Assessing India's Tobacco Control Framework

Moving Beyond Symbolic Commitment to Achieve Health and Cessation Goals

Report by : Civitas Consultancies Pvt Ltd

Research Partner : Centre for Public Policy Research

Authors
Lakshmi Ramamurthy
Nissy Solomon
D Dhanuraj

Supported by
Sreelakshmi Harilal
Marshall Mathew
Rose Varghese

Layout and Design
Prakritigraphic designs
Sreelakshmi_ **(91 8075076198)**

Content Editor
Sherylene Refeeque

Published in December 2025

Civitas Consultancies Pvt. Ltd
Kochi, Kerala, India
www.civitas.in

Distributed by Civitas Consultancies Pvt. Ltd

Table of Contents

List of Abbreviations

ANMs	Auxiliary Nurse Midwives
ASHAs	Accredited Social Health Activists
ASCI	Advertising Standards Council of India
BED	Basic Excise Duty
BLCC	Block Level Coordination and Monitoring Committee
CAGR	Compound Annual Growth Rate
CBI	Central Bureau of Investigation
CO	Carbon Monoxide
COTPA	Cigarettes and Other Tobacco Products Act
DLCC	District Level Coordination Committee
DTCC	District Tobacco Control Cell
ESG	Environmental, Social, and Governance
FCTC	Framework Convention on Tobacco Control (or WHO Framework Convention on Tobacco Control)
FCV	Flue-cured Virginia
FSSA	Food Safety and Standards Act
FSSAI	Food Safety and Standards Authority of India
GATS	Global Adult Tobacco Survey
GMP	Good Manufacturing Practices
GST	Goods and Services Tax
GYTS	Global Youth Tobacco Survey
IEC	Information, Education, and Communication
IPL	Indian Premier League
J & K	Jammu & Kashmir
MLA	Member of Legislative Assembly
MoHFW	Ministry of Health and Family Welfare
MP	Member of Parliament
NCCD	National Calamity Contingency Duty
NCD	Non-communicable Diseases
NGO	Non-governmental Organisation
NHM	National Health Mission
NITI Aayog	National Institution for Transforming India Aayog
NRT	Nicotine Replacement Therapy
NTCC	National Tobacco Control Cell
NTCP	National Tobacco Control Programme/Program
NTQLS	National Tobacco Quitline Services
RBI	Reserve Bank of India
RCH	Reproductive and Child Health
SLT	Smokeless Tobacco
SPIP	State Programme Implementation Plan
STCC	State Tobacco Control Cell
T&T	Track-and-Trace
TII	Tobacco Institute of India
ToFEI	Tobacco Free Educational Institutions
TSNAs	Tobacco-specific Nitrosamines
WHO	World Health Organization

Executive Summary

India is currently grappling with a multidimensional public health crisis, in which its tobacco control framework is fundamentally impeded by deep-rooted structural misalignments and persistent conflicts of interest. The current regulatory model has traditionally focused on cigarettes, which represent only 10% of total tobacco consumption, while largely overlooking the far more prevalent and harmful smokeless tobacco (SLT) products and *beedis*, which together account for the remaining 90%. This imbalance is worsened by a stark fiscal paradox: despite tobacco taxes generating ₹ 72,788 crore in 2022–23, the country allocates less than 0.07% of this revenue to the National Tobacco Control Programme (NTCP). Chronic underfunding, combined with weak utilisation of approved funds, has resulted in inadequate cessation services and low.

Additionally, the "cottage industry" tax exemption for unbranded *beedis*, enables widespread tax evasion, making cheaper, more harmful tobacco products highly accessible to low-income populations. This regulatory loophole sustains a development trap affecting an estimated 45.7 million individuals.

This paper argues that incremental adjustments are insufficient to disrupt this cycle and achieve substantial public health gains. India must transition to a whole-of-government approach that shifts from activity-based reporting to outcome-driven metrics, implements harmonised taxation across all tobacco products (including *beedis* and SLT), and establishes a high-level, multisectoral council to modernise the tobacco value chain and formalise the informal sector in order to align economic growth with public health objectives.

1. Introduction

India, ranked second globally in tobacco consumption (WHO, n.d.), faces an enormous public health challenge due to the widespread use of both smokeless and combustible tobacco products. A defining feature of India's tobacco landscape is its consumption pattern, which diverges sharply from global trends.

In most countries, cigarettes predominate, constituting nearly 90% of tobacco consumption. In contrast, in India, legal cigarettes represent approximately 10% of total consumption (TII, 2025), while the remaining 90% comprises of approximately 29[1] other, often cheaper, forms of tobacco, including *beedi*, *khaini*, *gutkha*, *zarda*, chewing tobacco, and illicit cigarettes, with product preferences varying significantly by region, socioeconomic class, gender, and cultural context (John et al., 2010; Reddy et al., 2021) .

According to the Global Adult Tobacco Survey (GATS) 2016–17 report, approximately 266.8 million Indian adults aged 15 and above consume tobacco across both smokeless and combustible smoke forms (Ministry of Health and Family Welfare, 2018). Nationally, 19% of men and 2% of women are smokers, whereas 29.6% of men and 12.8% of women use SLT products.

[1] A detailed typology of tobacco products is provided in Annexure 1.

The SLT products, chiefly khaini, gutkha, betel quid with tobacco, and Zarda, account for an estimated 199.4 million users, compared with 99.5 million adult smokers, making SLT the predominant form of tobacco use in India (GATS 2017).

Tobacco consumption is also increasingly common among younger demographics. According to the Global Youth Tobacco Survey (GYTS 2019), 8.5% of school-going children aged 13–15 consume at least one form of tobacco. The early initiation of tobacco use represents a challenge to ongoing public health efforts. SLT use is particularly high in rural areas, with 150.3 million users, nearly three times the number in urban areas (49 million) (ibid.).

Among SLT users, *khaini* is the most consumed product, preferred by 11.2% of adults, followed by gutkha at 6.8%. Other widely used forms include betel quid with tobacco and *pan masala*, both of which often contain tobacco. Due to its widespread availability, SLT dominates India's overall consumption profile. With respect to smoked (combustible) tobacco products in India, *beedis* and cigarettes are the two most commonly used forms. *Beedis* are the dominant smoked tobacco product, with approximately 71.8 million adults smoking *beedis* compared to 37.5 million who smoke cigarettes (Palipudi & Mbulo, 2020). They are also the most consumed tobacco product after smokeless forms.

India's tobacco consumption patterns reveal that consumption of *beedis* and SLT, such as *gutkha* and *khaini*, is prevalent among the rural population, while the urban population has a high rate of cigarette consumption (Bhaskar & Basu, 2020). *Beedis* are relatively inexpensive, priced significantly lower than manufactured cigarettes (Palipudi & Mbulo, 2020), and widely available, making them particularly accessible to individuals of low socioeconomic status. Evidence shows that households in the lowest wealth quintile are 2.54 times more likely to consume tobacco than those in the highest quintile (Subramanium et al., 2004). These socioeconomically disadvantaged groups also face greater health risks and lower success rates in quitting due to reduced community support, higher dependence, lower motivation, difficulties in completing pharmaceutical and behavioral interventions, psychological barriers such as low self-efficacy, and targeted tobacco industry marketing (Branston et al., 2011).

While affordability and availability have contributed to the widespread use of SLT and *beedis*, the extent of harm they cause remains underacknowledged. SLT products in India contain nicotine concentrations ranging from 0.8 to 50.0 mg per gram (NCBI, 2017), substantially higher than those in most combustible tobacco products. This higher nicotine content accelerates dependence, often making SLT addiction more intense and

harder to overcome than smoking. Similarly, among combustible products, *beedis* are often perceived as a milder or more natural alternative but are more harmful than conventional cigarettes, delivering higher amounts of tar, nicotine, and carbon monoxide. Research indicates that a single *beedi* delivers 77.9 ± 9.5 mg of tar, 2.7 ± 0.4 mg of nicotine, and 39.2 ± 5.7 mg of carbon monoxide. In comparison, conventional cigarettes, tested under the same protocol, produce lower tar and CO levels, though nicotine delivery is comparable (Watson & Polzin, 2003).

Despite the known health risks of various tobacco products, cessation rates in India remain low, even though a significant proportion of users express willingness to quit. Quit attempts are generally lower among SLT users. According to GATS-2 (2016–17), 38.5% of current smokers and 33.2% of SLT users attempted quitting in the past 12 months, while 55% of smokers and 50% of SLT users expressed willingness to quit.

The Report on Tobacco Control in India (2022) underscores the persistent challenge of high tobacco use. Despite a 6% decline between GATS-1 and GATS-2, current use remains high[2]. This results from both very low quit rates (2%, GATS-2), and the wide diversity of tobacco products with differing nicotine levels. Annual population growth (1% in 2020) and the addition of more than 2 million new users since the late 1990s have further offset reduction gains.

India has enacted comprehensive tobacco control legislation, such as the Cigarettes and Other Tobacco Products Act (COTPA), and launched programmes like the National Tobacco Control Programme to curb tobacco use. The country is also a signatory to the WHO Framework Convention on Tobacco Control (FCTC), signalling a strong global commitment to reducing tobacco consumption. Nonetheless, despite these well-established policies and international commitments, India continues to face significant and systemic challenges in effectively reducing tobacco use and improving cessation outcomes.

This white paper examines India's tobacco control initiatives with a focus on cessation infrastructure and the evolving policy and regulatory landscape around different tobacco products. Drawing from secondary data and primary insights from stakeholder consultations, the paper underscores the urgent need to rethink India's tobacco control approach.

[2]*It is important to note that GATS-2 data, now nearly a decade old, do not fully capture the growing prevalence of illicit cigarettes or unregulated SLT products. These forms of tobacco use are likely underrepresented in national surveys like GATS, which rely on self-reported data, and may miss unbranded, home manufactured, or illegally traded products.*

2. Policy and Regulatory Landscape

India's historical approach to tobacco regulation initially involved minimal intervention, consisting primarily of statutory warnings about the potential health risks associated with tobacco consumption. The first major legislative step was the Cigarettes (Regulation of Production, Supply, and Distribution) Act, 1975, which mandated statutory health warnings on cigarette packages and advertisements stating that cigarettes are injurious to health. This Act, however, had a narrow scope, focusing primarily on cigarettes and excluding other tobacco products or broader regulatory aspects such as advertising, public smoking, or sales to minors (NLSIU, 2020).

In the early 2000s, public health advocacy and judicial interventions highlighted the inadequacy of existing laws. In the *Murli S. Deora v. Union of India* (2002) case, the Supreme Court directed the government to prohibit smoking in public places, recognising the rights of non-smokers under Article 21 of the Constitution. As mounting evidence illuminated the health implications of tobacco use and societal awareness of the harms of secondhand smoke increased, the government adopted a more assertive regulatory stance.

The Comprehensive Tobacco Control Act (COTPA) of 2003 marked a significant milestone by consolidating various regulatory provisions into a unified framework. It remains India's principal tobacco control law, incorporating comprehensive measures such as a ban on most forms of tobacco advertising, promotion, and sponsorship (Section 5); prohibition of

smoking in public places (Section 4); restrictions on the sale of tobacco to and by minors under 18 years [Section 6(a)]; mandatory pictorial health warnings on all tobacco product packaging (Sections 7–9); and a ban on the sale of tobacco products within a specified distance of educational institutions [Section 6(b)]. This was followed by the ratification of the WHO Framework Convention on Tobacco Control (FCTC) in 2004, signalling India's commitment to a global public health treaty aimed at reducing both the demand for and supply of tobacco products.

As part of its FCTC commitments, India adopted measures discouraging the cultivation and production of tobacco. Article 17 encourages member states to promote viable alternatives to tobacco farming, facilitating a gradual transition for tobacco growers towards sustainable livelihoods. In line with this, the Government of India introduced a range of supply-side measures such as capping the area under tobacco cultivation and limiting support for tobacco production—for instance, formal production controls exist primarily for flue-cured Virginia (FCV) tobacco, the variety used in cigarettes and exports—although implementation has been inconsistent.

In response to rising international demand and higher export prices, the government has at times relaxed these restrictions. Official records show that acreage caps for FCV and Burley tobacco were temporarily eased, penalties for overproduction were waived, and excess quantities cultivated beyond licensed limits were allowed into the auction system. According to the Press Information Bureau, approximately 38,751 registered growers benefitted from the waiver on 76.84 million kilograms of excess tobacco, resulting in savings of ₹184 crore. These selective relaxations highlight the inherent tension between India's public health commitments under the FCTC and its economic priorities related to tobacco production.

The Tobacco Board of India sets annual crop-size targets and allocates production quotas to registered growers in Andhra Pradesh, Karnataka, and Telangana. However, these controls do not extend to most widely consumed forms of tobacco, such as *beedi*, chewing, or *hookah* tobacco. These are often cultivated informally by smallholder farmers and remain outside centralised regulatory oversight.

To operationalise and implement FCTC and COTPA commitments, the Government of India launched the National Tobacco Control Programme (NTCP) in 2007–2008. According to National Health Mission (NHM) data, the programme currently covers around 612 districts across all 36 states and union territories (UTs). Given NTCP's central role in implementing India's tobacco control policies, the next section examines its design, delivery mechanisms, and outcomes to assess the strengths and limitations of the current framework.

2.1 NTCP's Tobacco Control Interventions, Effectiveness, and Expenditure

The NTCP operates through a three-tier structure comprising the National Tobacco Control Cell (NTCC), State Tobacco Control Cell (STCC), and District Tobacco Control Cell (DTCC) (NTCP, 2021) (Annexure 2).

The main thrust areas for the NTCP are as under:

- Training of health and social workers, NGOs, school teachers, and enforcement officers;
- Information, education, and communication (IEC) activities;
- School programmes; Monitoring of tobacco control laws;
- Coordination with Panchayati Raj Institutions for village level activities;
- Setting-up and strengthening of cessation facilities including provision of pharmacological treatment facilities at district level.

The NTCP's stated objectives[1] place strong emphasis on creating awareness about the harmful effects of tobacco consumption, with mass IEC campaigns, school programmes, and community-level activities listed as primary thrust areas. Training, awareness, and educational activities are routinely foregrounded in programme documentation, often preceding any reference to cessation services.

[1] *National Tobacco Control Programme: https://ntcp.mohfw.gov.in/about*

The central government allocates funds to STCCs and DTCCs, which are integrated into the Non-communicable Diseases (NCD) Flexi-Pool under the NHM. State health departments then implement activities using these resources. The Flexi-Pool funding mechanism allows state governments some autonomy to use centrally allocated funds to address local health priorities within national guidelines. States spend these funds on tobacco control activities such as operating DTCCs, running cessation clinics, and implementing awareness campaigns (Annexure 3). Despite tobacco's substantial contribution to the national tax pool, NTCP's financial allocation and utilisation have remained chronically low. Between 2015–16 and 2022–23, only 38% of approved NTCP funds were utilised, revealing a significant gap between allocation and actual spending. An analysis of budget-utilisation patterns also show stark disparities among states and UTs: only nine states/UTs have utilised more than 50% of sanctioned funds, with Haryana and Andhra Pradesh leading at 76% utilisation. In contrast, states such as Punjab, Bihar, Telangana, and Madhya Pradesh have used less than 10% of approved funds, indicating acute underutilisation.

Table 1: State/UT-wise State Programme Implementation Plan (SISP) Share of Funds Spent from Approved State Plans under NTCP (NHM)

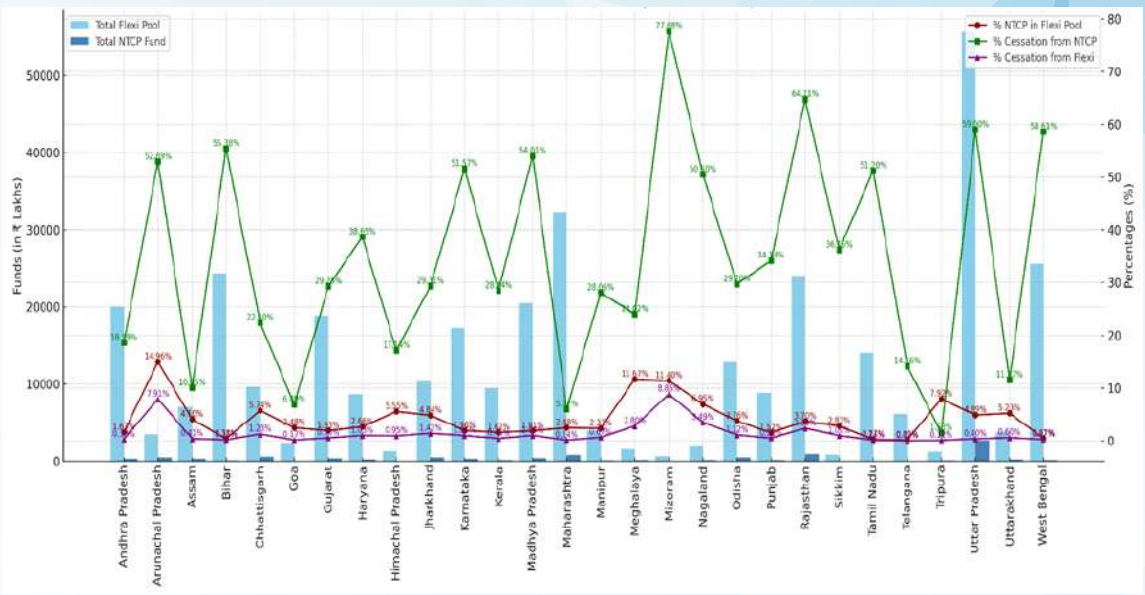
Units in ₹ Lakh	FY 2017–18		FY 2018–19		FY 2019–20		FY 2020–21		FY 2021–22		FY 2022–23	
State/UT	Budget Allocated	Budget Used	Budget Allocated	Budget Used	Budget Allocated	Budget Used	Budget Allocated	Budget Used	Budget Allocated	Budget Used	Budget Allocated	Budget Used
Meghalaya	10.8	0	23.6	0	76.6	27.86	110.18	124.26	63.55	57.34	64.72	88.72
Himachal Pradesh	0	6.14	148	21.14	92	41.9	63.5	20.24	50.01	21.25	114.2	28.32
Daman & Diu	5.94	0	2.08	0.9	4.82	0.95	0	0	0	0	0	0
Chandigarh	3.84	0	0	0	0	0	6.05	0	9.65	0.19	12.35	2.3
Ladakh	0	0	0	0	0	0	0	0	13.54	4.86	27.8	12.33
Andaman & Nicobar	59.68	0	0	0	7.0 8	3	16.33	2.36	23.75	1.41	26	2.68
Lakshadweep	18.24	3.82	9.5	10.76	5.62	1.54	14.71	0.87	14.16	1.92	18.5	4.3
Puducherry	13.57	9.05	7.75	1.96	14.08	7.59	18.18	7.87	23.93	8.25	20.13	15.13
Punjab	197.72	0	156.5	6.16	73.68	3.88	68	0	76	4.85	68.85	6.06
Dadra & Nagar Haveli	33.24	18.08	17.77	5.99	1.35	3.1	15.92	3.71	0.04	9.72	16.9	4.81
Jammu & Kashmir	100.14	5.29	50.5	23.56	129.36	24.61	265.05	1.52	83.6	49.77	64.1	9.68
Goa	33.13	9.82	26.89	5.92	40.02	17.74	26.18	12.26	52.58	37.43	54.4	42.87
Manipur	240.39	2.97	42	95.15	142.4	44.16	95.14	1.5	146.8	3.68	116.8	6.58
Haryana	41.71	5.41	232.3	7.95	278.36	6	7.95	40.18	215.2	128.57	212.8	169.09
Sikkim	32.06	11.82	42.77	8.29	11.34	4.43	19.2	1.68	22.52	0	23.39	15.05
Kerala	88.02	42.99	392.75	117.28	240.15	56.56	217.7	65.78	336.43	90.35	445.71	115.73
Chhattisgarh	441.78	88.42	802.86	145.76	410.2	782.91	284.7	171.07	492.88	229.34	386.8	328.69
Delhi	307	17.62	154.6	17.36	243.2	18.18	117.89	7.17	198.43	25.14	277.49	47.52
Arunachal Pradesh	621.03	98.74	89.76	159.42	255.8	0	414	69.66	149.86	90.87	500.75	17.31
Tripura	134.53	78.38	99.7	62.58	52.7	25.07	53.65	31.46	86.41	68.59	114.47	66.67
Assam	307.43	70.08	456.27	178.12	324.45	201.37	246.27	74.55	321.96	174.88	329.11	201.82
Gujarat	795.19	454.52	383.45	368.1	378.77	260.42	351.88	154.31	333.48	152.01	347.55	235.21
Tamil Nadu	125.15	3.02	49.82	44.32	145.89	86.39	52.8	5.99	88.5	179.42	333.15	82.77
Odisha	343.81	51.16	287.35	107.9	201.61	90.21	238.46	90.73	461.95	262.53	442.04	299.21
Uttarakhand	237.05	302.98	66.71	27.29	75.35	32.42	48.5	23.12	140.57	144.79	168.62	90.85
Telangana	58	24.34	33.5	3.06	77.5	12.42	84.32	43.56	75.35	5.75	85	0
Andhra Pradesh	104.83	270.94	37.38	34.32	63.38	53.75	67.98	67.98	244.23	226.33	380.16	279.9
Mizoram	291.5	86.91	33.24	37.58	35.03	4.76	42.9	16.1	37.77	117.73	63.68	27.28
Nagaland	232.3	26.29	132.34	63.99	161.27	28.71	72.88	5.31	102.62	21.54	142.9	47.83
West Bengal	410.76	49.55	172.57	95.24	105.95	119.22	125.01	102.76	131.32	157.43	131.01	120.75
Maharashtra	457.43	206.59	1546.76	167.18	210.21	161.14	195.83	86.14	127.43	216.3	489.26	205.95
Madhya Pradesh	0	20.72	95.8	26.82	3,313.23	177.78	454.9	26.97	251.45	30.05	438.47	112.06
Uttar Pradesh	2,220.6	1,009.35	1,687.16	1,160.53	1,724.86	919.85	1,256.72	535.25	3,228.32	984.36	2,752.25	1511
Jharkhand	436.67	65.96	283.52	47.24	338.16	103.75	346.96	109.58	426.26	420.78	440.76	321.6
Karnataka	777.51	346.39	432.6	310.35	415.4	343.95	429.14	329.3	693.11	609.38	526.94	366.79
Rajasthan	483.78	390.79	179.5	165.86	319.63	253.8	422.08	305.46	753.18	639.17	805.22	509.89
Bihar	490.89	22.65	390.2	57.51	304.97	72.43	188.61	20.33	220.81	7.92	169.71	10.63

Source: Lok Sabha Unstarred Q.No.1567 answered on 28th July 2023[1]

[1]*The above data are as per the available Financial Management Reports reported by states/UTs and are provisional; and it was updated up to March 31, 2023.*
After the reorganisation of the State of Jammu and Kashmir (J&K) into the Union Territory of J&K and the Union Territory of Ladakh, NHM funds to the UT of Ladakh were disbursed for the first time during 2020–21.

Figure 1 illustrates statewise NTCP funding levels. Bars represent total Flexi-Pool and NTCP allocations; lines indicate the percentage of Flexi-Pool funding allocated to NTCP, the share of cessation funding within NTCP, and the overall Flexi-Pool based on 2025–26 data.

Figure 1: Statewise NTCP Funding



Source: Based on 2025–26 Statewise NTCP Funding Data

The figure shows that cessation funding comprises a minuscule proportion of NCD Flexi-Pool budgets across India's 28 states. In populous states such as Tamil Nadu, Karnataka, West Bengal, Maharashtra, and Uttar Pradesh, more than 99.5% of NCD Flexi-Pool funding is used for other priorities, with cessation expenditure constituting less than half of their Flexi-Pool budgets.

Significant regional variation in the allocation of Flexi-Pool funds to NTCP is evident. Several northeastern states, including Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim, allocate double-digit percentages of their Flexi-Pools to NTCP (6–15%). In some, a significant amount (up to 8.85% in Mizoram) are allocated to cessation. By contrast, the states with the highest tobacco burden and greatest economic weight consistently underinvest in cessation support.

A disproportionately small percentage of NTCP resources is dedicated to cessation assistance. Only a few states devote more than half of their NTCP funds to cessation, while states like Tripura and Maharashtra allocate less than 10%. Yet even these allocations

represent a small fraction of total NCD spending, as NTCP expenditures often constitute less than 6% of overall NCD budgets in larger states.

As of 2025, tobacco cessation services operate in over 612 districts, primarily through district hospitals, NCD clinics, and select primary health centres under the NHM. Services include in-person counselling, pharmacological support, and digital interventions such as *mCessation* (SMS-based service) and the *National Tobacco Quitline Services (NTQLS)*, which now offer multilingual telephonic counselling. In 2021–22, approximately 0.15 million individuals accessed cessation services, aided by the addition of 60 district-level cessation centres.

However, investment in cessation remains grossly inadequate relative to the vast tobacco-using population. Uptake is disproportionately urban, with limited rural access despite higher prevalence in those populations . According to Press Information Bureau data, in 2019–20, only 1.3 million (<0.5 % of all users) of the 274 million tobacco users accessed cessation services. Among those who do access services, quit rates remain low, estimated between 6% and 12.5%, depending on intervention type. These quit rates are primarily self-reported, lacking biochemical verification or standardised follow-up, leading to overestimation and failing to capture relapses. As a result, such metrics offer limited validity as indicators of programme effectiveness.

Another key structural limitation is over-centralisation. Evaluations and academic reviews of the NTCP show that India's tobacco control efforts remain highly centralised, with decision-making and funding flows concentrated at the national level. State and district officials often lack authority and flexibility to launch local initiatives. Implementation typically follows a one-size-fits-all model rather than adapting to diverse local needs (Arora et al., WHO-SEARO, 2017). This centralisation also influences performance measurement. NTCP monitoring largely emphasises activity-based reporting[1]—the number of IEC materials distributed, campaigns conducted, or inspections completed rather than outcome-based indicators such as verified cessation rates. As a result, the programme prioritises procedural compliance over behavioural change. There is little publicly available data on verified long-term cessation outcomes and minimum emphasis on cost-effectiveness.

Moreover, while the NTCP nominally includes a range of interventions such as behavioural counselling, pharmacotherapy, and digital tools, the delivery is skewed towards smoking

[1]*NTCP's operational guidelines and reporting templates focus on activity-based indicators such as number of awareness events, IEC materials distributed, inspections conducted, complaints addressed, schools/public places covered, and individuals accessing cessation services. https://nhm.gov.in/NTCP/Manuals_Guidelines/Operational_Guidelines-NTCP.pdf*

cessation. For instance, the bulk of research and programmatic focus has historically been on smoking.

Health campaigns, school-based programmes, and cessation services in India overwhelmingly emphasises the harms of smoking, while largely neglecting SLT products .

Public health messaging often focuses on lung cancer and respiratory disease (linked to smoking) while providing limited information about SLT-associated illnesses such as oral cancer, leukoplakia, and cardiovascular disease (Gupta et al., 2017; WHO, 2019). School-based programmes also fail to adequately address the cultural and societal embeddedness of SLT, particularly among youth and women in rural areas (Jha et al., 2019). Industry analysts note that cessation support for SLT users is far less developed, despite SLT use exceeding smoking in many regions. This imbalance in focus contributes to the underrecognition of SLT risks and insufficient demand-side support for SLT users. Additionally, there is limited coverage of cessation centres, with most located in urban tertiary hospitals, resulting in low access for rural populations where tobacco user prevalence is higher. Stakeholders also identify a shortage of specialised counsellors. General counsellors are often assigned to cessation centres, creating gaps in expertise and limiting the quality of support. Specialised doctors and staff dedicated solely to tobacco cessation are needed to deliver focused and practical assistance.Another major challenge involves the weak reach and uneven impact of cessation awareness efforts. Smokers who purchase loose cigarettes often bypass health warnings and quitline information printed on packages, leaving them untouched by conventional messaging. However, the deeper issue lies in how cessation is conceptualised and measured. While the limited budget is directed disproportionately towards activity-based metrics, such as counting campaigns conducted or materials distributed, it is done without evaluating their actual penetration. This results in a fragmented approach, where many smokers are never reached, while those who are reached receive inadequate follow-up.Although India has expanded cessation infrastructure on paper, the NTCP's approach remains misaligned with ground realities. Without shifting from activity-based monitoring to evidence-based, user-responsive outcomes, the programme risks continuing as a largely procedural exercise with limited real-world impact.

2.1.1 Spending vs Revenue: Tobacco Control Financing

Per capita expenditure on tobacco control remains low in many districts across India. Based on available data of district-level NTCP spending for tobacco control, it is observed that expenditure per person is relatively low in districts in Assam, Rajasthan, and Maharashtra. These three states, which are diverse in geography, political leadership, and tobacco use patterns, are broadly representative of the national picture. In Assam, the average annual tobacco control spend per smoker across all districts is approximately ₹3.94 per smoker per year. Table 2 shows the spending per tobacco smoker in a few districts in Assam.

Table 2: FY 2024–25 and FY 2025–26 NTCP District ROP NHI Assam

Sl. No	District	Budget (₹)	No of Smokers	Avg. Cost per Smoker (₹)
1	Bajali	20,6000	40,000	5.2
2	Biswanath	202,999.9	55,000	3.7
3	Bongaigoan	202,999.9	65,000	3.1
4	Cachar	208,000	80,000	2.6
5	Charido	208,000	35,000	5.9
6	Chirag	206,000	30,000	6.9*

There is a very low per capita spending on tobacco control in these districts (₹2.6 to ₹6.9 per smoker per year). This reflects either inadequate overall funding or inequitable distribution of funds.

State-wise outlay and expenditure figures from 2016 to 2019 reveal that only a few states had State Programme Implementation Plan (SPIP)[1] approvals exceeding ₹1 crore, and even among these, most failed to spend even half of the allocated sums (Annexure 5). This pattern points to a systemic underutilisation of available funds.

According to the 2023–24 Demand for Grants, the Ministry of Health and Family Welfare (MoHFW) proposed a budget allocation of ₹20 crore for NTCP. However, actual expenditure for the year stood at only ₹3.12 crore. In the subsequent financial year (2024–

[1]*The SPIP is the detailed annual plan submitted by each Indian state under centrally sponsored schemes, such as the NHM, including the NTCP.*

25), the proposed allocation further declined to ₹5 crore. Table 3 presents key trends in NTCP budget allocations and expenditures.

Table 3: NTCP Budget Allocations and Expenditures

Year	Allocation (in crore)	Expenditure (in crore)	Utilisation Rate (%)
2015–16	92.25	10.3	11.2
2016–17	112.8	29.6	26.2
2017–18	101.6	38	37.4
2018–19	141.5	17	12
2022–23	130	NA	NA
2023–24	20	3.12	15.6
2024–25	5	NA	NA

Source: Extracted from MohFW and Parliamentary Reports

Across almost a decade, NTCP has consistently spent only a fraction of what was allocated. Even in later years, as allocations rose, utilisation continued to lag. The central paradox is that India recognises tobacco as a leading cause of preventable death, yet NTCP's budgetary and institutional trajectory shows declining commitment.

As per the Lok Sabha, Unstarred Question No. 1499 dated July 28, 2023, tobacco and tobacco products, including *pan masala*, generated tax revenues amounting to ₹72,788 crore in 2022–23. This accounts for 2–3% of total government tax revenues. However, India allocates less than 0.07% of its tobacco tax revenue to tobacco control efforts, the lowest proportion among major tobacco tax-collecting countries worldwide. In contrast, countries like the Philippines earmark over 85% of incremental excise revenue from tobacco and alcohol for the Department of Health; Vietnam dedicates 1–2% of the factory price of tobacco products to the Vietnam Tobacco Control Fund. In Panama, between 50% and 100% of the selective consumption tax on tobacco products is legally earmarked to health and tobacco control programmes (WHO, 2016).

The Indian tobacco market is projected to generate revenues of US$14 billion in 2025, with a Compound Annual Growth Rate (CAGR) of 4.22% expected from 2025 to 2030

(Statista). The industry continues to exhibit resilience and steady growth despite enhanced public health awareness and strict regulatory measures. This growth, however, is in stark contrast to the limited budgetary commitment to tobacco control and cessation in India. While tobacco remains a major source of revenue and livelihood, government spending on control measures under the NTCP is disproportionately small. Critical shortcomings include weak or poorly implemented alternative livelihood programmes for farmers and workers, insufficient safeguards for labourers' health and safety, and a lack of investment in modernisation of tobacco production. This ongoing imbalance reinforces reliance on tobacco farming for government revenue and livelihoods, limiting the full effectiveness of tobacco control efforts while also reflecting a weak intent for comprehensive tobacco control from social and economic perspectives.

Overall, the regulatory landscape reflects a narrow regulatory focus, with the enforcement and interventions centred on cigarettes while overlooking the widespread use of *gutkha*, *beedi*, *khaini* and other forms of SLT products.

While the ratification of the WHO FCTC marked a global milestone in combating tobacco use, primarily targeting cigarette consumption which dominates tobacco markets in high-income countries, the Indian context presents diversity in tobacco products. This diversity, however, is not captured in its regulatory framework, resulting in limited and fragmented efforts aimed at addressing SLT consumption.

Tobacco control actions under COTPA target advertising bans, packaging warnings, and public smoking restrictions, are supply-side. However, demand-side interventions, such as cessation support, harm reduction, and behavioural counselling, have seen poor funding and underimplementation. Cessation for SLT users particularly remains highly underaddressed compared to smokers, due to product diversity, deep cultural entrenchment, and limited health system capacity, resulting in limited awareness, inadequate cessation support, and weak programmatic outreach for SLT users.

2.2. Tobacco Taxation in India: Structure, Gaps, and Implications

Tobacco products attract one of the highest tax rates in India, reflecting their dual nature as a potential tax revenue source and a major public health concern. Tobacco and tobacco products are subjected to the Goods and Services Tax (GST) and indirect tax (cess), which includes the Compensation Cess, Basic Excise Duty (BED), and the National Calamity Contingency Duty (NCCD).

Table 4: Tobacco GST Rate and Cess for *Pan*, *Gutkha*, Chewing Tobacco, and Tobacco Products

Item Description	GST Rate	GST Cess
Unmanufactured tobacco (without lime tube, branded)	28%	71%
Unmanufactured tobacco (branded)	28%	65%
Tobacco refuse (branded)	28%	61%
Chewing tobacco (without lime tube)	28%	160%
Chewing tobacco (with lime tube)	28%	142%
Filter khaini	28%	160%
Jarda-scented tobacco	28%	160%
Pan masala containing tobacco (gutkha)	28%	204%

Source: Indiafilings

Table 5: GST on Cigarettes, along with GST Rates, Cess, Basic Excise Duty, and NCCD

Type/Length of Cigarettes (mm)	GST Rate	GST Compensation Cess Rate	BED	NCCD*
Non-Filter				
Up to 65	28%	5% + ₹2076 per 1000 sticks	₹5 per 1000 sticks	₹230 per 1000 sticks
>65 to 70	28%	5% + ₹3668 per 1000 sticks	₹5 per 1000 sticks	₹290 per 1000 sticks
Filters				
Up to 65	28%	5% + ₹2076 per 1000 sticks	₹5 per 1000 sticks	₹510 per 1000 sticks
>65 to 70	28%	5% + ₹2747 per 1000 sticks	₹5 per 1000 sticks	₹510 per 1000 sticks
>70 to 75	28%	5% + ₹3668 per 1000 sticks	₹5 per 1000 sticks	₹630 per 1000 sticks
Others (>75 mm)	28%	36% + ₹4170 per 1000 sticks	₹10 per 1000 sticks	₹850 per 1000 sticks

Source: Tobacco Institute of India

In the 56th meeting of the GST Council held in early September 2025, it was announced that a revamped GST structure will come into effect from September 22, 2025. A simplified standard regime of 5% and 18% GST slabs for most goods and services was proposed, along with a new 40% rate for "sin goods" and luxury items. According to the Ministry of Finance, for the specified goods, namely, cigarettes, chewing tobacco products like *zarda*, unmanufactured tobacco, and *beedi*, the existing rates of GST and Compensation Cess (28% GST plus Compensation Cess) will continue to apply. The new rates will be implemented at a later date to be notified, based on discharging of entire loan and interest liabilities on account of Compensation Cess.

At present, the taxation structure on tobacco products in India, while appearing uniform at the GST level, reveals significant variations when cess rates are considered. All tobacco products are subject to a flat GST rate of 28%, but the Compensation Cess, a health-focused additional tax, varies significantly based on the type of product and its processing level. For instance, unmanufactured tobacco, especially when branded, attracts a cess of 61% to 71%, whereas more processed and harmful products like chewing tobacco, filter *khaini*, and *jarda*-scented tobacco face cess rates ranging from 142% to 160%. The most

heavily taxed product is *gutkha* (*pan masala* containing tobacco), with a 204% cess, indicating a strong public health disincentive against such mixed, addictive products.

Cigarettes are subject to a more complex hybrid taxation system that includes a 5% *ad valorem* cess plus a specific cess amount per 1,000 sticks, which increases with the length and filter type. For example, filter cigarettes over 75 millimetre can attract a cess of ₹4,170 per 1,000 sticks in addition to the standard GST. This structure reflects an intention to penalise products perceived as more harmful or premium, thereby attempting to reduce consumption through price deterrents.The excise duty and NCCD charged for all tobacco products also vary. For cigarettes, the excise duty is charged from ₹5 to ₹10 per 1,000 sticks, while the NCCD component is high, ranging from ₹200 to ₹735 per 1,000 sticks, depending on the cigarette's length and type. In contrast, handmade *beedis* attract minimal taxation, with both excise duty and NCCD fixed at ₹5 per 1,000 sticks. Chewing tobacco, snuff, and *pan masala* are subject to an excise duty of 0.5% on the abated value, although updated NCCD rates for these products are not publicly specified. Raw tobacco leaves, along with other forms of unmanufactured or unprocessed tobacco, are exempt from excise duty. This is evident in the disparity seen in revenue contribution between cigarettes and SLT products.

While cigarettes contribute the bulk of the approximately ₹72,788 crore in tobacco taxes collected in 2022–23, SLT products, which constitute a significant portion of overall tobacco consumption (Kumar, 2021), contribute relatively little to the tax revenue, largely due to the unorganised nature of the sector and potential tax exemptions.

The current taxation, marked by steep rates for some products, low rates for others, and exemptions for unprocessed forms, coupled with weak enforcement, creates an incentive for producers to avoid the higher-taxed, branded segment and operate in the unbranded, informal space to sell at cheaper prices. The excise system is also easier to evade because basic excise duty often applies only to processed/packaged products, so producers under declare processing or mislabel products to qualify for lower rates.

Without an investment in monitoring, tracking, and labour formalisation, the system inadvertently sustains illicit trade. However, despite this extensive revenue generation through complex and product-specific taxation mechanisms, the government allocates less than ₹50 crore annually to the NTCP, which is less than 0.07% of the ₹72,288 crore it earns from tobacco taxes. This stark mismatch reflects a policy paradox where revenue considerations overshadow public health imperatives, leaving tobacco control efforts chronically underfunded.

2.3 The Neglected Burden of *Beedis* and SLT in India's Tobacco Control Policies

Cessation support and taxation are complementary pillars of effective tobacco control. While taxation increases the financial burden of tobacco use and creates an incentive to quit, cessation support provides the necessary support to quit. However, India's tobacco control policies reflect a selective emphasis on cigarettes, in part because they are influenced by international frameworks and Western recommendations where cigarette smoking is the dominant concern. As a result, policy measures such as taxation, regulation, and cessation support overlook a wide spectrum of tobacco products, especially, *beedis* and SLT.

Cessation services remain largely urban-centric, with limited outreach in rural areas, and interventions remain skewed to the patterns of smoking addiction while overlooking the sociocultural realities of SLT and *beedi* user groups. On the taxation front, *beedis* and SLT products are undertaxed compared to cigarettes, making them highly affordable and accessible, and thereby also weakening the price-based deterrence effect, which further reduces the motivation to quit.

2.3.1. Tax Gaps in *Beedis*

A significant anomaly in the tax framework is the tax treatment of *beedis*. While branded *beedis* are taxed similarly to cigarettes, unbranded *beedis* are largely exempt from GST and cess.

Beedis have historically benefited from significant tax exemptions, especially for small-scale producers classified under the 'cottage industry' category. Under the GST law, cottage industries are typically defined by characteristics like operating on a small scale (often home-based or village-based), using traditional methods of production, employing manual labour (often family-based or in rural settings), and having low turnover (falling below the GST registration threshold). The production of unbranded *beedis* fits this definition as they are hand-rolled and often operated in non-registered micro units. This allows *beedi* producers to claim GST exemption under the cottage industry provision, even though *beedis* are taxed heavily if branded or manufactured in an organised manner. This loophole has been widely exploited, resulting in only about 22% (Goodchild et al., 2020) of the retail price being taxed, and a large portion of *beedis* escaping taxation altogether. Historically, *beedi* manufacturers that produce less than two million sticks per year have been exempt by the centre from duty, while the duty rates on *beedis* from larger manufacturers have been set relatively low (Goodchild et al., 2020). This exemption provides an opportunity for

beedi manufacturers to circumvent their tax liability by establishing networks of smaller shell companies.

Exemptions for small-scale *beedi* producers have created a shadow economy where 31% of *beedis*, that is about 125 billion sticks annually, escape taxation. This regulatory gap leads to an estimated ₹805.5 billion in annual tobacco-related health costs, which disproportionately affect India's poorest, who are the main *beedi* consumers and least able to afford treatment (Mathur et al., 2020). A 2023 study found that removing these exemptions and taxing all *beedis* at the standard rate would raise prices by ₹4.6 per pack, reduce consumption by 6%, and lead to 2.2 million fewer smokers, generating ₹14.8 billion in additional tax revenue (John et al., 2023). More aggressively, increasing the duty to ₹450 per 1,000 sticks, aligning with global standards, could double *beedi* prices, cut consumption by 46% (184 billion fewer sticks), reduce smokers by 16.5 million adults, and raise ₹116 billion in tax revenue to reinvest in public health.

The current tax structure and small-scale producer exemption, inadvertently incentivises consumers to switch from costlier cigarettes to undertaxed *beedis* or SLT products, undermining both health goals and revenue mobilisation. Overall, while the cess structure demonstrates an effort to align taxation with public health objectives by increasing the effective tax burden on more processed and harmful products, inconsistencies in coverage, especially the exemption for unbranded *beedis*, dilute the effectiveness of this approach. A more equitable and comprehensive tax framework would be essential to discourage tobacco use across all forms and income groups.

2.3.2 Tax Gaps and Regulatory Blind spots in SLT Products

With regards to SLT products like *gutkha*, *khaini*, and *zarda*, many manufacturers exploit classification and packaging loopholes to avoid or reduce tax liabilities, especially under the GST regime. *Gutkha* is officially banned in all Indian states owing to its link to oral cancer, however, it remains widely available. According to a Delhi-based orthopaedic surgeon and member of the Association for Harm Reduction, Education and Research, a legal loophole has rendered the ban ineffective where manufacturers continue to market the banned product using the 'dual packaging trick,' whereby *pan masala* and *zarda* (loose tobacco) are sold separately, allowing consumers to mix their own *gutkha*. This strategy allows companies to maintain brand loyalty while technically complying with the law.

Following the Supreme Court rulings recognising *gutkha* products as harmful, the Food Safety and Standards Authority of India (FSSAI) issued directives to State Commissioners of Food Safety across all states and UTs, instructing them to enforce the ban on the manufacture, sale, and distribution of *gutkha* and *pan masala* containing tobacco and/or nicotine. However, there has been a jurisdictional disconnect between FSSAI and COTPA. The FSSAI is intended to regulate all aspects of food safety, including standards for food products, prohibiting the use of unsafe ingredients, and ensuring the sale of wholesome and unadulterated food.

Regulation 2.3.4 of the Food Safety and Standards (Prohibition and Restrictions on Sales) Regulations, 2011, *prohibits the use of tobacco and nicotine as ingredients in any food product.* This provision has served as the legal basis for state-level bans on *gutkha* and similar products, as they are classified as food under the Act. However, courts have clarified that the FSSAI applies only to food products, and tobacco, *per se*, is not classified as food under the Act [Commissioner (Food Safety), GNCTD v. Sugandhi Snuff King Pvt. Ltd. & Ors., 2023]. Therefore, loose tobacco, which is not marketed or consumed as food, falls outside the scope of the FSSAI

On the other hand, COTPA regulates the trade, production, supply, and distribution of tobacco and tobacco products. Relevant provisions include:

Section 4: Prohibition of smoking in public places.
Section 5: Prohibition of direct and indirect advertisement of tobacco products.
Section 6: Prohibition of sale of tobacco products to persons under 18 and within 100 yards of educational institutions.
Section 7: Restriction on production and supply of tobacco products without specified health warnings on packaging.

COTPA does not prohibit the sale of tobacco products outright but imposes regulatory restrictions, especially regarding packaging, health warnings, and points of sale. However, enforcement of COTPA becomes complicated when products are sold loose or unpackaged, as the legal packaging and labelling requirements become difficult to apply. This is another area where circumvention of the law is observed.

Alarmingly, educational institutions continue to be hotspots for tobacco access, particularly for children and adolescents. Vendors operating in close proximity to schools often exploit the vulnerability of young, impressionable minds. According to a 2019 report by the MoHFW, more than 43% of vendors near schools in urban areas were found selling SLT products, despite clear legal prohibitions.

India has enforced a comprehensive ban on promotion, sponsorship, and advertising of all forms of tobacco products under Section 5 of the COTPA Act to prevent the industry from marketing its products, especially to youngsters. Field investigations highlight the creativity with which vendors circumvent enforcement. In one case from Lucknow, *gutkha* sachets were hidden inside snack packets and sold from a shop located just 50 meters from a high school, thereby violating both the letter and spirit of the law. In regions such as West Bengal, a 2022 study found that 68% of shops were still openly selling *gutkha*. Surrogate advertisements flourish with prime-time spots for 'premium *elaichi*' (cardamom) and 'mouthfresheners' featuring popular celebrities and sponsorship of major sporting events like the Indian Premier League (IPL).

The persistent prevalence of *gutkha*, despite formal bans in several Indian states, can be attributed to a complex and well-organised nature of illicit trade. This trade functions through a sophisticated supply chain encompassing unlicensed manufacturing units, interstate trafficking networks, and, in some cases, collusion with state actors. A notable example is the 2018 Tamil Nadu *gutkha* scam, wherein the Central Bureau of Investigation (CBI) exposed an extensive corruption nexus involving senior government officials, law enforcement personnel, and health department employees. These actors were allegedly implicated in facilitating the illegal production and distribution of *gutkha*, thereby enabling the industry's continued operation under the guise of regulatory enforcement.

According to an industry expert, regulatory frameworks primarily target formally registered companies, while non-compliant manufacturers evade taxes and operate outside formal channels. Tax evasion, which starts at around 10%, can escalate to as high as 90%, resulting in substantial revenue losses to the exchequer and unregulated production. Despite a regulatory ban imposed in 2013, *pan masala* and *zarda* continue to be manufactured by the same companies, who seem to be circumventing the law by marketing them as separate products like '*elaichi*' while their actual business remains in tobacco sales. A 2023 ICMR-referenced study found surrogate SLT brands occupied 41.3% of the total commercials during the ICC Men's Cricket

World Cup, with Vimal and Kamla Pasand leading the chart (Uplabdh, 2024). A 2024 industry report notes that brands like Vimal Elaichi Pan Masala invested heavily in marketing, leveraging surrogate advertising channels like IPL sponsorships, and continued presence to drive brand recall, even when direct tobacco commercials were banned. Table 6 illustrates how *pan masala* products, often marketed as non-tobacco with saffron or cardamom Flavors, are paired with corresponding tobacco products under same or related brand names. Such dual branding enables surrogate advertising and allows sales of non-tobacco products to ride on the market presence of tobacco brands.

Table 6: Examples of *Pan Masala* and Corresponding Tobacco Products in India

Pan Masala Brand	Ingredients (*Pan Masala*)	Manufacturer	Price (₹)	Corresponding Tobacco Product	Manufacturer (Tobacco)	Price (₹)
Vimal	Betelnut, catechu, lime, saffron, spices, and added flavours	VSN Products, Tumkur (Karnataka)	5	V-1 Scented (Tobacco)	VS Products, Karnataka	2
RMD	Betelnut, catechu, lime, and menthol	Dhariwal Industries, Bangalore	7	M Scented (Tobacco)	Dhariwal Industries, Bangalore	4
Rajnigandha	No tobacco; flavoured	Dharampal Satyapal Ltd, Guwahati	6	Baba 120 (Premium Chewing Tobacco)	Dharampal Premchand Ltd, Noida	5
Hira	Blend of *kesar* and *elaichi* flavours; 0% tobacco/nicotine	Hira Enterprises, Nipani	1	Royale-717 (Tobacco)	Hira Enterprises, Nipani	1
Shanti Strong	Betelnut, catechu, lime, cardamom seed, spices, and added flavours	S.M. Perfumers Pvt Ltd, Bangalore	4	SNT 1000 *Zarda*-scented (Tobacco)	S.M. Perfumers Pvt Ltd, Bangalore	2
Star 555	Betelnut, catechu, tobacco, lime, menthol, and cardamom	Ghodawat Industries, Dharwad	5	Star 111 (Tobacco)	Ghodawat Foods Intl, Dharwad	2
Parag 9000 Pan Masala	Betelnut, catechu, tobacco, lime, menthol, and cardamom	Panparag India Ltd, Bangalore	3	Parag 9000 (Tobacco)	Panparag India Ltd, Bangalore	1

Goa 1000 Pan Masala	Betelnut, catechu, cardamom, lime, saffron, and added flavours	Global Tech & Trademarks Ltd	2	Goa 1000 Zarda (Chewing Tobacco)	Geluvu Food Products, Bangalore	1
Super Gem Pan Masala	Betelnut, catechu, cardamom, lime, menthol, saffron, and added flavours	Thrishul Arecanut Granules, Siddu Packaging Pvt Ltd	4	Super Gem (Tobacco)	Thrishul Arecanut Granules	1
Rajshree	Betelnut, catechu, cardamom, lime, menthol, and added flavours	Kaypan Fragrance Pvt Ltd, Ghaziabad	4	KP Black Label Premium (Tobacco)	Kaypan Fragrance Pvt Ltd, Ghaziabad	1
Panparag	Betelnut, catechu, cardamom, lime, menthol, and added flavours; 0% tobacco/nicotine	Ruchi Flavours LLP & Panparag India Ltd	4	PP (Chewing Tobacco)	Ruchi Flavours LLP & Panparag India Ltd	2
RR 24 Carat	Betelnut, catechu, cardamom, lime, menthol, and added flavours; 0% tobacco/nicotine	Unique Tobacco Products, Hyderabad	4	RR 24 Gold (Tobacco)	Everyday Products, Bidar	2
RR	Betelnut, catechu, lime, cardamom, and added flavours; 0% tobacco/ nicotine	Unique Tobacco Products, Hyderabad	4	RR Gold (Tobacco)	Everyday Products, Bidar	2
Sagar	Betelnut, catechu, lime, cardamom, menthol, and added flavours; 0% tobacco/nicotine	R.K. Products, Hyderabad	4	SR-1 (Scented Tobacco)	R.K. Products, Bidar	2
Panbahar	Flavoured; no tobacco/nicotine	Ashok & Co. Panbahar Ltd, Delhi	5	The Heritage Pan Masala	–	–

Another industry stakeholder noted that surrogate advertising continues to dominate

mass media, leveraging celebrities, highway banners, and other high-visibility platforms to indirectly promote tobacco products. Apart from surrogate advertising, companies also resort to 'brand stretching[1]' to circumvent the ban by taking advantage of the SLT brand name to launch non-tobacco products.

The regulatory guidelines and laws are media-specific. That is, while promotion of alcoholic beverages in newspapers and cable TV networks is prohibited, there is no express statutory prohibition on their promotion through social media platforms, thus leading to widespread publicity of such products through Instagram, X (formerly Twitter), Facebook, etc (Mukhopadhyay, 2021).

The Advertising Standards Council of India (ASCI), a self-regulatory body established in 1985, oversees advertising across platforms, though its authority is non-statutory. In 2021 ASCI's Brand Extension Guidelines introduced objective criteria, quantifiable sales,and investment thresholds to determine if a brand extension (*pan masala*, *elaichi*, or soda) is legitimate or a proxy for tobacco/alcohol promotion.

This limits the scope for surrogate advertising; however, effective enforcement remains uneven, especially outside cable TV networks. Thus, surrogate advertising continues unabated in violation of the spirit of FCTC Article 13. Stakeholder interviews highlighted that one of the challenges with COTPA is the lack of clarity in defining key terms such as "surrogate advertisements[2]," which makes it difficult to enforce the law effectively.

Collectively, the cottage industry provision, fragmented supply chains, and avoidance of brand labelling or non-adherence to adequate packaging standards have created significant loopholes that enable the increased availability of tobacco products.

[1]*Brand stretching, also known as brand extension, is a marketing strategy employed by companies to launch products in a different category under the existing brand name.*
[2]*Surrogate advertising is a strategy used by companies to promote products that are banned or restricted from direct advertising under government regulations, such as tobacco and alcohol, by advertising another product under the same brand name.*

2.3.3 Evasion Extent

Official estimates place annual *beedi* consumption at 400 billion sticks, of which 275 billion are taxed while 125 billion remain exempt. The official consumption figures are gross underestimations. A method based on *beedi* tobacco production estimates 972 billion to 1.19 trillion sticks annually, factoring in 264,000 tonnes of domestic production and average tobacco content per *beedi*. Another method uses the number of *beedi* rollers estimated at five million, with each worker producing 400 to 700 sticks per day across 300 days, yielding 600 billion to 1.05 trillion sticks annually. These figures far exceed official consumption numbers (Jain et al., 2024).

Similarly, the *gutkha* black market is a hotbed for tax evasion. Occasional seizures worth 830 crore in Delhi (Business Standard, 2021), ₹10.9 crore in West Bengal (2023), ₹1 crore in Vijayawada (2025), ₹2.55 crore in Ahmedabad, and ₹30 lakh in Uttar Pradesh expose the scale of evasion yet reveal only the surface. Several mechanisms of illicit trade have emerged over the years, including illegal manufacturing, counterfeiting, and proliferation of unregistered units, making it increasingly difficult for authorities to monitor and collect taxes effectively. For instance, low start-up costs and easy availability of pouching machines (which mix and package the product) have spawned several covert plants that resorted to fake billing schemes to generate fraudulent GST input credits to further reduce tax liabilities. As a striking example, a *khaini* manufacturer from western Uttar Pradesh evaded tax amounts of nearly ₹500 crore using e-way bills of other commodities as a decoy (Sinha, 2024).

Since most businesses rely heavily on cash transactions through discreet operators, absolute data regarding the total value of the SLT industry is hard to estimate. Unregulated cash flows fund advertising campaigns and boost profitability at the expense of tax compliance. With *zarda* taxed at 56% and *pan masala* at 28%, a leading industrialist interviewed for the study noted that much of the industry operates on evading taxes. Moreover, only a small fraction of production is duty-paid, while the majority of the business operates on cash transactions, allowing companies to amass significant amounts of untaxed revenue.

The current tax regime unintentionally creates economic incentives for the consumption of more harmful and less regulated tobacco forms. A medical doctor from the Manipal Hospital seconded the argument by referring to the existing tax structure as inefficient. He opined that taxes should be increased as per the original recommendations made to the GST Council to reduce the availability and affordability of SLT products.

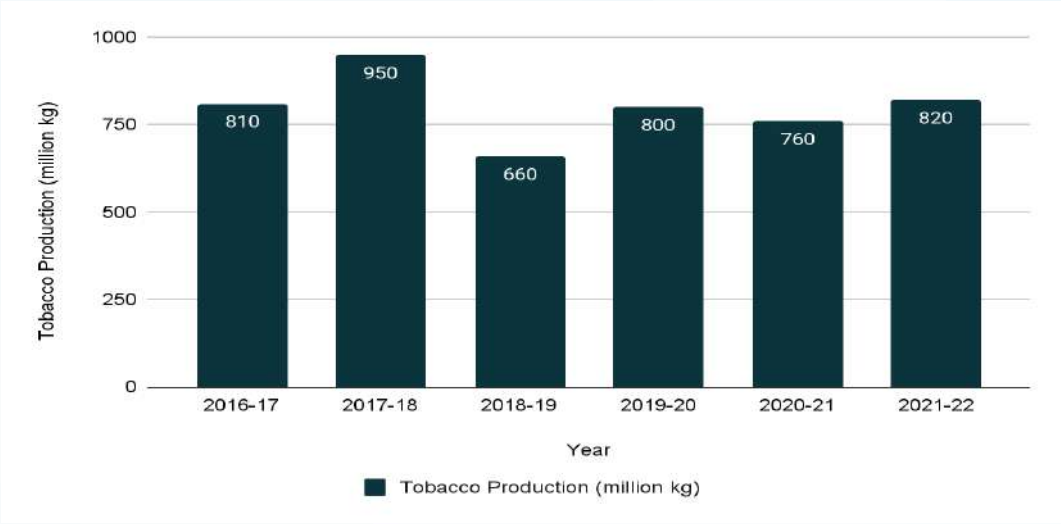
3. The Political Economy of Tobacco: A Triad of Economic Stakes, Livelihoods, and Lobbying

The tobacco sector in India operates at the complex intersection of informal livelihoods, regulatory gaps, and powerful industry influence. While public health frameworks such as the WHO FCTC and domestic legislation such as COTPA emphasise comprehensive tobacco control, many of the aforementioned tobacco products continue to slip through the cracks. The challenge is primarily political and economic, shaped by the incentives, interests, and institutional inertia embedded within the system.

3.1 The Economics of Tobacco

Tobacco plays a crucial role in India's economy. According to the *RBI Handbook of Statistics* for FY24, India is the world's largest producer of tobacco after China, with approximately 0.45 million hectares under tobacco cultivation, which accounts for 0.32% of the country's net cultivated area. India produces several varieties, including FCV, country tobacco, burley, *beedi*, rustica, *hookah*, cigar, cheroot, oriental, and chewing tobacco. Together, these account for nearly 10% of the global area under tobacco cultivation. The industry provides livelihood opportunities to an estimated 45.7 million people across the value chain, including farming, processing, and trade (IBEF, 2025).

Figure 2: Domestic Tobacco Production (2016–2022)



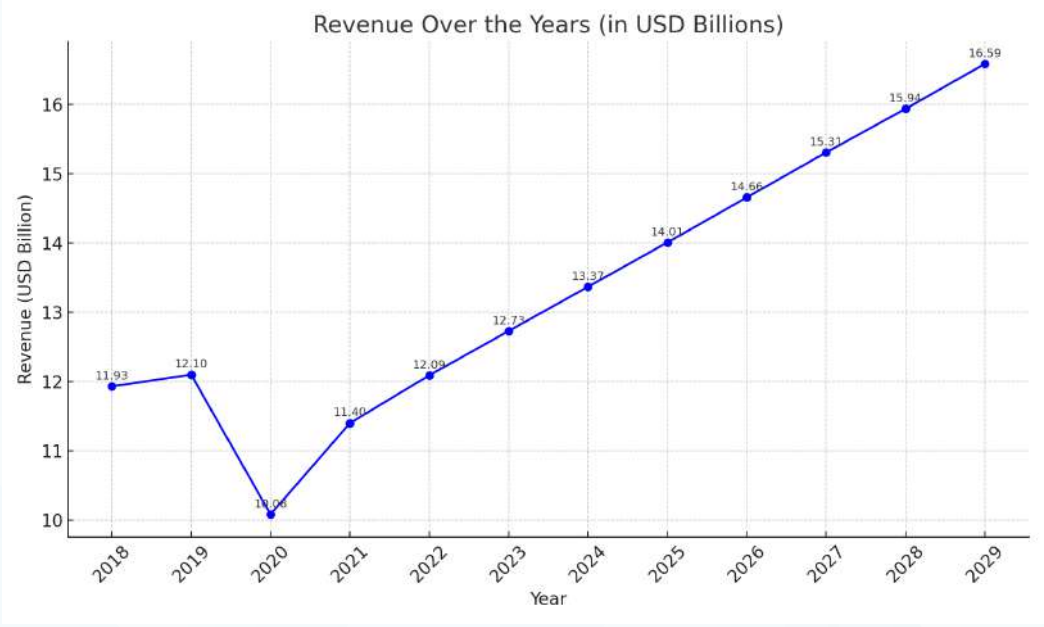
Source: RBI Handbook of Statistics

India is also the second-largest exporter of tobacco by volume and has recorded export earnings of US$ 1.45 billion in FY 2023–24, marking a 19% increase from the previous year.

According to the Ministry of Commerce and Industry, the Indian tobacco market was valued at approximately US$ 12.73 billion in 2023. Exports of unmanufactured tobacco reached a record ₹12,005.89 crore (about US$1.45 billion) in 2023–24, contributing substantially to foreign exchange earnings. Revenue generated in the tobacco market in India is estimated at US$ 14.0 billion in 2025, with a projected CAGR of 4.22% between 2025 and 2030.

Figure 3 illustrates projected revenue growth for Indian tobacco products. The industry continues to demonstrate resilience and steady growth despite heightened public health awareness and stringent regulatory measures. Several factors underpin this trajectory including, population expansion, accelerated urban development, and persistent demand for culturally entrenched tobacco products (Iyer, 2025). Moreover, the low prices of tobacco products, particularly SLT, ensure affordability and accessibility across socioeconomic strata, further reinforcing demand in both rural and urban markets.

Figure 3: Domestic Tobacco Revenue Projections (2018–2029)



Source: Statista

As indicated in figure 3, the Indian tobacco market remains notably resilient despite global shifts towards reduced tobacco usage. This is driven by robust domestic demand and substantial export contributions, which together position India as a major player in the global tobacco economy. Domestically, the government derives considerable economic benefit from tobacco through high taxation and revenue generation. Despite public health concerns and regulatory efforts, the economic incentives to maintain tobacco production remain strong, given the sector's contribution to tax revenues and manufacturing output.

The increasing revenues reported by tobacco companies suggest that claims of substantial reductions in tobacco consumption resulting from control measures may be overstated. On the contrary, both the number of tobacco users and the overall market value appear to be rising. When smuggled tobacco products and tax evasion are taken into account, actual consumption is likely experiencing a dramatic increase rather than a decline. This stark reality underscores the need to modernise the tobacco industry, strengthen track-and-trace (T&T) mechanisms, and shift policy focus from activity-based initiatives to measurable cessation outcomes.

3.2 Labour and Livelihood in Tobacco Economy

The tobacco industry in India provides direct and indirect livelihood to approximately 45.7 million people. This includes 6 million farmers, 20 million farm labourers, 8.5 million *beedi* and factory workers, 4 million *tendu* leaf pluckers, and 7.2 million workers involved in trade and retail. Additionally, millions more are indirectly engaged in related sectors such as packaging, warehousing, transport, and other ancillary industries (Tobacco Institute of India).

Although the sector supports millions, much of the economic gain remains concentrated among a small group of powerful actors. Many workers, particularly *beedi* rollers and farm labourers, earn low wages and face precarious working conditions. A large section of these workers are poor, unregistered, and work from home in unhealthy environments characterised by exposure to tobacco dust and inadequate ventilation, earning meager piece-rate wages. Indian *beedi* production also appears on the US Department of Labor's 2022 list of goods produced by child and forced labour; an estimated 1.7 million children are reportedly involved in *beedi* rolling, often in hazardous and exploitative conditions ("India's Tobacco Girls," 2012).

In the *beedi* industry, workers typically earn about ₹100 per day for rolling approximately 700 *beedis*, amounting to roughly 14 paise per *beedi*, which is substantially lower than wages in other manufacturing sectors. The informal nature of much of this employment, particularly for those who hand-roll *beedis* in their homes, has created an economic dependency that complicates reform efforts. This vast informal economy operates largely outside tax frameworks and safety regulations, resulting in a shadow industry that both sustains and imperils millions of workers. Health risks are significant, with death rates among *beedi* smokers reported to be 64% higher than among non-tobacco users (Fading Fingerprints of Beedi Workers in India | Pulitzer Centre).

Worker rights and welfare in the sector are governed by two major pieces of legislation: the *Beedi and Cigar Workers (Conditions of Employment) Act* of 1966, and the *Beedi Workers Welfare Fund Act* of 1976. Under these provisions, the central government issues 'beedi cards,' which allow workers access to a range of benefits, including subsidised healthcare, education grants, and childbirth support. In practice, however, these benefits are rarely fully utilised, as most workers are informally employed and lacking the necessary identification. Consequently, they remain excluded from schemes such as the Employees' State Insurance programme, provident fund contributions, and maternity benefits. In effect, these legal frameworks often serve to reinforce the status quo of the industry rather than promote meaningful worker welfare or modernisation.

3.3. Politics of Tobacco

The tobacco industry provides employment to millions of people, particularly rural women, which makes policy reform politically delicate. The economic dependence of workers is deployed by industry stakeholders as a central advocacy argument to influence public policy. The *beedi* sector, in particular, exerts disproportionate influence, shaping legislative outcomes in its favour. The industry has historically lobbied against tax increases, arguing that higher taxes would harm small producers and jeopardise employment.

In regions with high *beedi* dependence, such as parts of West Bengal, Madhya Pradesh, and Uttar Pradesh, the industry's electoral significance further amplifies its policy leverage. In Madhya Pradesh, for instance, the *beedi* lobby has been powerful enough to block the entry of large industries into certain areas, such as Bundelkhand, perpetuating local economic dependence on *beedi* manufacturing. Notably, several treasurers of the state have been prominent *beedi* industrialists, and successive *beedi* barons have held positions as MPs, MLAs, and ministers (Chauhan, 2001). Political parties routinely appeal to this voter base by promising social benefits and wage increases. Simultaneously, regulatory initiatives encounter resistance through legal interventions, parliamentary lobbying, and narrative framing that presents the industry as indispensable to rural livelihoods. Investigations have revealed widespread under invoicing, the use of shell companies, and large-scale tax evasion, yet enforcement remains sporadic. The result is a sector that operates with considerable impunity, shaping tobacco control policy in ways that prioritise commercial interests over public health objectives.

4. Policy Conundrum

At the core of India's tobacco crisis lies an entrenched cultural practice that simultaneously sustains livelihoods and generates substantial revenue while inflicting a heavy toll on public health. The country faces a complex policy dilemma: although India has made formal commitments to tobacco control under the WHO FCTC, including limits on cultivation and regulatory interventions, the ground reality remains at odds with the global objective.

India's tobacco control efforts are constrained by several systemic issues that threaten to undermine their effectiveness. To begin with, NTCP prioritises activity-based monitoring such as counting awareness campaigns and inspections, which limits its impact. The programme is also underfunded, with a disproportionate share of its limited resources allocated to advertising rather than to effective cessation support services. This inadequate investment in accessible quitting pathways contributes to India's persistently low cessation rates. Moreover, tobacco control efforts focus predominantly on cigarettes while overlooking SLT products such as *gutkha* and *beedi*, which constitute a substantial share of tobacco consumption in the country.

The government's significant reliance on tobacco tax revenue creates a conflict of interest that dampens the political will required for aggressive control measures. Leakages across the system further weaken policy effectiveness, including loopholes that exempt certain tobacco products under cottage industry provisions, inconsistent taxation structures that encourage consumers to substitute legal cigarettes with cheaper and often more

harmful products, and continued tax evasion by informal manufacturers. Moreover, widespread circumvention of branding and marketing laws, particularly through surrogate advertising, combined with chronically weak enforcement mechanisms undermines regulatory intent.

Political support for the *beedi* industry continues to impede comprehensive regulation and enforcement, while selective enforcement practices, such as overlooking *gutkha* ban violations, erode the credibility of tobacco control laws. The government's direct investment in tobacco companies adds another layer of complexity, blurring the boundaries between public health objectives and economic interests. Compounding these challenges is the failure to modernise the tobacco industry or offer viable alternative livelihoods to those dependent on it, which sustains the status quo rather than advancing meaningful reform. These dynamics have created a 'development trap,' a self-reinforcing cycle in which economic dependence on tobacco constrains broader social, economic, and health progress.

The heavy reliance on tobacco for livelihoods, combined with many states' reluctance to regulate a sector that contributes substantially to their fiscal revenues and the presence of entrenched policy and regulatory capture, presents a politically sensitive and multifaceted challenge. Policy experts describe this as a threefold imperative: any reform effort must simultaneously improve public health outcomes, preserve or enhance employment opportunities, and maintain or increase government revenue. Addressing these issues will require a strategic shift from activity-based monitoring to outcome-driven approaches, increased funding for cessation services, and a realignment of political and economic incentives with health priorities.

5. Policy Recommendations and Interventions for Effective Tobacco Control in India

India's tobacco control programme, including its cessation initiatives, has struggled to achieve its full potential not only because of limited investment but also because it lacks alignment with broader policies on taxation and production. This fragmented approach has weakened the overall impact of tobacco control efforts. Disproportionate taxation has inadvertently encouraged users to substitute cheaper and less regulated products, such as *beedi* and SLT. Likewise, policies that favour certain tobacco products, through provisions such as the 'cottage industry' exemption intended to protect small-scale livelihoods, have created regulatory blindspots.

The *beedi* and SLT segments of the tobacco economy are deeply embedded in the informal sector, placing them beyond the reach of consistent regulatory oversight. This results not only in substantial losses of potential government revenue but also in the exclusion of a large segment of workers from basic labour protections and social security benefits. Many of these workers, particularly women, are engaged in precarious home-based or piece-rate work, often with no legal safeguards or access to welfare schemes.

Unless cessation efforts are complemented by equitable taxation, stronger regulation of informal production, and the formalisation of labour, tobacco control in India will continue to face significant barriers—both in public health outcomes and in advancing socio-economic equity.

Policy strategies must include improving and expanding access to cessation support, optimising taxation laws, and countering the influence of the tobacco industry in order to achieve meaningful reductions in tobacco use. However, addressing the tobacco challenge in India also requires navigating a complex web of economic dependencies, political interests, and regulatory hurdles. Effective reform demands not only robust policy measures but also inclusive strategies that provide alternative livelihoods and strengthen governance mechanisms to break the cycle of dependence and political inertia.

To ensure that tobacco control efforts are comprehensive and impactful, India must adopt a multipronged strategy that addresses demand reduction, regulatory equity, and sector transformation simultaneously

5.1 Diversifying and Expanding Cessation Clinics

Current cessation infrastructure is limited and often urban-centric, leaving vast rural and underserved populations without access to support. To effectively reduce tobacco use, cessation programmes must be strengthened in reach, accessibility, and cultural responsiveness. More cessation clinics should be established within primary healthcare settings, particularly in high-prevalence districts, to ensure that services are available at the grassroots level.

Key considerations include the following:

- **Integrate cessation support into existing health programmes**. Cessation services should be embedded within NCD clinics, reproductive and child health (RCH) programmes, and school health services.

- **Develop customised intervention for different tobacco products.** Product-specific cessation protocols should be designed based on local context and usage patterns, recognising that SLT users may require different behavioural and pharmacological interventions from smokers.

- **Equip clinics with trained personnel**. Clinics should be equipped with adequately trained personnel and supported by culturally sensitive counseling materials and essential pharmacological aids such as Nicotine Replacement Therapy (NRT), patches, gum, and lozenges. Robust follow-up mechanisms are essential. Community health workers (ASHAs and ANMs) should play an active role in outreach and follow-up to improve programme uptake and adherence, especially in underserved areas.

- **Ensure dedicated funding:** A meaningful share of tobacco tax -revenues, at least 10%, should be directed towards improving access to cessation tools and services. An additional 10% could be invested in modernising tobacco production systems and supporting viable livelihood alternatives for farmers and *beedi* workers. These steps would make tobacco control more outcome-driven, equitable, and locally responsive.

5.2 Reforming Taxation and Enhancing Regulatory Equity

Tax exemptions currently granted to *beedis* and SLT products under the cottage industry provision enable a vast informal sector to operate outside the regulatory net, undermining both public health and fiscal objectives. These exemptions should be eliminated, and tax rates should be harmonised across all tobacco products, including cigarettes, *beedis*, and SLT, to correct the existing disparities that incentivise substitution towards cheaper, more harmful alternatives. Taxes on SLT should be increased to a uniformly high level across states and adjusted regularly to keep pace with inflation and income growth.

The expiration of the GST Compensation Cess on March 31, 2026, presents a unique opportunity. This cess should be replaced with a robust, specific Health Cess levied per cigarette stick or *beedi*, or per gram of SLT, rather than on an *ad valorem* basis. A specific tax structure is more effective in regulating consumption because it links the tax burden directly to the amount consumed, reducing the industry's ability to manipulate prices or encourage shifts to cheaper, harmful products. Crucially, this new Health Cess must apply to *beedis*, which are currently exempt from the Compensation Cess, to ensure that all harmful products are taxed comparably and in alignment with international best practices.

To mitigate the impact of these reforms on workers dependent on the *beedi* and SLT sectors, accompanying measures should focus on developing and scaling alternative livelihood programmes that provide viable and sustainable income opportunities for tobacco farmers and *beedi* workers. This should include investing in skill development and capacity building to facilitate the transition of affected workers into safer and more stable forms of employment.

5.3 Reimagining Governance and Fostering Sectoral Transformation: A Whole-of-Government Approach

The analysis presented in this report highlights a fundamental policy conundrum in which public health objectives conflict directly with entrenched economic and livelihood dependencies. This dual narrative—where the MoHFW champions tobacco control while other government mechanisms depend heavily on the tobacco industry for revenue and employment—creates systemic policy paralysis. Breaking this cycle and achieving sustainable, meaningful change requires a radical shift towards a truly integrated, whole-of-government approach that transcends the traditional siloes of public health. Effective tobacco control in India cannot be solely the mandate of the MoHFW. The sector's pervasive economic lock-in, which supports nearly 45.7 million livelihoods and contributes

significantly to tax revenues and exports, necessitates a coordinated strategy involving all relevant central ministries and state governments. This includes, but is not limited to, the Ministries of Finance, Commerce, Labour, Science and Technology, Biotechnology, Agriculture, and Home Affairs, alongside all state governments. Collective engagement across these entities is crucial to reconcile public health imperatives with economic and social equity, moving beyond the current dual narrative in which health goals are often subordinated to fiscal interests.

5.3.1 Overhauling the National Tobacco Control Programme and Establishing a Multisectoral Apex Body

The existing NTCP, despite its broad reach, is hampered by chronic underfunding, a centralised structure, and an excessive emphasis on activity-based rather than outcome-driven monitoring. To foster a more effective and responsive framework, the NTCP should be fundamentally restructured or replaced by a new, high-level, multisectoral apex body. The government should establish a **high-level Inter-Ministerial Tobacco Sector Transformation Council** under the aegis of NITI Aayog or the Prime Minister's Office. This body should bring together all relevant central ministries, including Finance, Commerce, Agriculture, Labour, Science and Technology (including Biotechnology), and Home Affairs, alongside state government representatives, rather than leaving policy direction solely to the Ministry of Health.

A key distinction from existing structures must be the mandatory inclusion of industry stakeholders at every level of the value chain, from farmers' cooperatives and contract growers to exporters, dealers, and manufacturers. Such participation is essential to ensure that policies are grounded in operational realities while securing commitment from all actors to the implementation process. Without industry buy-in, reforms will remain aspirational; with it, they can be executed at scale and with speed. Industry involvement is also critical for transforming the large illegal and illicit tobacco sector into a formal, regulated market. Currently, where the only industry representative is often ITC, by virtue of the government's stake in the company, policy tends to be skewed towards the interests of a single corporation rather than reflecting the needs of the wider ecosystem, including farmers, workers, small manufacturers, traders, and exporters. The Council must therefore have **broad-based, rotating representation** from across the formal tobacco sector, ensuring that all segments have a voice and stake in shaping the transformation roadmap.

This apex body's mandate would include:

 Formulate Integrated Policy: Develop a unified national tobacco policy that explicitly addresses the interdependencies between public health, economic development, and

social welfare. This includes harmonising policies across ministries to ensure that fiscal, agricultural, and trade policies actively support tobacco control objectives rather than inadvertently undermining them.

 Drive Outcome-based Strategies: Shift the focus from mere activity reporting to verifiable, measurable health outcomes, such as reductions in tobacco prevalence, improvements in cessation rates, and decreases in tobacco-attributable disease burden.

 Facilitate Cross-Ministerial Collaboration: Establish formal mechanisms for continuous dialogue and joint action among all involved ministries and state governments, ensuring that policy decisions are holistic and account for the full spectrum of impacts on health, livelihoods, and revenue.

5.4 Modernisation and Formalisation of the Tobacco Sector

In conjunction with harmonised taxation reforms, targeted supply-side interventions are critical to enable a more formalised, regulated, and economically sustainable transition. This approach would involve maintaining regulated caps on overall production while simultaneously encouraging smaller-scale, higher-quality cultivation geared towards value-added, safer, or alternative uses.

Building on this foundation, India should pursue a comprehensive tobacco sector modernisation strategy under the guidance of the proposed Council. The objective is to treat improved health outcomes, enhanced livelihoods, and higher revenues as complementary rather than competing goals. In this framework, modernisation and formalisation of production are central, but progress must ultimately be measured against public health indicators.

Currently, a significant portion of India's tobacco is exported as raw or semi-processed leaf, with value addition, such as converting it into cigarettes, smokeless products, or nicotine extracts, taking place abroad. Although India is the second-largest exporter of unmanufactured tobacco by volume, shipping roughly 9% of all leaf traded globally, it captures only about 6% of global tobacco export earnings by value. Thus, the major economic gains from tobacco processing accrue outside the country. India is also underleveraged in emerging global markets for pharmaceutical-grade nicotine, a critical input for NRTs such as gums, patches, and pouches. Analyses suggest that capturing even a modest share of the rapidly expanding global market for alternative nicotine products, including pouches and snus, could generate an additional USD 150 million (₹1,344 crore)[1] in annual export revenue within five years, above the USD 1.5 billion (₹13440 crore) currently earned from raw tobacco exports, indicating substantial untapped potential.

[11] *USD = ₹89.6 as of November 2025*

Global consumption trends create opportunities for such a transition. While demand for traditional cigarettes is stagnating worldwide, consumption of smokeless and novel nicotine products is rising. These segments offer higher economic returns and carry lower relative health risks compared to combustible tobacco. Realising these opportunities requires the development of a more formalised, technology-enabled production ecosystem capable of supporting quality assurance, traceability, and regulatory compliance. Key thrusts a modernisation strategy should include:

- **Formalisation and Improved Labour Conditions:** A significant portion of India's tobacco economy, particularly the *beedi* industry, operates informally, with millions of workers, especially women, earning meager wages in hazardous conditions. Policies should prioritise shifting India's vast SLT and *beedi* cottage industries into a formal, regulated sector with modern infrastructure. Adopting Good Manufacturing Practices (GMP) akin to food or pharmaceutical standards—for example, automated, enclosed processing and strict hygiene protocols—would protect workers from toxic exposure and improve working conditions. Mechanisation and formal factory setups will not only make workplaces safer but also raise wages and job security for these workers. Estimates suggest that for every 1 million kilograms of tobacco processed into finished products, 500 direct jobs and 1,500 indirect jobs could be created (Annexure 6A), with formalisation improving labour conditions and pay relative to the unregulated *beedi*-rolling sector. Re-skilling programs should accompany this transition, training *beedi* rollers for roles in modern processing facilities and upskilling farmers to grow higher-quality tobacco or alternative crops. The Tobacco Board of India and state agencies can be repurposed to facilitate these changes, helping farmers to collaborate with processors, maintain quality standards, and market new value-added products globally.
- **Produce Less, Earn More:** India's policy should pivot to value-added tobacco products, producing less raw tobacco leaf while earning more by processing it into higher-value goods. Recent experience demonstrates this approach: by capping FCV tobacco cultivation and focusing on quality, Indian farmers doubled their average earnings from ₹124 per kilogram in 2019–20 to approximately ₹280 per kilogram in 2023–24, despite a smaller crop.
- **Enhance Export Earnings:** A larger share of the tobacco value chain should remain within India instead of exporting mostly raw leaf. India is one among the world's top raw tobacco exporters by volume but accrues only 6% of global tobacco export value due to inadequate processing facilities and cheap pricing practices. While tobacco farmers currently earn a maximum of around ₹300 per kilogram, the retail value of that same quantity, based on average tobacco

content per cigarette stick and prevailing retail prices, can reach roughly ₹17,000 per kilogram. Bridging this gap requires upgrading processing capacity, aligning production with European sustainability standards, and attracting significant private and foreign investment. Experts estimate that linking farm-gate prices to domestic value-added demand could raise them by 25–30%, substantially increasing the incomes of 83,000 FCV-farming families and contributing to India's goal of doubling farmer incomes. Cooperative or contract models that give farmers a share of processing margins could increase their per-kilogram earnings by ₹150–350, potentially doubling annual incomes for smallholders from ₹7 lakh to ₹14–17 lakh (Annexure 6C).

- **Biotechnology-enabled Innovations:** Integrating biotechnology into tobacco agriculture can develop high-nicotine-yielding, disease-resistant, and low-nitrosamine tobacco strains optimised for cleaner extraction and consistent quality. This shift from commodity-grade tobacco to high-value biotech-enhanced inputs could create a niche export segment for biopharma products, offering a premium to participating farmers and processors
- **Prioritising Public Health Metrics and Harm Reduction Outcomes:** The success of modernisation must be rigorously measured by its impact on public health outcomes. The Council should establish strict public health guardrails and performance indicators. All new smokeless or nicotine products intended for export, or future domestic introduction, must undergo independent toxicological evaluation to verify risk reduction claims. A scientific panel should define product standards, such as maximum allowable levels of carcinogens (for example, tobacco-specific nitrosamines) and heavy metals. and require that all modern tobacco products meet these safety benchmarks before approval. Public health outcomes should also include quantifiable reductions in tobacco-related diseases, such as oral cancer, and a measurable decrease in national prevalence of tobacco. For instance, achieving a 2% reduction in national tobacco prevalence could prevent an estimated 1.4 million premature deaths. This approach ensures that economic growth in the sector contributes directly to overarching public health objectives.

Adopting this win-win approach, with fewer acres and higher-value production, allows India to phase down overall tobacco cultivation, releasing land for food crops or other alternatives while improving income opportunities for rural communities. From a governance perspective, formalising these sectors enhances tax revenue, strengthens regulatory oversight, reduces harm, ensures compliance with quality standards, and positions India to access international markets where demand for smokeless products requires stringent purity, labelling, and safety norms—standards that informal units are ill-equipped to meet.

5.5. Formalisation of the Informal Sector

The informal nature of much of the *beedi* and SLT production creates an economic trap that evades regulation and denies workers' access to basic benefits. Policy efforts should focus on incentivising the formalisation of these sectors by facilitating the registration of small-scale producers, providing access to formal credit, and ensuring compliance with labour laws, social security provisions, and health and safety standards.

5.6 Strengthening the Enforcement Mechanism

Enhancing interdepartmental coordination for tobacco control is essential to address illegal sales, advertising violations, and informal manufacturing. Loose sales of *beedi* and SLT are particularly prevalent in rural areas, where enforcement is often weak. To strengthen enforcement, the following measures are recommended:

- **Extend the T&T System:** Implement the T&T system across all tobacco products, including SLT, *beedis*, and cigarettes. This will ensure comprehensive regulation, improve enforcement against illicit trade across product categories, and safeguard government revenue.
- **Launch a Public Reporting Mechanism:** Establish a mobile application or helpline for citizens to report illegal sales of cigarettes, SLT, or *gutkha*; advertising violations; sales to minors; or sales near schools.

5.7. Promoting Alternative Livelihoods and Sector Transformation

Addressing the development trap of tobacco requires more than just punitive measures; it necessitates proactive strategies to support those dependent on the industry. Given that millions of livelihoods are tied to tobacco cultivation and production, particularly in the informal *beedi* sector, comprehensive alternative livelihood programmes are essential. These programs should emphasise skill development, vocational training, and micro-enterprise support for tobacco farmers and *beedi* workers, leveraging existing government schemes.

Successful pilot projects in Tamil Nadu and Bihar demonstrate that *beedi* rollers are willing to transition to new professions when provided with suitable opportunities and training in areas such as handicrafts, tailoring, or data entry. Such initiatives not only generate sustainable income but also protect workers from occupational health hazards and exploitation.

6. Conclusion

India's tobacco control framework, while robust in its legislative intent, is constrained by a complex interplay of misaligned strategies, chronic underfunding, and regulatory loopholes, and entrenched political-economic dependencies. The analysis reveals a largely hidden epidemic of non-cigarette tobacco use, uneven programme implementation, and stark disparities in access to cessation services, reflecting an inverse care law in which those who need support most often have the least access. The framework also faces a fiscal paradox and a development trap that links public health objectives to economic interests. These systemic challenges demand a paradigm shift rather than incremental adjustments.

To effectively address India's tobacco crisis, a comprehensive, multipronged strategy is recommended, focussing on the following key areas:

- **Strengthening Demand Reduction and Cessation Services**
  - **Expand and Diversify Cessation Access:** Establish a robust, decentralised network of cessation clinics within primary healthcare settings, particularly in rural areas, integrating services into existing health programmes such as NCD, RCH, and school health initiatives.
  - **Tailored Interventions:** Develop product-specific cessation protocols for SLT users, recognising their distinct behavioural and pharmacological needs, and ensure access to core cessation tools, including NRT.

- **Outcome-based Monitoring:** Transition NTCP from activity-based reporting to verifiable, outcome-based cessation targets, incorporating biochemical verification and standardised follow-up to accurately measure impact.
- **Revitalise Awareness:** Implement youth-centered, culturally relevant public awareness campaigns that explicitly highlight the harms of *all* tobacco products, including SLT and *beedis*, and complemented by strict enforcement of bans on loose tobacco sales.

- **Reforming Taxation and Enhancing Regulatory Equity**
  - **Harmonise Taxation:** Eliminate tax exemptions for *beedi* and SLT products under the 'cottage industry' provision and harmonise tax rates across all tobacco products (cigarettes, beedis, SLT) to reduce price differentials and discourage substitution.[1]
  - **Implement Specific Health Cess:** Replace the expiring GST Compensation Cess with a robust, specific Health Cess levied per stick, gram, or other appropriate measures, extending it to all tobacco products, including *beedis*, to align with WHO recommendations and deter consumption effectively.
- **Institutional Reform and Governance**
  - **Dedicated Funding:** Ring-fence and dedicate a meaningful share (at least 10%) of tobacco tax revenues directly to cessation services and alternative livelihood programmes.
  - **Tobacco Sector Transformation Council:** Establish a high-level, multisectoral 'Tobacco Sector Transformation Council' comprising representatives from all relevant ministries (Finance, Commerce, Labour, Science and Technology, Biotechnology, Agriculture, and Home Affairs) and all state governments, alongside the tobacco industry (farmers, exporters, dealers, and manufacturers). Inclusive representation is essential for policy development, consensus-building, and formalising the large illicit and informal tobacco sector. The current model, with limited industry representation, is ineffectual and skews policy towards narrow interests.
  - **Strengthen Enforcement:** Enhance interdepartmental coordination, extend T&T systems to all tobacco products, and implement public reporting mechanisms to combat illicit trade, tax evasion, and marketing violations effectively.
- **Promoting Alternative Livelihoods and Sector Transformation**
  - **Comprehensive Alternative Livelihood Programmes:** Invest in skill development, vocational training, and micro-enterprise support for tobacco

farmers and *beedi* workers, leveraging existing government schemes and proven pilot initiatives.

- **Formalise Informal Sector:** Incentivise the formalisation of the informal *beedi* and SLT sectors to ensure labour protections, social security, and access to formal financial services.
- **Modernise Tobacco Production:** Shift focus from bulk leaf production to high-grade, value-added tobacco cultivation (e.g., pharmaceutical-grade nicotine) and formalised processing units to enhance quality, compliance, and access to higher-value international markets.

By adopting these strategic recommendations, India can move beyond its current policy conundrum, transforming its tobacco control framework into a truly comprehensive, equitable, and outcome-driven system. This will not only improve public health outcomes but also foster socio-economic equity by addressing the complex interdependencies between health, economy, and livelihoods.

References

1. Bhaskar, S., & Basu, A. (2020, March). Rural-Urban Differentials in Predicting Tobacco Consumption Pattern Among Males Above 15 Years: A Cross-Sectional Community Survey. *Medical Journal of DY Patil*.

2. A., & Mhanme, S. (2024, September). National Tobacco Quitline Services (NTQLS) to provide free and effective telephonic counselling to help people quit tobacco. https://pmc.ncbi.nlm.nih.gov/articles/PMC11489103/

3. Can sustainable livelihood alternatives improve the lives of Beedi Rollers? Insights from a pilot study in India - *Tobacco Induced Diseases*. Retrieved from https://www.tobaccoinduceddiseases.org/Can-sustainable-livelihood-alternatives-improve-the-lives-of-Beedi-Rollers-Insights,206535,0,2.html

4. Chaturvedi, P., & Singh, A. (2012). An overview of the tobacco problem in India. *Indian Journal of Public Health, 56*(3), 123–126. https://pmc.ncbi.nlm.nih.gov/articles/PMC3523470/

5. Consumption of Tobacco Products - PIB, accessed on May 1, 2025, https://pib.gov.in/newsite/PrintRelease.aspx?relid=98406

6. Department of School Education and Literacy, Ministry of Education, Government of India. (n.d.). *Implementation Manual Tobacco Free Educational Institutions (ToFEI)*. Retrieved from https://dsel.education.gov.in/sites/default/files/update/im_tofel.pdf

7. Frontiers in Public Health. (2023). *Smokeless tobacco utilization among tribal communities in India: A population-based cross-sectional analysis of the Global Adult Tobacco Survey, 2016–2017.* https://www.frontiersin.org/journals/public-health/articles/10.3389/fpubh.2023.1135143/full

8. Goodchild, M., Gill, V., & Sinha, P. (2020). Revisiting the tax treatment of beedis in India. *Biomedical Journal*. https://tobaccocontrol.bmj.com/content/tobaccocontrol/31/3/432.full.pdf

9. Grand View Research. (n.d.). *Snus market size to reach $4.10 bn by 2030 | CAGR: 4.7%.* https://www.grandviewresearch.com/press-release/global-snus-market

   Grand View Research. (n.d.). *Nicotine pouches market size, share | Industry report, 2030.* https://www.grandviewresearch.com/industry-analysis/nicotine-pouches-market-report

10. India Country Profile - Tobacco Tactics, University of Bath, July, 2025, https://www.tobaccotactics.org/article/india-country-profile/

11. India Today. (2024, December 23). The tobacco trap: How flawed policies are undermining India's fight against addiction. Retrieved from https://www.indiatoday.in/health/story/the-tobacco-trap-how-flawed-policies-are-undermining-indias-fight-against-addiction-2654027-2024-12-23

12. India Today. (2025, January 4). The tobacco trap: Why tobacco control missteps worry India's doctors. Retrieved from https://www.indiatoday.in/health/story/the-tobacco-trap-why-tobacco-control-missteps-worry-indias-doctors-2659479-2025-01-04

13. India Today. (2025, February 3). Banned but thriving: How loopholes keep gutkha alive in India. Retrieved from https://www.indiatoday.in/health/story/banned-but-thriving-how-loopholes-keep-gutkha-alive-in-india-2673954-2025-02-03

14. India Today. (2025, February 20). Toxic profits: India's beedi industry and the politics of poison. Retrieved from https://www.indiatoday.in/health/story/toxic-profits-indias-beedi-industry-and-the-politics-of-poison-2682743-2025-02-20

15. India Today. (2025, April 3). The tobacco trap: How India's tobacco taxes fund addiction and ignore prevention. Retrieved from https://www.indiatoday.in/health/story/the-tobacco-trap-how-indias-tobacco-taxes-fund-addiction-and-ignore-prevention-2703393-2025-04-03

India Today. (2025, April 3). *The tobacco trap: How India's tobacco taxes fund addiction and ignore prevention.* https://www.indiatoday.in/health/story/the-tobacco-trap-how-indias-tobacco-taxes-fund-addiction-and-ignore-prevention-2703393-2025-04-03

16. India's tobacco girls. (2012, June 12). *BBC*. https://www.bbc.com/news/world-asia-india-18391652

17. IN - POLICY_BLUEPRINT_discussion guide - JA suggestions - 28 Apr 2025.docx

18. International Labour Organization. (2015). *Tobacco sector employment statistical update* (ILO Publication No. WCMS_329284). https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_dialogue/@sector/documents/publication/wcms_329284.pdf

19. Market.us. (n.d.). *Nicotine pouches market size, share | CAGR of 29.5%.* https://market.us/report/global-nicotine-pouches-market/

20. NCBI (Ed.). (2017). Constituent variations in smokeless tobacco purchased in Mumbai, India. https://pmc.ncbi.nlm.nih.gov/articles/PMC8562702/

21. National Tobacco Control Programme (NTCP) | Davanagere District, Government of Karnataka | India. Retrieved from https://davanagere.nic.in/en/national-tobacco-control-programme-ntcp/

22. National Tobacco Control Program (NTCP) | Kolar district, Government of Karnataka | India. Retrieved from https://kolar.nic.in/en/national-tobacco-control-program-ntcp/

23. News Channel Nebraska. (2025, April 29). *Snus market share, forecast, 2032 - NORTHEAST.* https://northeast.newschannelnebraska.com/story/51566636/Snus-Market-Share-Forecast-2032/

24. Palipudi, K., & Mbulo, L. (2020). Patterns and related factors of beedi smoking in India. *Tobacco Prevention & Cessation*. https://www.tobaccopreventioncessation.com/Patterns-and-related-factors-of-beedi-smoking-in-India,119053,0,2.html

25. Polaris Market Research. (n.d.). *Snus market size worth $4,382.42 million by 2032 | CAGR: 4.1%.* https://www.polarismarketresearch.com/press-releases/snus-marke

26. Policy Processes in Multisectoral Tobacco Control in India: The Role of Institutional Architecture, Political Engagement and Legal Interventions - PubMed Central. Retrieved, from https://pmc.ncbi.nlm.nih.gov/articles/PMC9808220/

27. Rethinking taxes on tobacco and sugary drinks in India - World Bank Blogs. Retrieved from https://blogs.worldbank.org/en/endpovertyinsouthasia/rethinking-taxes-on-tobacco-and-sugary-drinks-in-india

28. Report on Skill Development Training: Alternative Livelihoods for Women Rolling Beedis. Retrieved from https://ash.org/alternative-livelihoods-for-women-rolling-beedis/

29. Sharma, S. (2020). An application of Markov chain model to study on trade direction of export of FCV tobacco from India. *ResearchGate*. https://www.researchgate.net/publication/344093876_An_Application_of_Markov_Chain_Model_to_Study_on_Trade_Direction_of_Export_of_FCV_Tobacco_from_India

30. Smokeless Tobacco and Public Health in India. Retrieved August 7, 2025, from https://cdn.who.int/media/docs/default-source/searo/india/health-topic-pdf/smokeless-tobacco-and-public-health-in-india.pdf

31. Subramanium, S. V., Nandy, S., & Kelly, M. (n.d.). Patterns and distribution of tobacco consumption in India: Cross-sectional multilevel evidence from the 1998-9 National Family Health Survey.

    Tobacco farmers income doubled over last 5 years - Press Release Retrieved from https://pib.gov.in/PressReleseDetailm.aspx?PRID=2089182

32. Tobacco and Health Around the World | Global Action to End Smoking. Retrieved from https://globalactiontoendsmoking.org/research/tobacco-around-the-world/india/

33. Tobacco Prevention & Cessation. (n.d.). *Tobacco use among Indian states: Key findings from the latest demographic health survey 2019–2020.* https://www.tobaccopreventioncessation.com/Tobacco-use-among-Indian-states-Key-findings-from-the-latest-demographic-health-survey,132466,0,2.html

34. Thankappan, K. R. (2014). Tobacco cessation in India: A priority health intervention. https://pmc.ncbi.nlm.nih.gov/articles/PMC4078486/

35. Watson, C., & Polzin, G. (2003). Determination of tar, nicotine, and carbon monoxide yields in the smoke of beedi cigarettes. https://pubmed.ncbi.nlm.nih.gov/14577991

Annexure 1: Tobacco by Product Type

India's tobacco landscape is highly diverse, spanning organised and unorganised markets, urban and rural populations, and smoked and smokeless forms.

Smoked Tobacco Products

Cigarettes: Factory-made, filtered tobacco rolls legally sold under regulated brands.

***Beedis*:** Thin, hand-rolled cigarettes made using tendu leaves, widely consumed in rural India.

Other Smoked Tobacco Products: Although less prevalent nationally, the following smoked forms are used in specific geographies or cultural contexts:

Hookah/Shisha (Water Pipe): Traditionally used in North India and urban cafes; involves flavoured or unflavoured tobacco smoked through water.

Chillum: A clay pipe used primarily in rural and tribal communities.

Dhumti: Leaf-rolled cigar, primarily found in Goa.

Chhutta: Practised in Andhra Pradesh, where the burning end is placed inside the mouth (reverse smoking).

Cigars and Cigarillos: Consumed by a small, high-income urban segment.

Smokeless Tobacco (SLT) Products

Khaini: Processed tobacco with lime.

Gutkha: Tobacco, arecanut, and additives.

Betel quid with tobacco

***Pan masala* with tobacco**: Common but underreported.

Snuff: Dry or moist; for nasal or oral use; used in smaller proportions.

Mishri: Roasted tobacco powder used as dentifrice; common in Maharashtra and central India.

Gudhaku: Tobacco paste used as a toothpaste substitute in parts of eastern India.

Lal dantmanjan: Toothpowder containing tobacco, often falsely marketed as herbal.

Chaini Khaini: A branded version of khaini; widely marketed.

Zarda: Flavoured chewing tobacco, often mixed with betel quid.

Bajjar: Regional term for SLT; used as paste or chewable powder.

Mawa: A mixture of tobacco, arecanut, and lime; similar to *kharra*.

Gul: Finely powdered tobacco applied to gums; often mistaken as tooth powder.

Kharra: A mixture of tobacco, arecanut, and lime; chewed similarly to *mawa*.

Kiwam: Paste-like, scented tobacco historically used by elite classes; applied inside the mouth.

Dohra: Regional SLT used in Uttar Pradesh and Bihar.

Gudakhu: Paste-like tobacco, often used to brush teeth in Bihar and Odisha.

Naswar/Nass: Moist, powdered tobacco used in North India and Pakistan; placed under the lip.

Creamy Snuff: Tobacco-based paste, marketed misleadingly as toothpaste.

***Tuibur/Hidakphu*/Tobacco Water**: Liquid tobacco extracts used in Mizoram and tribal regions; sipped or used as mouthwash.

Mainpuri/Kapoori: Regional SLT mixtures popular in Uttar Pradesh and Madhya Pradesh.

Red Tooth Powder/Tobacco Toothpaste: Commercially marketed but unregulated products containing tobacco; used for dental hygiene.

Annexure 2: Three-Tier Structure of NTCP

Structure	Objectives
National Tobacco Control Cell (NTCC)	• Public Awareness and Mass Media Campaigns: Design and implement nationwide campaigns to raise awareness about the harms of tobacco and promote behavioural change. • Tobacco Product Testing Laboratories: Establish dedicated laboratories for the testing of tobacco products to ensure quality, safety, and regulatory standards. • Research and Training: Mainstream research and training on alternative crops and livelihoods through collaboration with other nodal ministries. • Monitoring, Evaluation, and Surveillance: Conduct monitoring, evaluation, and surveillance to track the impact of tobacco control initiatives. • Integration of NTCP into NHM Framework: Integrate NTCP into the healthcare delivery mechanisms under the NHM framework.
State Tobacco Control Cell (STCC)	• Dedicated STCCs responsible for effective implementation and monitoring of tobacco control initiatives. • Key activities include organising state-level advocacy workshops; conducting Training of Trainers programmes for staff appointed at DTCCs under NTCP; providing refresher training for DTCC staff; providing customised training on tobacco cessation for healthcare providers; and conducting training and sensitisation programmes for law enforcement personnel.
District Tobacco Control Cell (DTCC)	• Dedicated DTCCs tasked with implementing and monitoring tobacco control initiatives. • Key activities include training key stakeholders, including health and social workers, NGOs, school teachers, and enforcement officers; conducting Information, Education, and Communication (IEC) activities; implementing school-level tobacco control programmes; establishing and strengthening cessation facilities, including provision of pharmacological treatment; and coordinating with Panchayat Raj institutions to promote tobacco control awareness at the grassroots level.

Annexure 3A: Achievements of STCC, Mizoram (2023–2024)

Sl. No.	Name of Activity	No. of Activity	No. of Participants
1.	Training and Sensitisation Workshop	70	4,331
2.	Anti-Tobacco Awareness Campaigns and Programmes at Churches/Community Centres	71	9,610
3.	Anti-Tobacco Awareness Programmes at Educational Institutions	278	16,377
4.	Others (Important Meetings, Talkshows, etc.)	32	368
5	Anti-Tobacco Squad Drives	450	NA
6	Offenders for COTPA Violation	426	NA

Source: https://health.mizoram.gov.in/page/tobacco

Annexure 3B: Achievements of STCC, Maharashtra (2023)

Sl. No.	Programme/Activity	No. of Activities
1.	State-Level Workshops	2
2.	Key Officials' Workshop	9
3.	Enforcement Officials' Workshops at the District Level	7
4.	Piggyback Workshops	58
5.	Block-Level Coordination and Monitoring Committee (BLCC) Meetings	320
6.	Quarterly Review Meetings with District-Level Coordination and Monitoring Committee (DLCC) Members/Stakeholders	126
7.	NGO Meetings	720

Source: Project-Details-ATC-Project-details-23.pdf

Annexure 4: SPIP Approvals and Expenditure

State/UT	2016–17 SPIP Approval	2016–17 Expenditure	2017–18 SPIP Approval	2017–18 Expenditure	2018–19 SPIP Approval	2018–19 Expenditure
Bihar	133	21.65	82	0.01	61	13.25
Chhattisgarh	63	19.25	20.12	4.88	21.9	14.61
Himachal Pradesh	0	4	0	0	0	0
Jammu & Kashmir	21	0	21	8.24	10	7.76
Jharkhand	98	44.95	175	65.4	100	83.09
Madhya Pradesh	0	20.56	171.53	51.24	0	0
Orissa	51	12.79	148.7	16.02	82.72	23.07
Rajasthan	69.7	49.68	0	79.49	101	101
Uttar Pradesh	504	228.77	525	292.77	375	229.88
Uttarakhand	39	4.29	8.3	8.17	0	0
Subtotal	978.7	405.94	1151.65	526.22	751.62	472.66
Arunachal Pradesh	0	0	140	49.03	0	2.1
Assam	28	3.3	112	81.06	72.5	64.49
Manipur	20.52	0	26	0	5	0.3
Meghalaya	0	0	0	0	0	0
Mizoram	63	1.15	63	10.1	0	4.6
Nagaland	77	0	190.74	11.95	3.4	0
Sikkim	0	6.37	0	0	0	0
Tripura	28	3.3	28	36.8	16.75	8.31
Subtotal	216.52	14.12	559.74	188.93	97.65	79.8
Andhra Pradesh	70	172.52	91	72.82	0	0
Goa	2.3	1.68	5	0	0	0
Gujarat	87.05	38.45	150.3	131.91	0	0
Haryana	14	0	6.41	1.1	5	0
Karnataka	126	47.58	153	136.21	93	89.53
Kerala	0	0	45.19	23.35	8	9.22
Maharashtra	66.2	7.93	150.28	32.69	151.09	15.48
Punjab	0	0	66.02	2.54	32	8.4
Tamil Nadu	35	4.48	69.75	0	27.5	27.5
Telangana	0	0	0	0	10	0
West Bengal	133	11.29	48	27.2	57	10.04
Subtotal	533.55	283.93	784.95	427.82	383.59	160.17
Andaman & Nicobar Islands	7	0	9	0.5	0	0.3
Chandigarh	0	0	0	0	0	0
Dadra & Nagar Haveli	7	7.91	18.3	0	0	0
Daman & Diu	0.5	0	1	0.16	0.5	0.44
Delhi	14	0	77	0	0	5.65
Lakshadweep	2	0	2	1.85	1	1.79
Puducherry	4	2.95	7	4.69	2	0.27
Subtotal	34.5	10.86	114.3	7.2	3.5	8.45
Grand Total	1,763.27	714.85	2,610.64	1,150.18	1,236.36	721.08

Annexure 5A: Employment Potential of Tobacco Sector Modernisation

(Based on Sector Benchmarks and Formalisation Trends)

This analysis estimates the employment-generation potential of India's tobacco sector under a modernisation strategy that emphasises domestic processing, formalisation, and the manufacture of export-oriented products. The focus is on the FCV tobacco value chain and excludes *beedi*-rolling and informal SLT operations, except where comparisons are necessary.

1. Existing Employment Footprint

India's tobacco sector is a large but heterogeneously organised employer, with a workforce distributed across agriculture, processing, manufacturing, packaging, exports, and retail.

- Total workforce (sector-wide): ~20 million (ASSOCHAM, 2020)
- Manufacturing and export-related employment: ~8.5 million
- Retail/Trade (unorganised small outlets): ~7.2 million
- Processing and industrial employment (all formats): ~0.51 million (EPW, 2018; based in 2016–17 data)

Note: These figures include informal and formal segments. The *beedi* industry alone accounts for ~3.5–4 million workers, predominantly informal, part-time, and outside the FCV supply chain.

2. Benchmark for Modern Processing Jobs

Drawing on EPW's estimate of approximately 1,141 direct processing jobs per million kilogram of tobacco processed (across all tobacco types), this model applies a conservative, FCV-specific benchmark:

- 500 direct jobs per 1 million kilogram processed
- 1,500 indirect jobs per 1 million kilogram (logistics, packaging, supply-chain coordination, and research)

This conservative adjustment reflects the following assumptions:

- Labour intensity will decline with mechanisation, but formal employment will improve in quality.
- FCV processing units (cut rag mills, export hubs, etc.) are semi-automated but still require skilled and semi-skilled labour for grading, curing, sorting, and regulatory compliance.

Assumption: Conservative estimate adjusted downwards to exclude the labour-intensive beedi sector.

Annexure 5B: Farmer Income Potential from Domestic Processing and Value Addition

This annexure examines how domestic value addition, through local processing, traceable supply chains, and limited export-oriented branding, could influence farm-level incomes in India's FCV tobacco sector. The analysis draws on comparative international experiences, Indian value-chain studies, and indicative economic modelling. These scenarios are exploratory and do not constitute price guarantees or regulatory positions.

Current Value-Chain Position of Indian FCV Farmers

- Average farm-gate price (2023–24): ₹279.5 per kilogram (Tobacco Board)
- Smallholder average yield: ~2,500 kilogram per year
- Typical annual income: ₹279.5 × 2,500 = ₹6.99 lakh

In the current export-dominated scenario, India farmers capture only 3–5% of the final value of tobacco products The remaining value accrues to traders, processors, manufacturers, distributors, and exporters—most of whom are located outside India.

Sources: Karnataka Tobacco Value Chain Study (2020); ITC Procurement Analysis; and Independent Field Interviews (2023).

Annexure 5C: Drivers of Farm-Level Value Increase

Domestic value addition has the potential to increase farmer incomes through three primary channels.

Pillar 1: Processing Closer to Source

- Establishing cut rag units or semi-finished tobacco hubs within India enables farmers, particularly those organised as cooperatives or contract growers, to capture a share of post-harvest processing margins.
- International prices for cut rag tobacco is ~₹600–700 per kilogram, compared with ₹279–380 per kilogram for raw FCV.
- If farmers secure 25–50% of this value increment, either through cooperative ownership or through premiums, their per-kilogram realisation could increase by ₹150–350, even without entering branded product markets.

Pillar 2: Traceability and ESG Premiums

- Demand in export markets is increasingly shaped by requirements related to traceability, pesticide controls, and sustainable curing practices.

- Compliance with these practices, particularly when certified or aligned with ESG-oriented procurement, can generate 5–10% price premiums.

Pillar 3: Partial Participation in Export Branding

- Indian processing entities, private or public, can explore white-label or branded exports of cigarettes, cigars, or *shisha* to capture additional value.
- When precessors link even 25% of the finished product value, which typically averages ₹1,000 per kilogram FCV equivalent, back to farmers through structured contracts, farmers can realise an additional gain of ₹250+ per kilogram.

Illustrative Scenarios of Income Growth

These scenarios assume no change in land area, yield, or government subsidies but derive solely from structural integration and improved revenue sharing.

Scenario	Per Kilogram Realisation	Annual Income (2,500 kilogram)	Change vs. Baseline
Baseline (raw leaf)	₹279.5	₹6.99 lakh	-
Processing-linked (Scenario A)	₹580–600	₹14.5–15 lakh	~2.1x
Export product-linked (Scenario B)	₹530	₹13.25 lakh	~1.9x
Combined with ESG Premiums/ Nicotine Extractions	₹560–680	₹14–17 lakh	~2–2.5 x

Assumption: Cooperative or private processors share 30–50% of the cut rag margin; ESG premiums average 7%; and contract-linked branding arrangements return ~25% of finished-product value.

Where the Additional Value Comes From

Currently, 90–95% of the total value of Indian FCV exports is captured outside the country. This value accrues primarily to:

- Global leaf merchants (e.g. Alliance One, Universal Leaf)

- International manufacturers
- Foreign logistics, tax jurisdictions, and distributors

If India were to retain even 30–40% of this downstream activity, through processing, packaging, and export branding, farmers and local processors could capture a substantially larger share of the final product value, without increasing crop area.


ViTAS
Consultancies Pvt Ltd