

Tobacco Industry in India: Prospects and Challenges

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Introduction

Indian tobacco industry is one of the largest commercial sectors and an important source of direct and indirect employment in many regions of the country. With a total production value of US\$ 1.6 trillion in 2016, the Tobacco industry's contribution to the nation's GDP amounted to 1.1% representing about 7% of the total for the manufacturing sector.

Tobacco, being a labour intensive crop, provides employment to more than 60 lakh people who are engaged in the farming, curing, grading, primary marketing, processing, packaging, manufacturing, distribution, and retailing activities besides exporting.

Tobacco is an agricultural crop, most commonly used to make cigarettes. It is grown all over the world and supports a billion-dollar industry. The psychoactive ingredient is nicotine, a stimulant, but more than 4,000 other chemicals are present in cigarettes. Tobacco is a nervous system stimulant that triggers complex biochemical and neurotransmitter disruptions. Every year, about 6.7 million tons of tobacco are produced throughout the world. The top producers of tobacco are China (40%), India (8.3%), Brazil (7.0%) and the United States (4.6%).

Prospects of Tobacco Industry

- ✚ Major contribution with its Employment generation in agriculture and manufacturing and revenues in the form of exports and taxes.
- ✚ According to Tobacco Board Report It provides employment directly and indirectly to 45.7 million people including 3.5 million are in India and contributed as much as 22,737.07 crore as excise duty and 5,975.08 crore in terms of foreign exchange to the National exchequer, during 2016-17

Challenges of Tobacco Industry:

- ✦ Indian tobacco industry is largely dominated by non-cigarette products which are not only cheaper but also revenue inefficient.
- ✦ With over 17% of the world population, India has a small share of only 1.8% of global cigarette consumption.
- ✦ Increasing regulations in the tobacco industry via taxation bans on advertising have led to a decline in tobacco products volume sales in India.
- ✦ Farmers are not getting the prevailing price through monopolistic and unfair trade practices by domestic trade cartel.
- ✦ Prohibition of sale of tobacco products within a radius of 100 yards of educational institutions.
- ✦ Various reports have highlighted the link between cigarette smuggling and organized criminal syndicates as well as terrorist organizations, which utilize the funds for anti-social and unlawful activities.
- ✦ If not reined in quickly, illegal cigarette trade has the potential of destroying the country's social fabric.

Conclusion

Tobacco industry gives a lot of revenue to the government and growth avenues of the industry has to be explored in international market as there is supporting trend for Indian tobacco. It is very harming on the part of Government to look on the industry as a cash cow and increasing / imposing new restrictions on certain intervals. An Efficient and effective economic and institutional mechanism always helps in catalyzing growth in different sectors. Definitely, not only advertisement restrictions and tax collection but exploring new areas for tobacco consumption (including export) should be the government priority for providing support to tobacco farmers and the industry.