

## THE RISING PRICE OF FUEL: EXAMINING THE FACTORS DRIVING INCREASES IN PETROL AND DIESEL PRICE IN INDIA

**Dr. Pallakshi Bordoloi, M.Com, Ph.D.**

M.Com., Ph.D., Department of Commerce, Dibrugarh University, Dibrugarh

Email id: [agrip1989@gmail.com](mailto:agrip1989@gmail.com)

### **Abstract**

Petroleum products play a crucial role in everyday life, with applications ranging from domestic cooking to transportation. Any fluctuations in their prices have far-reaching effects across various industries, leading to inflationary pressures. Therefore, it is vital to have a stable pricing policy for these products. This paper aims to examine the underlying reasons for the unwarranted price hikes in petrol and diesel by closely analyzing the downstream pricing mechanism over the past decade. The study reveals that the fluctuation rate of crude oil prices in the international market does not align with the retail selling prices of petrol and diesel in India. Furthermore, the application of Goods and Services Tax on these products could potentially lower consumer prices. The analysis suggests that the government should consider rationalizing taxation policies on these fuels to reduce public unrest. This study provides valuable insights into the challenges of fuel pricing and offers potential solutions to maximize the industry's potential. This study will be useful to understand that the fuel pricing is one of the most important challenges if addressed properly with other complementary remedies could help maximizing the industry's potentials.

**Key words:** Pricing, Goods and Services Tax, Inflation, Petrol & Diesel.

### **1. Introduction**

The importance of petroleum products can be understood from their usage from domestic cooking to transportation etc. in the day to day life of the people. The developments and economic condition in the petroleum industry is an important matter of national interest. Though Indian petroleum industry is one of the oldest, India is one of the least-explored countries in the world. Out of all the petroleum products, Petrol and Diesel are the transportation fuels. Any change in the price of these products affects almost all kinds of industries of the country. The price of petroleum products in India including Petrol and Diesel is linked to the international market. Therefore, any fluctuation in the global prices of oil or any policy change by the oil exporting nations is supposed to have a substantial impact on India's economy. Hike in the price of Petrol-Diesel increases the price of other commodity which induces inflationary situation in the country. Therefore, a stable pricing policy for these products is very important for the consumers of the country. Steady increase in the prices of these products had gone unnoticed till it catches the eye of the consumers. But, it has been noticed that from last a few years, Petrol-Diesel price is skyrocketing despite low crude oil price in the international market. In this paper an attempt has been made to find out the reason of unnecessary hike in the prices of these fuels by closely analyzing the pricing mechanism of downstream level for last a few years. A comparison of current tax regime of Petrol & Diesel with Goods and Services Tax (GST) regime has also been analyzed here as these products are excluded from GST regime.

## 2. Literature Review:

India's oil imports have been on the rise, with dependence reaching 80 percent and continuing to grow. An expert group has recommended implementing market-determined petrol prices at both the refinery gate and the retail level. They have also found no compelling reason to subsidize diesel prices for various consumer groups (Report of expert group, 2010). The sustainability of a market-determined pricing system for petrol and diesel relies on promoting competition among public and private sector players. A study on the impact of oil price increases on inflation and output in India revealed indirect effects on the prices of other commodities, which can be controlled through judicious monetary policy use (Bhattacharyya and Bhattacharyya, 2001). Inflation is regulated by the country's monetary and fiscal policy measures, and oil price fluctuations do not impact these policies. The Reserve Bank of India observed that every US dollar increase in crude oil prices raises WPI inflation by 30 basis points, with half of the increase due to indirect effects (Rakshit, 2005). While some petroleum products in India were insulated and controlled, this was not the case in the Gujarat energy market. Products linked to international prices on import parity basis saw a drop in market share as demand decreased, while subsidized products gained market share due to a substitution effect (Basu, 2011).

A study on inconsistencies in oil pricing in India revealed that there is no long-term relationship between oil price movements and inflation. The study conducted the Johansson Co-integration test, which confirmed a long-term relationship between oil price and exchange rate, showing co-integration and bi-directional causality from oil price to exchange rate but no short-term relationship between these variables (Hussain, 2016). The demand for crude oil was found to be highly price-inelastic, meaning that consumers in countries were not significantly impacted by changes in crude oil prices. This suggests that countries struggle to find alternative energy sources, leaving them vulnerable to oil price shocks, which negatively affect their trade balance (Tsirimokos, 2011). During an emergency, price of crude oil fluctuates rigorously (Dai et al., 2020). To ensure the sound development of the petroleum sector, it is urgent to align domestic oil and gas prices with the market price (Lok Sabha Secretariat, India, 2013). India's fuel pricing policy is not linked to cost or market competition, with petrol prices determined by merely applying the exchange rate to the Singapore market rate and adding additional costs. This lack of pricing policy induces no competition, making it anti-competitive (Sharma et. al, 2015). Diesel, which accounts for a significant portion of India's GDP, is primarily used in the transportation sector. Therefore, any change in diesel prices has a swift impact on the country's macroeconomy, directly affecting transportation costs and, subsequently, the prices of essential goods (Anand, 2012). Increase in price of Diesel increases the transportation cost of most of the food items and other essential items. It means increase in fuel price has a direct impact at the Consumer Level. While the government plays a role in setting fuel prices, it is not the sole determinant of fuel prices in India (Sivarajan et. al 2018). However, the adverse effects of petrol and diesel price fluctuations on individual well-being cannot be overlooked, highlighting the need for more environmentally friendly alternatives, such as electric cars (Prakash et al., 2020). An article discussing petroleum prices' impact on the public highlighted the reasons for price hikes and recommended the use of alternative petrol

sources to reduce consumption in India. (Memon, 2015). Furthermore, the study emphasized that the manufacturing cost of industries increases with fuel price hikes, consequently affecting the inflation rate (Gabhane and Gabhane, 2021).

### **3. Objective of the Study**

To analyze the prices of Petrol and Diesel in India keeping in view the price of crude oil and the current tax regime of these commodities.

### **4. Research questions:**

- Why the price of Petrol and Diesel is so high in India, despite low crude oil price in the international market?
- Which tax regime of Petrol and Diesel in India would be better for consumers, current tax regime or Goods and Services Tax (GST) regime with current rates?

### **5. Methodology**

The methodology used here is analytical in nature. The substantial data were collected mainly from the PPAC website i.e. Petroleum Planning and Analysis Cell (PPAC) attached to the Ministry of Petroleum and Natural Gas, Government of India to get accurate figures or information published monthly or quarterly in respect to the components of pricing mechanism of Petrol and Diesel. Apart from that, data have also been collected from various reports of the expert group formed by the Government of India at different point of time to advise the government on Pricing Methodology. Research papers, articles, journals were also used to collect the secondary data. Simple statistical tools have been used to draw the inferences from the data collected.

### **6. Data Analysis & Discussion**

The prices of Petrol and Diesel are the major factor for determining the price of other products in the economy. Most of the consumers are unaware of the fact that pricing mechanism of petroleum products especially of four products viz. Petrol, Diesel, domestic LPG and PDS Kerosene plays an important role in the economy as any change in the price of these products can change the direction of the economy. Presently, the price of domestic LPG and PDS Kerosene is determined as per import parity system as India is import dependent for these products whereas Petrol & Diesel price is market determined based absolutely on market condition. But, what matters the most for the consumers is the price at which the products are available in the market irrespective of what mechanism is followed for determining the price for these products. Commercial and industrial consumers are more in case of Petrol and Diesel. These products are sensitive products as the upward movement in the prices of these products has direct impact on the prices of all other products and services. This can create an inflationary situation in the economy. The retail selling price of Petrol & Diesel is arrived at by adding all the applicable cost and margin to the refinery gate price plus a significant amount of tax charged by the Government. The refinery gate price is

the price paid by the Oil Marketing Companies (OMCs) to the petroleum refineries for the output purchased by them. Refinery gate price is uniform for all the refineries of the industry but consumer price varies from state to state due to varied VAT (Value Added Tax) rate.

Government provided subsidy on Petrol and Diesel upto 2010 and 2014 respectively during implementation of trade parity price. After that in market determined pricing mechanism, from 2011 and 2015 onwards government allowed the oil companies to fix the price of these products as per the market condition for Petrol and Diesel respectively. Now, the price of Petrol and Diesel has been revised on daily basis considering the change in the international oil prices as well as currency exchange rate. India is exporting Petrol and Diesel in large amount from many years. The main obstacle in this daily revision is automatic updation system. In India, out of 56,000 Petrol pumps, near about 50% are automated to have the effect of centrally updated price change. Because all the petrol pumps do not support automatic price change system and display in dispensing machine. Moreover, it becomes difficult for the dealers to manually update the price on a daily basis as it may lead to errors and delays in operation in the pumps. When the expert committee on Petroleum pricing asked the OMCs about this problem, then it has been informed that they have established appropriate mechanism to communicate the prices of Petrol and Diesel on a daily basis through medium such as daily updates on their website, update through mobile App, through SMS etc. Though these communication mediums are available but, sometimes it is difficult to check the price daily through these mediums at the time of filling the fuel if automatic updation in the pump is not available. However, the benefit of this transparent daily price revision scheme cannot be ignored as it is the reflection of current market condition which minimizes volatility in the retail price of Petrol and Diesel. The movement of retail price of Petrol and Diesel in last 10 years has been shown in the following table-

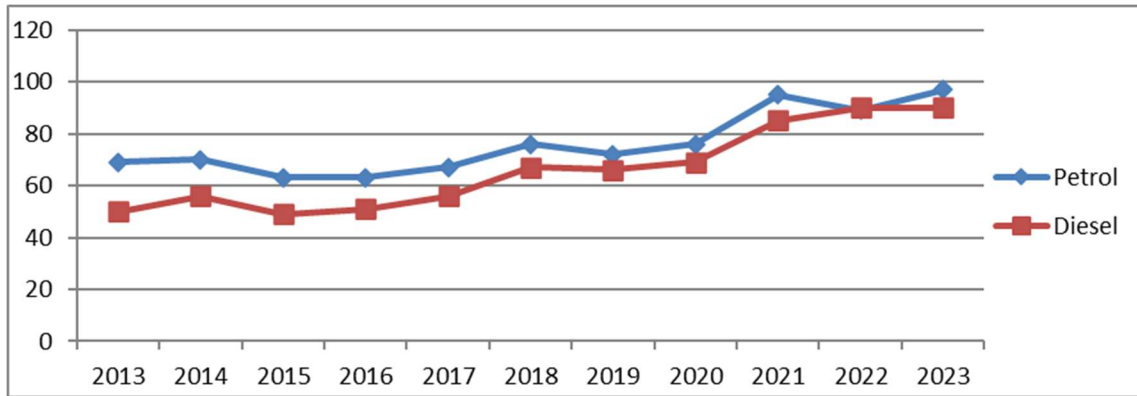
**Table 1:Retail selling price of Petrol and Diesel in Delhi, India**  
(Rounded off Rs.)

<b>Products (per Ltr)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 (upto May)</b>
Petrol	69	70	63	63	67	76	72	76	95	89	97
Diesel	50	56	49	51	56	67	66	69	85	90	90

**Source:** www.iocl.com

**Note:** Price of Petrol and Diesel is the annual average price of these products in Delhi, India.

**Figure 1:Price of Petrol and Diesel in Delhi, India**



From the above table it can be observed that the average price of Petrol at the end of 2023 was Rs.97 in Delhi whereas, a decade ago the figure was Rs.69 per litre. In the same way, Diesel price was Rs.50 per litre in the year 2013 and in the year 2023, its price is Rs.90. Currently in 2023, the retail prices of Petrol and Diesel have touched an all-time high. There is a little drop in prices in the year 2019 before the outbreak of Covid-19 but again it has been moving forward steadily. Now, the question is: is it due to increase in the crude oil price in the international market? Crude oil is the prime cost in the production of petroleum products. India imports major part of its crude oil requirement from the international market. The price of crude oil fluctuates depending on the demand across the globe and instability in some countries, which leads to instability in pricing of petroleum products. In the same way, the price of fuel in India should move in the same direction where the crude oil price is moving. Let’s have a look on the price of Indian basket of crude oil in the international market-

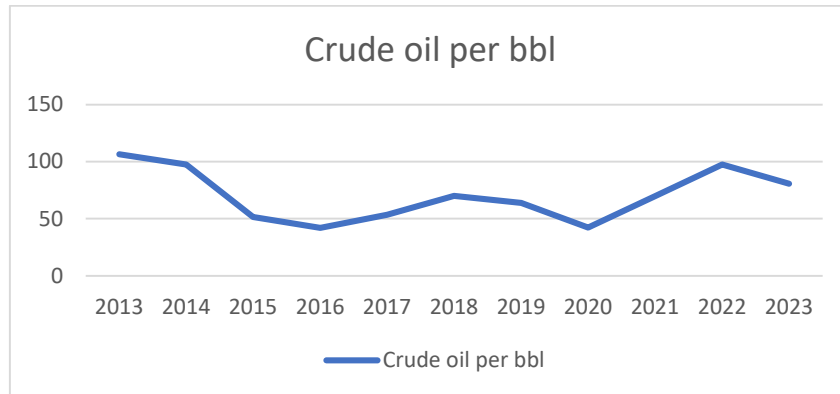
**Table 2: Crude oil price of Indian basket in the International market**

Year	Price (\$/bbl)	Indian Value per Ltr. (Rs)
2013	106.49	46.07
2014	97.42	40.48
2015	51.45	21.59
2016	42.14	17.81
2017	53.56	21.93
2018	69.99	30.85
2019	63.86	28.28
2020	42.18	19.67
2021	69.63	32.38
2022	97.59	48.25
2023 (Upto May)	80.58	41.65

**Source:** Petroleum Planning and Analysis Cell (PPAC website)

**Note:**The composition of Indian Basket of Crude represents average of Oman & Dubai for sour grades and Brent for sweet grade

**Figure 2: Crude oil price of Indian basket in the International market**



From the above table it can be seen that the crude oil prices in the Indian Basket were never stable. It fluctuates every year. In the above 10 years the lowest price was \$ 42.14 per barrel and highest price is \$ 106.49 per barrel. The fluctuation rate of crude oil price did not match with the fluctuation rate of Petrol and Diesel price in India. A comparison between the movement of crude oil price and Petrol-Diesel price shows that when the global crude price had been dropped in the year 2014 as compared to 2013, there was a hike in the price of Petrol and Diesel in India by 1.45% and 12% respectively. In the same way, during the movement of price from 2015 to 2016, crude oil price dropped by 18.09% but repulsively, the Indian consumers had to pay 4.08% more as compared to previous year's price for Diesel and there was no change in the price of Petrol. During 2019-20 also there had been a drop of about 34% in the crude oil price in the international market but the retail price of Petrol and Diesel in India has increased by 6.32% and 5.88% respectively.

Due to pandemic situation of Covid-19, when the whole world was fighting with corona virus, on 23<sup>rd</sup> of March, 2020 Narendra Modi led government announced complete lockdown all over India. During this period, the demand for global crude oil had crashed manifestly and as a consequence, the global crude oil price had dropped significantly. But, Indian consumers did not experience such benefit of low crude oil price in Petrol-Diesel price in India. Following is the comparison of Petrol-Diesel prices at Delhi during pre-lockdown and lockdown period in India.

**Table 3: Comparison of Petrol-Diesel prices between pre-lockdown& lockdown period**

Product	Year							
	2019		2020					
	December	November	January	February	March	April	May	June
Crude oil (\$/bbl)	65.50	62.53	64.31	54.63	33.36	19.90	30.60	40.63
Petrol (Rs. Per Ltr)	75.14	74.86	73.27	71.89	69.59	69.59	71.26	80.43
Diesel (Rs. Per Ltr)	67.96	65.78	66.28	64.51	62.29	62.29	69.39	80.53

From the above table it can be seen that there was a steep fall in the crude oil price from January to April, 2020 by 69%. In contrast to that Petrol & Diesel price in India had been reduced only by 5% and 6% respectively. In the same manner, during lockdown from March to April 2020, when crude oil price had reduced by 40%, there was no change in the Petrol and Diesel price in India. It means oil marketing companies did not revise the price as per the international market condition. This is the evidence that consumers do not get the advantage of low crude oil price in international market in India. Again, comparison between March and May, 2020 shows that in the month of May crude oil price had dropped by 8% but instead of reduction, there was a hike in the prices of Petrol-Diesel in India. The reason behind this is to garner additional revenue from petroleum sector, in the beginning of May, 2020 central government hiked excise duty by Rs.10 per Ltr on Petrol and Rs.13 per Ltr on Diesel.

It means, global crude oil price does not affect much infact, its impact is nil on product prices of petroleum products in India. Therefore, it is a matter of consideration and to think that why Petrol-Diesel price in India is unreasonably high? The reason behind this is the taxation policy of the Government. Despite low crude oil price in global market, due to high tax rate, the price of Petrol-Diesel is high in India. As per the pricing methodology, government is unable to influence the price charged by the refineries to the OMCs but it could manipulate the price by charging comparatively a low tax rate on these products. Though government had claimed that it never allowed to pass on the burden of increase in international crude oil price to Indian consumers but during market determined pricing mechanism, heavy tax rates on these products especially Petrol and Diesel, make it equal for the consumers. Government has been providing subsidy on sensitive petroleum products for more than a decade but it also has been continuing to tax it heavily. Let us analyze the formulation of the price of Petrol and Diesel with respect to taxations levied by the both Central and State Governments. The Retail Selling Price (RSP) of Petrol & Diesel is the total of refinery gate price on landed cost basis, OMC's Margin, dealer's commission and taxes & duties. The following price build up of Petrol and Diesel will give a clear understanding of how the product prices are determined in India:

**Table 4: Price build-up of Petrol & Diesel at Delhi as on 16.06.2023**

<b>Price Buildup of Petrol at Delhi effective 16-Jun-23</b>			
<b>Elements</b>	<b>Unit</b>	<b>Petrol</b>	<b>Diesel</b>
Base Price	Rs/Ltr	57.15	57.94
Freight etc	Rs/Ltr	0.20	0.22
Price Charged to Dealers (excluding Excise Duty and VAT)	Rs/Ltr	57.35	58.16
Add : Excise Duty	Rs/Ltr	19.90	15.80
Add : Dealer Commission (Average)	Rs/Ltr	3.76	2.55
Add : VAT (including VAT on Dealer Commission)	Rs/Ltr	15.71	13.11
<b>Retail Selling Price at Delhi- (Rounded)</b>	<b>Rs/Ltr</b>	<b>96.72</b>	<b>89.62</b>

**Source:**Bharat Petroleum Corporation Limited (BPCL) official website

The above table gives a clear picture about the components of Petrol and Diesel price determined at Delhi, India. The price of these products is different from state to state because of the VAT (Value Added Tax) rate or sales tax charged by the state government. Government claims to provide subsidies on petroleum products, although it continues to tax it heavily. The subsidy regime of Petrol and Diesel has been abolished in June, 2010 and October, 2014 respectively.

### **6.1 Analysis of the Government's taxation policy on Petrol and Diesel**

Apart from the prime cost i.e. cost of Crude oil, there are two more factors which determine the RSP of Petrol and Diesel. These are VAT (Value Added Tax) charged by state government and excise duty payable to central government. The following tables show the excise duty and VAT imposed on Petrol and Diesel for past few years. VAT rate differs from state to state. For the purpose of the study, VAT rate applicable in Delhi has been taken into consideration.

**Table 5: Excise Duty on Petrol & Diesel**

<b>Year</b>	<b>Petrol (Rs/Ltr)</b>	<b>Diesel (Rs/Ltr)</b>
2014	17.46	10.26
2015	19.06	10.66
2016	21.48	17.33
2017	19.48	15.33
2018	19.48	15.33
2019	19.98	15.83
2020	32.98	31.83
2021	27.90	21.80
2022	19.90	15.80
2023	19.20	15.80



Source: Ready Reckoners published yearly by ppac.gov.in

Figure 3: Excise Duty on Petrol & Diesel

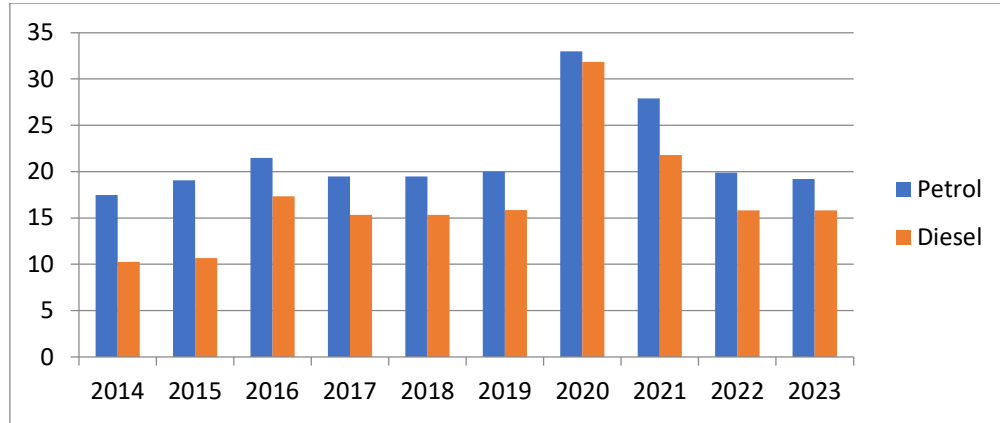


Table 6: VAT Rate on Petrol & Diesel in Delhi

Year	Petrol (Per Ltr)	Diesel (Per Ltr)
2015	25%	17.37%
2016	27%	17.37%
2017	27%	17.37%
2018	27%	17.37%
2019	27%	17.37%
2020	30%	17.37%
2021	19.40%	17.37%
2022	19.40%	17.37%
2023	19.40%	17.14%

Source: Ready Reckoners published yearly by ppac.gov.in

Thus, from the above table it can be understood that why prices of Petrol and Diesel are on a continuous rise in India. Consumers are the burdened with the high fuel prices in India because of the massive amount of tax imposed on these products which do not allow the consumers to take the advantage of low crude oil price in the global market. Government charges high amount of excise duty on Petrol and Diesel which has been increasing year by year though a negligible drop could be seen in a few years. In the same way, state government also has been increasing VAT steadily which goes unnoticed. Assam is one of them in which consumers have to pay high rate of VAT on Petrol and Diesel. In other words, it can be said that to buy one litre of Petrol or Diesel in India, a consumer has to pay a significant amount of tax which is half of the retail selling price of these products. Following table has been given to show how much tax a consumer has to pay on Petrol and Diesel:

**Table 7: Total Tax Paid To Buy 1 Ltr of Fuel in Guwahati, Assam**

Year	Petrol					Diesel				
	Excise Duty (Rs/Ltr)	Value Added Tax (VAT)	Total Tax Paid Rs./Ltr	RSP Rs./Ltr	% of Tax Per Ltr	Excise Duty (Rs/Ltr)	Value Added Tax (VAT)	Total Tax Paid Rs./Ltr	RSP Rs./Ltr	% of Tax Per Ltr
2019	19.98	15.49	35.47	72.86	49%	15.83	9.69	25.52	65.80	39%
2020	32.98	18.71	51.69	81.06	64%	31.83	10.36	49.19	70.46	60%
2021	27.90	23.99	51.89	103.97	50%	21.80	12.68	34.48	86.67	40%
2022	19.90	15.71	35.61	96.72	37%	15.80	13.11	28.91	89.62	32%

**Source:** Ready Reckoner published yearly by PPAC website

Above table clarifies that for every litre of Petrol, consumers have been paying more than 50% - 60% tax to both state and central government in last four years. In other words, the actual cost of petrol after considering everyone's margin is half of the price consumers pay and the other half is tax goes to the governments as indirect tax. In case of Diesel also, which the government claims to be heavily subsidized in past years upto 2014, it is also 40%-60% tax of the RSP consumers are paying in these past four years. During lockdown in India in 2020-21, when pandemic situation due to Covid-19 had been prevailing in the country, consumers were paying almost 50%-60% tax on petrol and 40%-60% tax on Diesel per Ltr to Indian government. The anomalous fact is that consumers are paying tax on everyone's margin. Even on the dealers' margin also government charges tax.

### 6.1.1 GST (Goods and Service Tax) on Petrol & Diesel

In the present development, two petroleum products i.e. LPG and PDS Kerosene have been brought under the purview of GST but not Petrol and Diesel which is being a complex issue of double taxation in almost all parts of the country. The idea of including petroleum products under GST would be a right decision which will bring competition among the Indian manufacturing companies. GST is applicable almost on all goods and services but few petroleum products viz. Petrol, Diesel, Jet Fuel and Natural Gas have not been brought under GST. Currently, everyone is paying 'tax on tax' on every purchase of 1 Litre of Petrol or Diesel whatever it is. It does not only increase the tax rate but it also boosts the end price of these products. It induces a question in consumer's mind that if GST is applicable for both Petrol and Diesel, will the prices of the two products drop? The answer would be- it would depend on number of factors such as GST rates, government would levy local tax or not etc. But according to the present GST regime, an

estimation can be made by taking the different slabs of GST fixed till date. As we know, GST has been structured in a way that essential services and items are placed in the lower tax bracket, while luxury services and products have been placed in higher tax bracket. The GST currently has four slabs- 5%, 12%, 18% and 28% depending on the necessity of the products. If Petrol and Diesel comes under the roof of GST and all the current slabs are applied on these two products then, the price of both the products will be lower than the prevailing price that has been set according to the current tax regime. The forecasted price of Petrol and Diesel under GST (with four tax slabs) has been shown below by making a comparison between the two tax regimes.

**Table 8: Retail Selling Price (RSP) Per Litre in Delhi Ason 16<sup>th</sup> June, 2023**

Elements	Petrol (Rs./Ltr)					Diesel (Rs./Ltr)				
	Current Tax Regime	GST Regime				Current Tax Regime	GST Regime			
		5%	12%	18%	28%		5%	12%	18%	28%
Base Price	57.15	57.15	57.15	57.15	57.15	57.94	57.94	57.94	57.94	57.94
Freight etc	0.20	0.20	0.20	0.20	0.20	0.22	0.22	0.22	0.22	0.22
Price charged to Dealers	57.35	57.35	57.35	57.35	57.35	58.16	58.16	58.16	58.16	58.16
<b>Add: Excise Duty + Road Cess as Charged by Central Government</b>	19.90	--	--	--	--	15.80	--	--	--	--
Add: Dealer's commission (Average)	3.76	3.76	3.76	3.76	3.76	2.55	2.55	2.55	2.55	2.55
<b>Add: Value Added Tax (VAT) (VAT rate applicable in Delhi</b>	15.71	--	--	--	--	13.11	--	--	--	--
<b>Goods and Service Tax</b>	--	3.06	7.33	11.00	17.11	--	3.04	7.29	10.93	17.00

<b>Retail Selling price (RSP) per Litre at Delhi</b>	<b>96.72</b>	<b>64.17</b>	<b>68.44</b>	<b>72.1 1</b>	<b>78.22</b>	<b>89.62</b>	<b>63.7 5</b>	<b>68.0 0</b>	<b>71.64</b>	<b>77.71</b>
<b>Difference of price if, GST would have been applied.</b>	--	<b>32.55</b>	<b>28.28</b>	<b>24.6 1</b>	<b>18.50</b>	--	<b>25.8 7</b>	<b>21.6 2</b>	<b>17.98</b>	<b>11.91</b>

It is observed that if the highest tax slab is applied under GST, it would reduce by Rs.18.50 and Rs.11.91 from the prevailing price of Petrol and Diesel respectively. The highest GST slab i.e. 28% is applicable for the luxurious products or services. However, Petrol and Diesel cannot come under the luxurious products or services category hence, 28% would not be applicable on these two products. From the above interpretation, it can be understood that though GST would have made Petrol and Diesel in India cheaper for consumers, but the revenue source for both the governments (Center and State) would have been adversely affected, as major part of the revenue of both the governments comes from the petroleum industry. So, any attempt to replace the multi-layered tax levied on fuel with a uniform tax regime of GST (One Nation one Tax) would affect its revenue. In conclusion it can be said that though the other factors affect the fuel prices in the country but taxes levied by the governments play a significant role in finalizing the end price of the products.

## 7. Findings

Pricing of Petrol and Diesel has been a booming topic for analysis and discussion. The significant part in petroleum pricing is tax regime in which both central and state government is collecting a massive amount of indirect tax from Petrol and Diesel. India have different tax rates on petrol and diesel, leading to varying prices across the country. This study has been taken out to see the pricing issue of fuels from different dimensions. The major findings of the study along with the answers of the research questions are as follows:

➤ Why the price of Petrol and Diesel is so high in India, despite low crude oil price in the international market?

It has been found that the tax imposed on Petrol and Diesel pushes the final price of these products in India. The study revealed that the Indian consumers are not getting the benefit of low crude oil price in the global market. Because the fluctuation rate of crude oil price in the international market does not match with the fluctuation rate of RSP of Petrol and Diesel in India. It has been seen that to garner additional revenue from petroleum sector, government increases the tax rates (excise duty and VAT) and keep the price stable when there was a steep cut in crude oil price in the international market.

➤ Which tax regime of Petrol and Diesel in India would be better for consumers, current tax regime or Goods and Services Tax (GST) regime with current rates?

The study revealed that the application of Goods and Service Tax (GST) on Petrol and Diesel in India would have made the price of these products cheaper for consumers as compared to the current price rates. In the analysis, it has been noticed that with the highest GST slab also i.e. 28% (though it is not reasonable) Petrol and Diesel price would have dropped by almost 20% and 14% respectively. Clearly, current tax regime on Petrol and Diesel has been making the price of these products sky-high in India hence GST regime with current rates would be more beneficial for the consumers.

## **8. Conclusion**

To get the actual meaning of deregulation, the price of these products must be reduced according to the international crude oil market. For the sake of revenue collection, not reducing the price of Petrol and Diesel would not be acceptable. Like other products, price of these products should be uniform throughout the country by taking away these two products from the current tax regime to the GST tax regime. This has resulted in a constant debate on whether the government should reduce taxes to provide relief to consumers or maintain high taxes to generate revenue for developmental projects. Consumers are affected by the hike in the prices of Petrol and Diesel as it increases the prices of other goods and services by increasing the transportation and manufacturing costs. Because, manufacturers or producers always pass production costs on to the consumers hence, consumers face cost-push inflation in the economy. Overall, the pricing of petrol and diesel remains a contentious issue, with various factors influencing the final cost to consumers

### **8.1 Implications of the study**

This research showed its implications by shedding light on the factors contributing to the rising prices of petrol and diesel in India and helped the general public comprehend the reasons behind it. Additionally, the research offered valuable insights for the government and other stakeholders, enabling them to make informed decisions and take appropriate actions. It established a clear connection between the fluctuations in crude oil prices and the subsequent impact on petrol and diesel prices in India. Besides, this paper also evaluated the current tax regime of these two products with GST to prove that how bringing Petrol & Diesel under the purview of GST will benefit the Indian consumers.

### **8.2 Limitations and Future Directions**

Petroleum pricing is a vast subject on a global scale. As pricing of petroleum products is done at Government level, the researcher had to highly depend on the data published by the Ministry of Petroleum and Natural Gas, Government of India for the price of crude oil, petrol and diesel. The study is confined only to two products i.e. petrol and diesel hence the findings of the study cannot be generalized for other petroleum products. The pricing methodology of rest of the products of this industry has been ignored in this study which could be considered as further scope for research in this sector. As currently Petrol and Diesel is out of GST regime, further study can also be carried out on forecasted impact of applying GST on Petrol and Diesel on Government's revenue.

## References

1. Bhattacharya, K., Bhattacharya, I. (2001). Impact of Increase in Oil Prices on Inflation and Output in India. *Economic & Political Weekly*, 36(51), 4735-4741.
2. Rakshit, M. (2005). Oil price shock- some analytical and policy prospective. *Economic and political Weekly*, 40(42), 4434-4496.
3. Basu, A. (2011). Petroleum Pricing- Its impact on Economy of Gujarat. Published PhD. Thesis, Faculty of Arts, The Gujarat University.
4. Report of expert group on A viable and Sustainable System of Pricing of Petroleum Products. (2010). Government of India, New Delhi, 1-79, Available at [www.ppac.org.in](http://www.ppac.org.in).
5. Hussain, P.Z.(2016). A study on anomalies in oil pricing in India. Published PhD. Thesis, Alagappa University, Dr. Zakir Husain College, Karaikudi, India.
6. Tsirimokos, C. (2011). Price and income elasticities of crude oil demand: The case of ten IEA countries. Master Thesis. Department of Economics, Swedish University of Agricultural Sciences, Uppsala.
7. Dai, W., Pan, W., Shi, Y., Hu, C., Pan, W., Huang, G. (2020). Crude Oil Price Fluctuation Analysis Under Considering Emergency and Network Search Data. *Global Challenges*. 4,2000051 (1-9).
8. Petroleum Price, Reference material, Lok Sabha Secretariat, Member's Reference Service, 2013, No.7/RN/Ref./2013,11.
9. Sharma, R., Jayaraj, R., Jain, A.K.(2015).A Review of Petrol and Diesel Pricing Policy in India. *International Journal of Arts, Humanities and Management Studies*, 1(9),87-94.
10. Anand, M. (2012). Diesel Pricing in India: Entangled in Policy Maze. Final Report, National Institute of Public Finance and Policy, New Delhi, 47-50.
11. Sivarajan, A., Mathew, B.P., Gowda, A. et.(2018). Rising Fuel Prices in Bangalore-Causes and Impact. *International Journal of Research and Analytical Reviews*, 5(4),217-219.
12. Prakash, K., Churchill. S.A., Smyth, R. (2020). Petrol prices and subjective wellbeing. *EnergyEconomics*, 1-57.
13. Memon, A. (2015). Petroleum Prices- Trends and its impact on common man with reference to Mumbai. *Episteme: An Online Interdisciplinary, Multidisciplinary & Multi-cultural Journal*, 4(1), 125-128.
14. Gabhane, D., Gabhane, M. (2021). Rising prices of petrol and diesel in India since 2014: An Analytical Study. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 18(7),2309-2318.
15. Sharma, A. (2012). Financial Analysis of Oil and Petroleum Industry. *International Journal of Research in Commerce, IT & Management*, 2, 96-97.
16. Report of the Committee on Pricing and Taxation of Petroleum Products, February 2006.
17. Ready Reckoner report, Snapshot of India's Oil & Gas Data. (2014-22). Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, Govt. of India.
18. [www.ppac.org.in](http://www.ppac.org.in)
19. [www.petroleumbazaar.com](http://www.petroleumbazaar.com)