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# Tracing the Growth of the Alcoholic Beverages Sector in India: Past Practices to Future Innovations

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**Abstract**

The alcoholic beverages sector in India has evolved from a fragmented and highly localized system of traditional brews, country liquor, and tightly controlled state excise regimes into a diversified, brand-driven, and innovation-oriented industry. This analytical paper examines that transformation through historical, regulatory, market, and technological lenses. The study draws on secondary sources including academic literature, policy reviews, public-health reports, industry analyses, and trade updates to trace how the sector moved from production- and taxation-centric structures to a contemporary model characterized by premiumization, formalization, changing consumer preferences, and product diversification. The paper identifies the major phases of sectoral growth: the dominance of traditional and unorganized production, the post-liberalization rise of organized spirits and beer, corporate consolidation and multinational participation, and the recent shift toward premium spirits, wine culture, craft products, and data-led market strategies. It also evaluates the contradictions at the heart of the industry: alcohol is simultaneously a major revenue source for Indian states and a significant public-health concern. Literature and policy evidence show that India's alcohol economy is shaped by state-specific excise structures, differential legal regimes, cultural attitudes, public-health risks, and uneven market access. At the same time, new growth drivers such as premium whisky, craft gin, ready-to-drink formats, sustainability pressures, digital distribution support systems, and supply-chain analytics are reconfiguring the future of the sector. The paper concludes that the Indian alcoholic beverages market is likely to grow not merely through higher volume, but through value creation, segmentation, responsible regulation, branding sophistication, and innovation in packaging, traceability, retail experience, and consumer engagement. A balanced framework that integrates economic opportunity, public-health safeguards, and institutional modernization is therefore essential for sustainable sectoral development.

**Keywords:** Alcoholic beverages sector, India, State excise, Premiumization, Craft spirits, Wine market, Innovation, Alcohol policy, Consumer trends, Alcobev industry

Introduction

The alcoholic beverages sector in India occupies an unusual position in the national economy. It is simultaneously a culturally sensitive industry, a major source of state-level revenue, an arena of public-health concern, and a rapidly evolving consumer market. Historically, alcohol production in India included indigenous fermented drinks, palm toddy, rice beer, arrack, and regionally embedded liquor traditions that were shaped by caste, community, climate, and raw material availability. Over time, these local systems interacted with colonial excise structures, licensing mechanisms, post-independence state control, and later with liberalization-driven market expansion.

In the contemporary period, the sector has moved beyond a narrow focus on mass spirits and country liquor. Organized manufacturing, expanding urban hospitality, imported labels, premium Indian whiskies, wine consumption among metropolitan consumers, craft distillation, and modern retail presentation have widened the structure of demand. A 2025 ProWine India market analysis noted that the Indian alcoholic beverages market was projected to reach about US$39.7 billion by 2026, with imported brands, wine, and premium categories benefiting from faster growth expectations. At the same time, the U.S. Department of Agriculture reported that India's alcoholic beverage imports in 2023 reached US$1 billion, indicating deepening integration with global trade and premium product consumption.

Yet the story of growth is not linear. Alcohol in India remains governed primarily by state excise systems, and policy variation across states creates uneven market conditions. Public-health literature also cautions that sectoral expansion must be viewed alongside harmful use, treatment gaps, and social costs. The growth of the industry, therefore, must be understood analytically rather than celebratorily: it is shaped by the intersection of fiscal dependence, consumer modernization, corporate strategy, regulatory fragmentation, and technological change.

Objectives of the Study

- To trace the historical evolution of the alcoholic beverages sector in India from traditional practices to organized modern markets.
- To examine the regulatory, fiscal, and policy structures that shape the growth of the sector across Indian states.
- To analyse major market drivers such as premiumization, urban consumption, imports, brand consolidation, and category diversification.
- To evaluate the role of innovation in packaging, production, sustainability, digital brand building, and future-ready product formats.
- To identify the principal challenges and future opportunities associated with the expansion of India's alcoholic beverages industry.

1. Historical Background of Alcohol Production in India

Traditional alcoholic beverages in India long predate industrial distillation. Diverse communities produced fermented drinks from millet, rice, palm sap, fruits, mahua flowers, sugarcane derivatives, and grains. These beverages functioned not only as commodities but also as ritual, social, and agrarian products. Tomar et al. (2023) show that indigenous fermented beverages in the Indian Himalayan region represent a

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significant knowledge system based on local ecology, preservation practices, and community identity. This historical layer is essential because modern sectoral growth did not emerge in isolation; it evolved through adaptation, replacement, and commercialization of older drinking cultures.

Colonial rule contributed to the formalization of excise administration, monetization of liquor production, and expansion of revenue-oriented control. Benegal (2005) argued that alcohol in India has historically been treated with ambivalence: governments have attempted to regulate its moral and health implications while simultaneously using it as a stable source of revenue. That ambivalence continues to structure the sector even today.

2. Liberalization and Market Structuring

Economic liberalization created conditions for industrial consolidation, branding, investment, and scale. Organized players gained greater visibility in spirits and beer, packaging quality improved, and national distribution systems became more coherent. Esser and Jernigan (2015) demonstrated how multinational corporate entry into India reoriented the market toward strategic brand acquisition, premium positioning, and deeper corporate integration. Their analysis of Diageo's role in India illustrates how mergers and acquisitions accelerated the formalization of the spirits market.

The sector's expansion after liberalization also reflected urbanization, rising disposable incomes, changes in hospitality consumption, and the normalization of branded drinking in certain social segments. However, organized growth remained uneven because state excise barriers, licensing controls, and label approvals still segmented the national market into multiple quasi-separate jurisdictions.

3. Why the Sector Matters Economically

The Indian alcoholic beverages industry matters not only because of market size, but because of its fiscal significance. Mukherjee (2024) observes that state excise is the third largest source of states' own tax revenue in India, and combined revenue from state excise and sales tax or VAT on alcoholic beverages constitutes a substantial share of own tax resources. This makes alcohol a politically important commodity even in contexts where public discourse remains morally divided.

The sector also has broader linkages with agriculture, packaging, retailing, logistics, hospitality, tourism, and export development. Molasses, grain, glass, labels, closures, cold chains, and on-trade hospitality all interact with alcohol production and distribution. As a result, the growth of the industry generates multiplier effects that extend beyond the bottle.

Figure-Based Overview of Sectoral Transformation

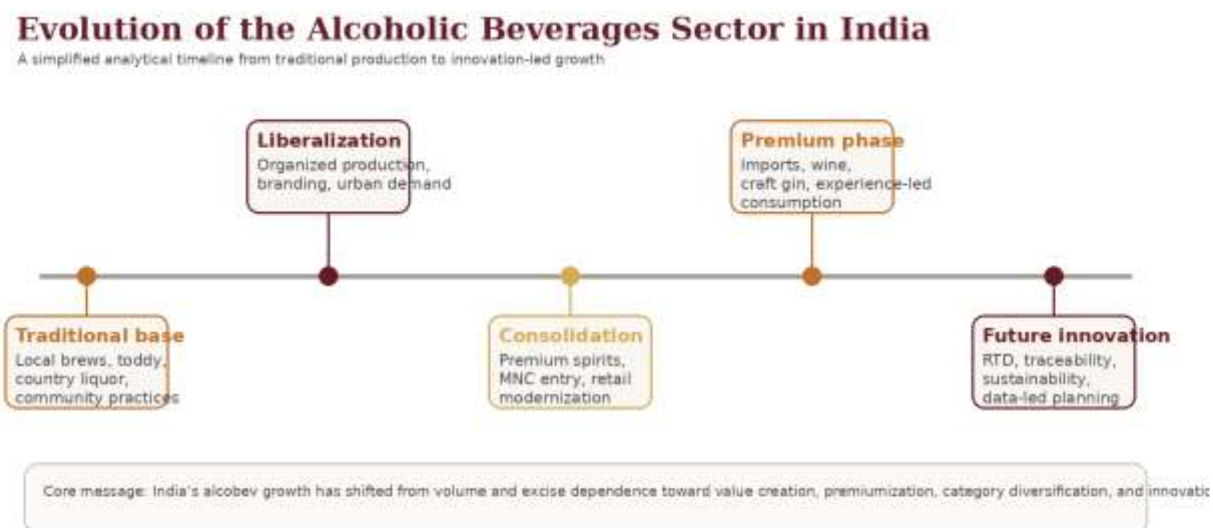


*Figure 1. Evolution of the alcoholic beverages sector in India: from traditional practices to future innovation pathways.*

## 2. Literature Review

**Benegal (2005)** provided one of the foundational public-health accounts of alcohol in India, showing that alcohol policy has long been marked by a contradiction between welfare concerns and revenue dependence. The study remains important for understanding why Indian alcohol regulation is frequently restrictive in language but fiscally accommodative in practice.

**Esser and Jernigan (2015)** argued that India became an attractive site for multinational alcohol expansion because of rising demand, low per capita formal consumption relative to potential, and the scope for premium brand growth. Their analysis linked corporate consolidation with broader public-health implications, especially in an emerging market context.

**Schess et al. (2023)** mapped alcohol policies across India and showed that the country lacks a single, consolidated national alcohol framework. The review highlighted significant inter-state policy variation in licensing, taxation, age rules, advertising restrictions, and enforcement, making the Indian market structurally fragmented.

**Eashwar et al. (2020)** reviewed epidemiological evidence on alcohol consumption in India and emphasized that regional, gendered, and socio-economic differences are substantial. The review reinforced that any market-focused understanding of the sector must be balanced by public-health evidence on harmful use and vulnerability.

**Parmar et al. (2023)** framed the need for a national policy on alcohol as a complex public-health issue. Their discussion is useful for analytical papers because it explains why sector growth cannot be evaluated purely through revenue and market indicators.

**Mukherjee (2024)** shifted the discussion toward state finance and taxation. The paper showed that alcohol taxation serves three broad purposes in India: revenue mobilization, discouragement of consumption, and recovery of social costs. It also noted the complexity of state-level excise design and the difficulty of building a unified tax logic across jurisdictions.

**The Ministry of Social Justice and Empowerment and AIIMS (2019)** reported that alcohol is the most commonly used psychoactive substance in India after tobacco and that a meaningful proportion of users display harmful or dependent patterns. This evidence is important for distinguishing market expansion from socially beneficial consumption.

**WHO (2024)** reaffirmed alcohol's global health burden and stressed the need to monitor treatment capacity, policy responses, and alcohol-attributable harm. Although the report is global, it provides the public-health framework within which India's sectoral expansion must be interpreted.

**USDA Foreign Agricultural Service (2024)** showed that India's alcohol imports reached

US$1 billion in 2023, dominated by distilled spirits. This indicates an expanding premium and import-facing segment within the broader domestic market.

**ProWine Mumbai (2025)** highlighted the current market trends shaping India's wine and spirits industry, including premiumization, rising experimentation, growth in wine culture, expansion of curated retail channels, and consumer interest in authenticity and quality.

3. Methodology

### 3.1 Research Design

The present study adopts an analytical and descriptive research design based on secondary data. The analytical nature of the study helps in examining the historical evolution, market expansion, policy influences, consumer shifts, and technological innovations in the alcoholic beverages sector in India. At the same time, the descriptive approach supports a systematic presentation of trends, structures, product categories, and emerging developments within the industry. This design is suitable because the study does not rely on primary field investigation; rather, it interprets existing industry evidence, market reports, policy documents, and scholarly literature to generate a comprehensive understanding of sectoral growth.

### 3.2 Nature of Data

The study is based entirely on secondary data collected from credible and relevant sources. These sources include government publications, industry reports, research articles, market intelligence reports, company publications, newspaper archives, trade journals, and policy papers. Secondary data is appropriate for this study because the topic requires historical tracing as well as sector-wide analysis across multiple periods, product categories, and institutional developments.

### 3.3 Sources of Data

Data for the study has been collected from the following sources:

- Government reports and regulatory documents related to excise policy, industrial development, taxation, and trade
- Reports issued by industry associations, market research

organizations, and business intelligence agencies

- Peer-reviewed journal articles related to alcohol consumption, beverage marketing, innovation, and consumer behavior
- Company annual reports, investor presentations, and official brand communications
- Books, historical records, and archival sources dealing with India's beverage culture and market transformation
- Reputed newspapers, magazines, and digital business platforms discussing recent developments, premiumization, and product innovation

### 3.4 Period of Study

The study covers the development of the alcoholic beverages sector in India across different phases, beginning with traditional and culturally rooted consumption practices, moving through the post-independence and liberalization periods, and extending to recent market trends shaped by premiumization, urbanization, digital marketing, craft production, and product innovation. This broad periodization allows the study to identify continuity as well as transformation in the sector.

### 3.5 Sampling Approach for Sources

Since the study is secondary-data based, a **purposive sampling approach** has been used for source selection. Only those documents, reports, and publications have been included that are directly relevant to the objectives of the study and provide useful insight into production, distribution, consumer trends, regulation, branding, and innovation in the Indian alcoholic beverages market. Preference has been given to authentic, recent, and widely cited sources.

### 3.6 Inclusion and Exclusion Criteria

To maintain the quality and relevance of the study, clear inclusion and exclusion criteria were followed.

**Inclusion criteria:**

- Sources directly related to the alcoholic beverages industry in India
- Studies discussing market growth, policy environment, consumer behavior, innovation, and branding

- Reports and articles from reliable academic, industrial, and institutional sources
- Historical and contemporary documents that support trend analysis

**Exclusion criteria:**

- Sources lacking credibility or clear publication background
- Non-relevant general lifestyle articles without analytical value
- Duplicate reports or commercially biased promotional materials with no research utility
- Studies focused entirely on unrelated international markets without Indian relevance

### 3.7 Method of Data Collection

Secondary data was collected in a structured manner through document review and source compilation. Relevant materials were identified through thematic searching using keywords such as alcoholic beverages sector in India, Indian liquor market, alcohol industry innovation, premiumization, excise policy, consumer trends, and beverage marketing. The collected material was then screened, organized, and classified according to study themes such as historical evolution, regulatory framework, market segmentation, changing consumer preferences, and future innovations.

### 3.8 Data Classification

For analytical clarity, the collected data was classified into the following major categories:

9. Historical development of alcoholic beverages in India
10. Traditional production and consumption practices
11. Post-liberalization industrial and market growth
12. Regulatory and taxation framework
13. Consumer behavior and demographic changes
14. Brand development, marketing, and premiumization
15. Technological advances and product innovation
16. Future opportunities and sectoral challenges

This classification helped in linking the collected information directly with the objectives of the study.

4. Data Analysis and Data Collection

The data analysis is organized around four thematic blocks: historical transformation, regulatory-fiscal structure, market expansion, and future innovation. First, historical material is used to map the transition from local and traditional alcoholic practices to organized production. Second, policy and fiscal evidence is examined to show how state excise systems shape supply, pricing, and market accessibility. Third, market reports are used to identify premiumization, imports, category diversification, and changing consumer preferences. Fourth, innovation-oriented evidence is synthesized to assess how sustainability, digitalization, product design, and new consumption formats may influence the sector's next phase.

Rather than relying on one metric, the analysis interprets sector growth through multiple dimensions: revenue significance, formalization, product mix, retail sophistication, and innovation capability. This allows the paper to avoid a narrow volume-centric understanding of market growth.

Key Steps of Data Collection

- Identification of the study problem and delimitation of the analytical scope to the Indian alcoholic beverages sector.
- Collection of academic, policy, fiscal, trade, and industry sources relevant to alcohol production, consumption, regulation, and market growth.
- Screening of sources for relevance, recency, credibility, and direct linkage to India.
- Classification of evidence into historical, public-health, fiscal, market, and innovation categories.
- Comparative reading of sources to identify recurring themes such as revenue dependence, policy fragmentation, premiumization, and product diversification.
- Synthesis of findings into an integrated narrative moving from past practices to future innovation pathways.

Selected Indicators Used in the Analytical Review

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| Indicator | Observation | Period | Analytical Relevance |
|---|---|---|---|
| Market outlook | Indian alcoholic beverages market projected to reach about US$39.7 billion | By 2026 | Indicates scale expansion and investor interest |
| Imports | Alcoholic beverage imports in India reached about US$1 billion | 2023 | Signals stronger premium and international demand |
| State finance | State excise remains one of the largest own-tax revenue sources | Contemporary | Shows fiscal centrality of alcohol to state governments |
| Public health | Alcohol-related harms remain a significant policy concern | Ongoing | Explains why growth is contested and regulated |
| Consumer shift | Premiumization, experimentation, wine culture, and craft interest are rising | Recent years | Shows movement from volume-led to value-led growth |

*Table 1. Selected sector indicators synthesized from ProWine Mumbai (2025), USDA-FAS (2024), Mukherjee (2024), and WHO (2024).*

Analytical Discussion

1. Past Practices and Traditional Foundations

The early structure of India's alcohol economy was overwhelmingly local. Country liquor, arrack, toddy, and community-specific fermented beverages were linked to agricultural cycles, caste- and tribe-based practices, and local availability of raw material. In many regions, production was small-scale, seasonal, and informally regulated through community norms rather than modern branding or industrial bottling. Traditional beverages therefore formed the cultural base from which the contemporary sector later emerged.

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This stage matters analytically because it reminds us that India's alcobev market was not originally organized around national brands, standardized SKUs, or urban retail display. The movement toward formalization involved more than scaling up supply; it also transformed taste, legitimacy, packaging, quality control, and the social meaning of consumption.

2. The Excise State: Revenue, Control, and Fragmentation

A defining feature of the Indian alcohol market is that it is not one integrated national market. It is a collection of state-regulated markets, each governed by its own excise policies, duties, label approvals, licensing systems, retail structures, and periodic policy revisions. Schess et al. (2023) document this policy fragmentation and show that India lacks a unified and coherent alcohol framework comparable to a national market regime.

Mukherjee (2024) demonstrates that state excise is a major source of own-tax revenue for Indian states. This creates a structural dependence that often encourages governments to expand efficiency of collection even while maintaining a discourse of control. The result is an industry shaped by simultaneous restriction and monetization. For producers and brand owners, this means high compliance costs, state-specific operational strategies, and limited benefits from national scale efficiencies.

3. Organized Growth After Liberalization

Post-1991 reforms widened the horizon for organized production and branded competition. Industrial spirits, beer, and premium labels increasingly moved through formal manufacturing and distribution systems. Packaging became more sophisticated, hospitality outlets became aspirational consumption spaces, and the sector gradually aligned itself with broader urban lifestyle shifts.

Corporate restructuring played an important role in this phase. As Esser and Jernigan (2015) show, multinational engagement did not simply add foreign capital; it changed competitive intensity, acquisition strategy, premium portfolio building, and brand management practices. India thus became both a volume market and a strategic premium market.

4. Premiumization and Category Diversification

One of the clearest contemporary shifts in the Indian alcoholic beverages industry is premiumization. Consumers in urban and upper-middle-income segments are increasingly trading up from low-price products to premium whisky, imported spirits, Indian single malts, craft gin, wine, and curated drinking experiences. ProWine Mumbai (2025) notes that experimentation, authenticity, and quality are now significant drivers of consumer behavior in the Indian wine and spirits market.

Category diversification is equally important. Wine has gained visibility in metropolitan markets and hospitality ecosystems, while premium and imported spirits have benefited from rising exposure to global drinking cultures. USDA (2024) data on imports reinforces this shift by showing rapid growth in imported alcoholic beverages, particularly spirits. Growth is therefore not only a matter of higher alcohol demand; it is increasingly about a more differentiated demand structure.

5. Innovation in the Sector

Future growth in the Indian alcobev sector is likely to depend on innovation as much as on scale. Innovation is visible in at least five areas. First, product innovation includes flavored spirits, botanical infusions, ready-to-drink cocktails, low-sugar offerings, and premium Indian-origin narratives. Second, process innovation includes better quality control, blending science, packaging efficiency, and SKU management. Third, market innovation includes digital brand storytelling, experiential consumption, and data-supported route-to-market planning. Fourth, sustainability innovation includes recyclable packaging, lighter bottles, water stewardship, and grain or agricultural traceability. Fifth, regulatory innovation concerns digitized excise systems, improved compliance architecture, and more predictable interstate procedures.

These developments indicate that the future of the industry will be shaped by value addition rather than mere volume expansion. Brands that can combine authenticity, compliance capability, premium positioning, and responsible messaging are likely to be more resilient.

6. Public Health, Ethics, and the Limits of Growth

Any serious analytical paper on this sector must confront its limits. The same market that creates jobs, tax revenue, and product innovation also contributes to harmful consumption, treatment needs, and social costs. The Ministry of Social Justice and Empowerment and AIIMS (2019), along with WHO (2024), make clear that alcohol-related harm remains a substantial issue. Eashwar et al. (2020) further show that consumption patterns vary sharply across regions and social groups, suggesting that market growth can intensify local vulnerabilities.

For this reason, future expansion cannot be evaluated solely through revenue collection or industry valuation. Sustainable growth in this sector requires stronger treatment systems, clearer warnings, responsible retailing, enforcement against illicit products, protection of vulnerable groups, and better data on consumption harms.

7. Future Innovations and Strategic Outlook

The next stage of the sector in India will likely be characterized by selective premium growth, stronger formalization, and innovation-led competitiveness. Indian-origin premium whisky, craft gin, fruit-fermented beverages, wine tourism, and export-oriented niche branding may grow further. Supply-chain digitalization, track-and-trace systems, QR-enabled authenticity checks, and data-led inventory forecasting may improve both efficiency and compliance.

At the same time, moderation trends, low- and no-alcohol innovations, and health-conscious consumption may slowly influence product portfolios in urban markets. The sector's future will therefore not be determined by one trajectory alone. It will be shaped by the interaction of regulation, consumer identity, public-health pressure, sustainability expectations, and brand innovation.

Table-Based Summary of Sector Evolution

| Phase | Dominant Structure | Key Features | Strategic Implication |
|---|---|---|---|
| Traditional era | Local and informal | Country liquor, toddy, arrack, ethnic fermented beverages, weak branding | Cultural base of later market evolution |
| Early organized phase | Excise-led formalization | Industrial production, licensing, taxation, state retail controls | Revenue orientation dominates sector governance |
| Liberalization phase | Brand expansion | Corporate growth, packaging upgrade, urban demand, hospitality linkages | Scale and organized competition increase |
| Premiumization phase | Segmented value market | Imported spirits, premium whisky, wine, craft categories, consumer experimentation | Higher margins and differentiated portfolios |
| Innovation phase | Tech and sustainability oriented | Traceability, data-led planning, RTD formats, sustainable packaging, authenticity systems | Future competitiveness depends on innovation capability |

*Table 2. Phase-wise summary of the transformation of the Indian alcoholic beverages sector.*

## Summary and Conclusion

The growth of the alcoholic beverages sector in India is best understood as a transition from localized traditions to a segmented, regulated, and innovation-oriented market economy. Its historical roots lie in indigenous fermentation and community-based consumption, but its contemporary identity is shaped by organized production, corporate consolidation, premiumization, and changing lifestyle aspirations. The sector has become fiscally important for states, commercially attractive for domestic and multinational firms, and symbolically linked to modern retail and hospitality cultures. At the same time, its expansion remains constrained by fragmented regulation, uneven interstate policies, social stigma, and public-health concerns. The analytical evidence reviewed in this paper shows that the future of the sector will depend less on simple volume growth and more on quality upgrading, category diversification, technology-enabled compliance, sustainability, and responsible market governance. India's alcobev industry is therefore entering a phase in which economic growth, institutional reform, and ethical accountability must advance together. A policy framework that is transparent, evidence-based, and sensitive to both market opportunity and social harm will be essential if the sector is to move from expansion to maturity in a sustainable manner.

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