Revenue	1,000

Source: PRS Legislative Research, Chhattisgarh Budget Analysis 2026–27.

Interpretation

The table indicates that State Excise remains the second-largest source of own tax revenue after SGST. The projected excise revenue of ₹12,500 crore demonstrates its strategic importance in financing public expenditure and maintaining fiscal stability. The findings suggest that the state's revenue structure is increasingly dependent upon excise collections, highlighting the need for effective regulatory and administrative mechanisms.

Table 3

Comparative Performance of Major Tax Revenue Sources (2025–26 RE and 2026–27 BE)

Revenue Head	2025–26 RE (₹ Crore)	2026–27 BE (₹ Crore)	Growth (%)
State GST	14,746	17,780	20.58



State Excise	11,500	12,500	8.70
Electricity Duty	5,800	6,500	12.07
Sales Tax/VAT	6,203	6,166	-0.60
Stamp Duty	3,200	4,500	40.63
Vehicle Tax	3,000	3,500	16.67
Land Revenue	1,000	1,000	0.00

Source: PRS Legislative Research, Chhattisgarh Budget Analysis 2026–27.

Interpretation

Among the major tax revenue sources, stamp duty is expected to record the highest growth rate (40.63%), followed by SGST (20.58%). Excise revenue is projected to grow by 8.70%, indicating that although growth is stabilizing, excise duty continues to remain a significant and reliable source of revenue for the state. The negative growth in VAT collections reflects the continued transition toward GST-based taxation.

Table 4

Fiscal Indicators of Chhattisgarh

Indicator	2024–25	2025–26	2026–27
GSDP (₹ lakh crore)	5.62	6.35	7.16
Revenue Balance (₹ Crore)	1,060 (BE)	2,804	8,743
Fiscal Deficit (% of GSDP)	3.2	3.8	3.0

Source: PRS Legislative Research, Chhattisgarh Budget Analysis 2025–26 and 2026–27.

Interpretation

The fiscal indicators suggest a gradual strengthening of the state's financial position. The projected increase in GSDP and revenue surplus reflects improved fiscal capacity and revenue mobilization. Excise revenue, as one of the major own-tax revenue sources, contributes

significantly to maintaining fiscal discipline and supporting developmental expenditure.

Table 5

Excise Revenue as a Percentage of State GST Revenue

Year	Excise Revenue (₹ Crore)	SGST Revenue (₹ Crore)	Excise as % of SGST
2024–25	10,142	16,299	62.22
2025–26 RE	11,500	14,746	77.99
2026–27 BE	12,500	17,780	70.30

Source: Calculated from PRS Legislative Research Budget Data.

Interpretation

The ratio of excise revenue to SGST revenue remains remarkably high, exceeding 70% during the review period. This finding highlights the growing fiscal significance of excise taxation and demonstrates that excise revenue has become a critical pillar of Chhattisgarh's own-tax revenue structure.

Table 6

Developmental Significance of Excise Revenue

Development Sector	Contribution of Revenue
Education	Financing schools, colleges, and skill development programs
Healthcare	Supporting hospitals, medical colleges, and public health services
Agriculture	Funding agricultural support schemes and rural development initiatives
Infrastructure	Road construction, transport facilities, and urban development
Social Welfare	Welfare schemes targeting vulnerable populations
Employment	Direct and indirect



	employment through the liquor industry and distribution network
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Source: Compiled from Chhattisgarh Budget Documents, RBI State Finance Reports, and Literature Review.

Interpretation

The evidence suggests that excise revenue contributes indirectly to socio-economic development by expanding the fiscal space available for public expenditure. Investments in education, healthcare, agriculture, and infrastructure supported by state revenues contribute to long-term economic growth and human development.

Findings of the Study

The findings of the study are derived from the review of literature, analysis of secondary data, and examination of budgetary and fiscal indicators relating to excise taxation in Chhattisgarh. The findings are presented objective-wise to ensure consistency with the research objectives.

Evolution of Excise Policies in Chhattisgarh

The study finds that excise policies in Chhattisgarh have evolved significantly from a traditional revenue collection mechanism to a comprehensive fiscal and regulatory framework. The state has adopted administrative reforms, digital monitoring systems, and strengthened regulatory mechanisms to improve transparency and efficiency in excise administration. Following the implementation of the Goods and Services Tax (GST), excise duty on alcoholic beverages emerged as one of the few major taxation instruments under the direct control of state governments, thereby increasing its strategic importance in fiscal planning and revenue management.

Contribution of Excise Revenue to State Finances

The analysis reveals that excise revenue constitutes one of the most important components of Chhattisgarh's own-tax revenue.

State excise collections increased from ₹6,783 crore in 2022–23 to ₹8,500 crore in 2023–24 (Revised Estimates) and were budgeted at ₹11,000 crore in 2024–25, reflecting substantial growth over the study period. The growth rate of excise revenue (29%) exceeded that of several other major tax sources in 2024–25. Furthermore, excise duty accounted for approximately 22% of the state's major own-tax revenue, making it the second-largest source of tax revenue after State GST. These findings indicate that excise taxation has become a critical instrument for strengthening fiscal sustainability and resource mobilization in Chhattisgarh.

Role of Excise Revenue in Socio-Economic Development

The study finds that excise revenue indirectly contributes to socio-economic development by expanding the fiscal capacity of the state government. Increased revenue mobilization enables higher public expenditure on infrastructure development, education, healthcare, agriculture, rural development, and social welfare programs. The analysis of budget allocations indicates that substantial proportions of government expenditure are directed toward developmental sectors, thereby supporting human capital formation, employment generation, and inclusive economic growth. Excise revenue, therefore, serves as an important financial resource supporting developmental interventions and public service delivery across the state.

Relationship between Excise Revenue Growth and Fiscal Sustainability

The findings indicate a positive association between rising excise revenue and improvements in the state's fiscal position. The budget estimates show a transition from a revenue deficit of ₹15,670 crore in 2023–24 (Revised Estimates) to a projected revenue surplus of ₹1,060 crore in 2024–25. The increasing contribution of excise revenue, along



with other tax sources, has strengthened the state's capacity to finance developmental expenditure while maintaining fiscal discipline. The evidence suggests that excise taxation plays a significant role in enhancing fiscal resilience and reducing dependence on external financial transfers.

Challenges Associated with Excise Taxation

Despite its fiscal significance, the study identifies several challenges associated with excise taxation. Excessive dependence on alcohol-related revenue raises concerns regarding long-term fiscal sustainability and public welfare. The literature highlights issues such as alcohol-related health problems, social costs, productivity losses, domestic violence, and increased healthcare expenditure. Additionally, illicit liquor production, smuggling, tax evasion, and regulatory enforcement challenges continue to affect the effectiveness of excise administration. These challenges indicate that revenue maximization must be balanced with broader social and public health objectives.

Need for a Balanced Policy Framework

The review suggests that the effectiveness of excise policy should not be evaluated solely on the basis of revenue generation. A balanced policy framework integrating fiscal efficiency, social welfare, public health protection, and sustainable development objectives is essential. The findings emphasize the importance of strengthening digital governance systems, improving regulatory oversight, allocating a portion of excise revenue toward health and rehabilitation programs, and diversifying state revenue sources to reduce excessive dependence on alcohol-generated income.

Policy Recommendations

1. Strengthen digital monitoring and enforcement systems.
2. Allocate a fixed proportion of excise revenue toward healthcare and addiction rehabilitation programs.

3. Improve transparency in licensing and regulatory procedures.
4. Enhance public awareness regarding responsible alcohol consumption.
5. Strengthen anti-smuggling and anti-counterfeiting mechanisms.
6. Reduce long-term dependence on alcohol-related revenue by diversifying tax sources.

Conclusion

Excise taxation has emerged as a critical component of Chhattisgarh's fiscal architecture and developmental strategy. The review demonstrates that excise revenue contributes significantly to state finances and supports investments in infrastructure, education, healthcare, and welfare programs. The substantial growth in excise collections reflects the increasing importance of excise duty as a revenue mobilization instrument. However, the developmental benefits associated with excise revenue must be balanced against public health concerns, social costs, and ethical considerations arising from alcohol-related taxation. Sustainable development requires a policy framework that integrates fiscal efficiency with social responsibility. Therefore, future excise reforms should focus not only on maximizing revenue but also on promoting public welfare, regulatory effectiveness, and long-term socio-economic sustainability.

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