

PETROLEUM PRODUCT PRICES

Indian economy is growing by 7.1% inspite of demonetization whose impact on growth has been very minimal and the same is forecasted to grow to 8% by early 2018. Fuel consumption will also see growth as it fundamentally does in a growing economy and thus the governments view that consumption will have reverse effect vis a vis cost is a mal factor. Moreover the reason for not decreasing the prices is to encourage lower consumption for 'environmental benefits' is again baseless as the same is without provision of alternate infrastructure for fuel consumption or incentives on cars using electrical and solar support.

Historically the petrol prices were marred by controversies regarding the subsidy provided on it in the high petroleum prices schedule however lately over production of oil has led to depression of world oil prices, the same making no dive however in the Indian space.

If growth needs to continue at a faster pace the old and opaque pricing oil pricing policy needs to be given away again which is based on devious reasons. Food inflation has been the major demon resulting out of such an inefficient pricing policy.

Steady increase in government excise duties, Customs duties and VAT is not called for an efficient economy. Moreover the oil sector has not been pulled under the wings of the GST reform which itself displays hideous strategy by the Government on level playing field as well as of any benefit to consumers.

Since the Oil market companies have been fixing prices increase every 15 days as well as increase of revenue. For last one and a half month this is not happening as prices have been reduces in world market to \$ 50 and Rupee has appreciated again but there is no reduction in petrol products and no benefit. The excise duty on petrol and diesel has been hiked five times over the last three months, increasing the excise duty on petrol by 34%. On diesel, excise duty has increased by 140%. The price at which OMCs sell petrol to dealers (petrol pumps) has been halved in two years. Over the same period, retail petrol prices have come down only by 15%. The value-added taxes imposed by states have more or less remained the same, but excise duties – both basic and additional – imposed by the Centre have doubled between 2014 and 2016.

The very fact that, in many neighbouring countries prices of petroleum products are 50% of Indian price, however, in India the same are high because of various levies and taxes on prices of petroleum products which needs to be re-examined and should be rationalized.

Also it is very imminent to avoid and to reduce taxes which are more than any other countries as this will make us incompetent due to increase in production and have other cascading effect on manufacturing cost.