e-Governance enablement of the State Excise Department, Government of Maharashtra

Developed For:
Directorate of Information Technology, Government of Maharashtra
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1. Abstract

The Maharashtra State Excise Department is functioning with the objective of eradicating illicit distillation, transportation, possession and sale of illicit liquor, clandestine transport of rectified spirit, supervision for proper use of alcohol and preventing smuggling of spurious and duties evaded liquor so as to prevent loss of health and life and to safeguard the revenue collection from excisable articles.

The statutory objectives of department are thus effectively controlling the intoxicant and intoxicating liquor that is the production, manufacture, possession, transport, purchase and sale of intoxicating liquor and thereby optimizing the collection of duties of excise on excisable articles.

The Department is functioning under the Home Department of Government of Maharashtra. Following Acts and Rules there under are enforced by the department:

   a) The Bombay Prohibition Act 1949
   b) The Bombay Drugs (Control) Act 1940
   c) Medicinal and Toilet Preparation (Excise) Act 1955
   d) Spirituous Preparation (Inter State Trade and Commerce) Control Act 1955
   e) The Bombay Molasses (Control) Act 1956
   f) The Narcotic Drugs and Psychotropic Substances Act 1985

The key objectives of the department include:

   • To control the trade of intoxicants and intoxicating liquor for maintaining the security, peace and harmony in the society
   • To take effective actions against dangerous substances and illicit liquors for protection of the people from harmful effects
   • To take effective steps against illegal activities affecting the excise revenue collection.
   • To enable effective, efficient and equitable revenue collection by way of collection of duties of excise

The objectives of the computerization of Excise Department include the following:

   • To improve MIS system by keeping control over the movement of the excisable products in order to bring greater transparency
   • Majority of State Excise Department’s regulatory and enforcement operations are currently performed manually. With limited human resources and increase in business, it is becoming difficult for the department to cope with the workload. Computerization should help to deliver the services efficiently and more precisely
   • To enable the department in generating actionable information for taking effective actions against dangerous substances and illicit liquors for protection of the people from harmful effects
   • To enable increase in excise revenue through greater traceability, transparency and accountability in tax administration functions and detection of tax evasion
   • To enable reduction in processing time for key internal functions of the State Excise Department
2. Key words and tags

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Key words and tags</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>SED</td>
<td>Refers to State Excise Department</td>
</tr>
<tr>
<td>2</td>
<td>BI</td>
<td>Refers to Business Intelligence</td>
</tr>
<tr>
<td>3</td>
<td>MIS</td>
<td>Refers to Management Information System, Government of Maharashtra</td>
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<td>4</td>
<td>DIT</td>
<td>Refers to the Directorate of Information Technology, Government of Maharashtra</td>
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3. Project Overview

After a detailed As-Is study and identification of key challenges faced by the client, a the project for eGovernance enablement was undertaken. Some of the key areas for eGovernance enablement are as follows:

- **Computerization of all Manual reporting formats/forms (MS1 to MS9, Manufacturing Unit Forms, and Transport Pass):** As a regulatory requirement, the excise officers of department at various levels across each location had been filling these monthly forms -MS1 to MS9 & manufacturing unit forms manually, making the reconciliation of the entered data at district or division or state level a time consuming process. Ernst & Young suggested computerization of these forms. It was decided that the data would be entered at the lowest point of generation i.e. at the level of manufacture / wholesale unit / liquor vends and would automatically be collated at the level of the district, division and state respectively.

The transport pass issued for moving excisable goods from one place to another was also computerized and few enhancements were suggested which included real time tracking of the permit with the usage of security holograms.

- **Creation of License & Brand Master Data:** It was identified that License & Liquor Brands were two major entities that required to be standardized across the organization and hence creation of License and Brand Master was suggested. The format for the masters was finalized in discussion with the department before submitting the same to the vendor for data entry.

- **Digitization of old records and files:** In accordance with the e-governance policy of encouraging a paperless environment it was suggested to digitize all the old records and files of the department. It was decided that these files/records would be scanned and stored in a central server repository. A search and retrieval system would be designed to access the records whenever required. A proposal/tender for same was designed and submitted by Ernst & Young.

- **Business/Government Process Re-engineering:** The process for obtaining an alcohol drinking permit & one day temporary alcohol serving/sale license at a club /premise was studied in detail and optimized /re-engineered to make it suitable for an online implementation. The To-Be process was designed in accordance to the e-governance policy of reduced visits to government offices and a detailed To-Be process flow document was submitted to the vendor for online implementation.

- **Implementation of BI/Reporting Tool:** The BI/Reporting requirements of the department including the name of reports with key facts & dimensions were given to the BI vendor for
implementation. The reporting dashboards as well as the layout of dynamic reports were finalized after detailed discussion with the vendor and the department.

4. **Locations Studied**

Sample of locations for each type of licensee was chosen for the As-Is study of the project. All the locations as shown in the figure below were visited and detailed discussions on the processes were held.

5. **Issues and challenges**

The key challenges faced by the Maharashtra State Excise Department as identified during a study of current As-Is processes may be summarized as follows:

- **Inefficient operating environment leading to unnecessary delays and inaccurate information:**
  Majority of State Excise Department’s regulatory and enforcement operations were then being performed manually. With limited human resources and increase in business, it was becoming difficult for the department to cope with the workload which ultimately led to delays and inaccuracies in the information provided.

- **Lack of transparency & control over the movement of excisable goods leading to increased illicit liquor production and decreased Excise revenues:**
  The department did not have a mechanism in place to trace the excisable goods leaving the manufacturers and wholesalers’ premise and keep control of the activities at these premises. The transport permit /passes issued to the transporter of goods were done manually on paper, making it difficult for the department to keep track of goods at real time.

- **Lack of a robust information management system:**
The department did not have a robust MIS in place and most of the records/information was maintained in physical files. Hence searching and retrieving any information was an inefficient and a time consuming process. Also the reconciliation & consolidation of stocks from physical registers of distilleries and manufactories at multiple locations was done manually resulting in increased time and decreased accuracy.

- **Lack of a standard reporting and analysis mechanism:**
  The department was using multiple reporting formats and no provision was available for performing a real time analysis of the reported data (revenue figures, production data etc.) in order to draw important insights/inference from them.

- **Change Management:**
  The department envisaged a paperless environment and reduced visits to government offices in accordance with the e-governance policy of the Government of Maharashtra. This required the department to re-engineer and optimize its current processes and bring about a change in its culture in moving towards a more computerized environment.

6. **Key Lessons**

The following views have been created to represent learning based on the value chain in Maharashtra, types of Excise Licensees and key sources of Excise revenue in Maharashtra, key control instruments and statutory records, key challenges, improvement areas and ICT challenges.
**View 1: Simplified view of Liquor Manufacturing Value Chain**

**Manufacturing Processes**

- **Input:** Molasses, Mhowra flowers, Grains
- **Output:** Rectified Spirit, Extra Neutral Alcohol ("ENA")

**Distribution Processes**

- **Input:** Rectified Spirit
- **Output:** Retail Vendors

**Input:**
1. Rectified Spirit / ENA
2. Flavoring and Coloring substances

**Output:**
1. Bottled units / Packages

- **Input:** Country Liquor
- **Output:** Foreign Liquor

- **Manufacturing Room**

- **Storage Room**
View 2: Types of Excise Licensees and Key Sources of Excise Revenue in Maharashtra

For Molasses:
- M-I
- M-II
- M-III
- M-IV
- M-V

For Mhowra Flowers:
- MF-I
- MF-II

Distillery:
- Form-I
- RS-VI

Country Liquor:
- CL-I
- PLL

Foreign Liquor:
- FL-I

For Country Liquor:
- CL-II
- FL-IV
- FL-III
- FL-IV

For Mhowra Flowers:
- MF-I
- MF-II

Revenue Sources:
- License Fees
- Supervision Charges
- Transport Fees
- Excise Duty
- License Fees
- Supervision Charges
- Transport Fees
- Permit Charges

Distribution Processes:
- Retail Vendors
- Wholesaler

Consumers

Manufacturing Processes:
- Spirit Room
- Manufacturing Room
- Storage Room
View 3: Key Control Instruments and records maintained across the value chain

**Control Instruments:**
1. Requisition for Rectified Spirit
2. Transport Pass for Rectified Spirit
3. Requisition for ENA
4. Transport Pass for ENA

**Records Maintained:**
1. Dimensions and capacities of washbacks vats, vessels or receivers
2. Register of accounts for spirit produced
3. Statement showing losses
4. Register of account for each vat

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**Control Instruments:**
1. Requisition for CL / FL
2. Transport Pass for CL / FL

**Records Maintained:**
1. Statement showing losses
2. Register of all operations and transactions for each step of manufacturing process - spirit room, manufacturing room and storage room
3. Monthly account statement
4. Details of Samples

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**Control Instruments:**
1. Transport Pass for CL / FL

**Records Maintained:**
1. Register of all operations and transactions
2. Monthly account statement

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**Control Instruments:**
1. Permits

**Records Maintained:**
1. Transport Pass for CL / FL

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**Control Instruments:**
1. Permits

**Records Maintained:**
1. Register of all operations and transactions
2. Monthly account statement
1. There are multiple registers to be maintained, with some parts of information being repeated across forms / registers. Maintaining all records manually is tedious and prone to errors.
2. Verification of information can be done only through site visits and physical checks.
3. Detailed Audit trail of authorizations is not available, especially for older records
4. It takes at least 3-4 days for consolidation of data for filing of monthly returns
5. Reconciliation of stock and reconciliation with returns from other Licensees is tedious since all records are in physical form (paper based records)
6. At times, transportation is delayed if escorts (excise constables) are not available
7. Allowable losses are not linked to operational characteristics of the unit
8. There is limited visibility into the yield of the grain based distilleries

1. Maintaining records of TPs is cumbersome. Practically information beyond one year is never accessed.
2. There is no account for tracking reuse of empty bottles which can be used for repackaging of illicit liquor
3. TP information is presented in various formats by different Licensees. There is no unique identifier for tracking a particular TP
4. Reconciliation of TP, Daily Sales Register, Monthly Statement and Brand Sale register is difficult and seldom performed
5. Register, forms and formats may be modified post facto
6. Audit trails of entries, authorizations and revisions are not available
View 5: Key Improvement Areas and ICT solutions

1. Licensee gives requisition for RS / ENA through system
2. Distillery accesses authorized requisition from system and requests TP by entering details into the system
3. Excise officer generates TP through system and dispatches consignment. TP is scanned at dispatch
4. Excise officer receives consignment, scans TP and enters measurements into the system
5. Wholesaler raises requisition for liquor through the system
6. Manufacturing unit receives requisition and requests TP by entering consignment details into the system
7. Excise officer generates TP through system and dispatches consignment. TP is scanned at dispatch
8. In transit, flying squad / excise officer may verify TP details and consignment
9. On receiving the consignment, the wholesaler scans TP and Excise officer verifies entries being made in the system

GPS Vehicle Tracking system

Manufacturing Processes

Distribution Processes

Online Transit Pass System
7. Methodology adopted for Case Writing

This case study was been developed based on the experience of working on the computerization project of State Excise Department. The information provided in the case study is proprietary material of Government of Maharashtra. Further details could be made available on a case-to-case basis after evaluation and approval of the State Excise Department, Government of Maharashtra and Directorate of Information Technology, Government of Maharashtra.