

**AN ANALYSIS OF THE RELATIONSHIP BETWEEN
TOBACCO TAX AND CONSUMPTION OF CIGARETTE AND
TOBACCO WITH HISTORICAL AND CONTEMPORARY
CIRCUMSTANCES IN SRI LANKAN CONTEXT**

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ABSTRACT

Background

This paper represents the relationship between tobacco tax and tobacco and cigarette consumption in Sri Lanka. Sri Lanka is a developing country in which the tobacco consumption is considerably higher and thus it has faced with several delinquents such as non- communicable diseases etc. There are so many people who die within a year due to direct and indirect consumption of tobacco. Not only among the elderly generation, at present context, tobacco has become popular in youth generation as well. On the other hand the government has taken a number of policy decisions with the intention of discouraging tobacco consumption. Imposition of taxes is one of the key step that has been taken by Sri Lankan government. Therefore it is worthwhile to carry out a research to pinpoint the relationship between tobacco taxes and tobacco consumption in Sri Lankan context.

Methods

This paper surveys recent literature in the areas of tobacco taxes, tobacco consumption, relationship between tobacco consumption and tobacco, implications of usage of the tobacco etc. In order to gather primary data it has been used the quantitative approach and accordingly questionnaires were distributed among randomly selected participants who use tobacco and cigarette. Further to that the interviews have been used as a key method of collecting data and accordingly data has been gathered from selected doctors in Sri Lanka. The data which were gathered thorough questionnaires have been analyzed quantitatively and in view of that SPSS software was used for the purpose of analyzing the data. In this paper, researchers found that recent literature on tobacco and tobacco related products, tobacco taxes, consumption of tobacco and relationship between tobacco taxes and tobacco consumption. After identifying the research gap in the existing literature, the research problem and objectives have been defined.

This exploratory study concluded there is a statistically significance relationship between tobacco tax and consumption of tobacco and cigarette in Sri Lanka.

Keywords: Sri Lankan Government, Tobacco Consumption, Tobacco tax,

INTRODUCTION

Background of the Research

Non communicable diseases have become one of the key concern in countries all over the world. When concern about the root causes for such diseases, tobacco consumption is playing vital role. Yet, tobacco consumption is considerably higher in Sri Lanka irrespective of all the negativities and it can be noted that tobacco products are available in different forms such as cigars, pipe tobacco, snuff and plug. Sri Lankans are spending approximately Rs.208 million on cigarettes per day (Alcohol and Drug Information Centre, 2017). In the Sri Lankan context, it is common to see that people are consuming Beedi which is the cheapest tobacco product in the country.

On the other hand with the intention of discouraging the usage of tobacco and enhancing the revenue to the government, taxes on tobacco has been upsurge during the past few years in far-reaching manner. Among the taxes that have been imposed on the tobacco and relate products, few taxes have been upheld by the manufactures while the rest have been passed to the customers. These taxes has affected to the dramatic increase in the prices of tobacco and as a result of that such price increment has affected to the consumption of the tobacco as well. In a recent study it has been pinpointed that rising the price of tobacco products has been shown to reduce tobacco consumption in the United States and other high-income countries, and evidence of this impact has been growing for low- and middle-income countries as well (Kostova, 2014). When concern about the Sri Lankan context, at present the smoking rate in the country has gone down considerably when comparing to the situation before ten to fifteen years (Gunathilaka, 2017). Yet, it has to be noted that 20,000 to 25,000 people die from smoking even at present irrespective of the higher taxes imposed in Sri Lanka. Thus directing concentration towards tobacco consumption has become a critical aspect in terms of economically as well as socially.

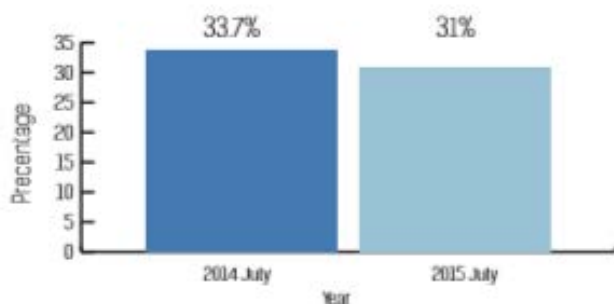
Purpose of the Study

There are number of studies that have been conducted in the context of tobacco consumption and the impact of higher taxes on tobacco made on the consumption of tobacco. Yet, it has to be noted that majority of the studies that have been carried out are based on western and developed countries. Nevertheless Sri Lanka has been considered as a developing country. Not only that the cultural background of the country is different from the western countries to a considerably extent. Thus, the study was conducted with the intention of exploring the impact of taxes laid on tobacco and cigarette on consumption of tobacco in Sri Lanka.

Problem Justification and Problem Statement

Justification of the Research Issue

It can be noted that the government is imposing higher tax rates on tobacco and tobacco related products with the intention of discouraging the tobacco consumption as well as enhancing its revenue. According to the latest survey done in 2016 with regard to the tobacco consumption in the country it could be noted a slight reduction in the level of consumption while comparing to the previous year (Figure 01)



(Alcohol and Drug Information Centre, 2017)

Thus, it is imperative to identify whether such reduction is backed by the increasing tax rates in Sri Lanka being the policy initiatives could be then taken in order to achieve the government objectives on discouragement of tobacco consumption based on such findings.

Problem Statement

There are many researches carried out in the area of tobacco consumption. It has been pointed out that there is a relationship between taxes imposed on tobacco and tobacco related products and the consumption of tobacco.

Having reviewed the relationship that has been pinpointed in such studies, the researchers acknowledges that most of the studies that have been conducted are Western-based. On the other hand all most all the studies have focused on the developed countries. The challenge is to identify the relationship between consumption of tobacco and imposition of tax on tobacco in Sri Lanka. Therefore, the research problem for this exploratory study is stated as follows:

What is the relationship between tobacco tax and consumption of tobacco and cigarette in Sri Lankan context?

Research Questions and Objectives

Research Questions

For the purposes of this study, three research questions were developed and those research questions are:

1. What are the social implications of using tobacco and cigarette in Sri Lanka?
2. What is the trend in tobacco consumption in Sri Lanka?
3. What is the relationship between tobacco tax rates and consumption of tobacco and cigarette in Sri Lanka?

Research Objectives

The overall objective of the study is to pinpoint the relationship between tobacco tax and consumption of tobacco and cigarette in Sri Lanka.

In solving the research problem, the researchers were guided by three objectives as stated below:

1. To identify the social implications of using tobacco and cigarette in Sri Lanka.
2. To identify the trends in tobacco consumption in Sri Lanka.
3. To identify the relationship between tobacco tax and consumption of tobacco and cigarette in Sri Lanka.

Significance of the Study

Tobacco has always become a key concern in all over the world due to adverse effects created by such consumption. But irrespective of such effects including cancers and many other incurable diseases it could be noted that many of people, specially the male population consume cigarettes and other tobacco products. Though smoking was not very common among women in Sri Lanka due to the cultural influence, it could be noted that even certain women has also addicted to smoking due to the westernization of the country. Moreover approximately 20,000 to 25,000 people die in a day due to smoking. Thus it has become a greater social issue in Sri Lanka.

Thus government has taken so many measures with the intention of discouraging usage of tobacco and tobacco related products. Anti-smoking publicity and conducting of awareness program for youth generation and school generation are the key measures taken by Sri Lankan government. Irrespective of such measures still, it could be noted that greater number of people in the world has addicted to smoking in Sri Lanka. Thus, as a preventive measure government has imposed higher

tax rates on tobacco and tobacco related products while making Sri Lanka as one of the country with most expensive tobacco products in the Asian region.

Nevertheless, it could be noted that the evaluations done on such policy decisions to pinpoint the effectiveness of such policies is at a very lower level in Sri Lankan context. In view of that, the study will assist to identify whether such higher taxes in fact have able to discourage the consumption of tobacco. If the answer is yes, the government will be able stricken its policies in such a way to further reduce the consumption level. On the other hand if higher tax rates are not effective in achieving the lower consumption level, the study will assist the government to look in to alternatives policies which are more effective.

On the other hand the study also has a value in social and cultural context as well. Sri Lanka is a country which value non-smoking due its cultural background. Thus, the study will assists to develop effective policies in discouraging the use of tobacco and tobacco related products. In view of that the study will also assist to diminish the level of non -curable diseases such as lung cancers etc. Further to that, if the taxes play an effective role in discouraging the use of tobacco, the government could further increase its tax rates on tobacco and with that it will be able to increase its tax income as well.

Thus this study will have economic, social and cultural value if the findings will be used wisely and effectively.

LITERATURE REVIEW

Tobacco consumption

Tobacco products are offered to the customers in variety of forms including cigarettes, fine cut tobacco, cigars, pipe tobacco, chewing tobacco, snuff and plug. Not only that, there is a considerable increment in the usage of illicit tobacco in the recent past as well. Nevertheless, out of the total demand for tobacco related products, cigarettes contribute to 95% of total consumption (Department of Finance, Canada, 2013). One in four school children and one of the three young adults are currently smoking (Berman, 2012).

When concern about the Sri Lankan context, approximately 1.5 million of people smoke about 11 million cigarettes on daily basis (Gunathilaka, 2017). Nevertheless it was stated that the consumption of cigarettes in Sri Lankan context has gone down significantly when comparing to the previous years. This was highlighted in a recent study conducted and accordingly it was mentioned in 2014 the tobacco consumption was 33.7% while it has been dropped down to 31% in the following year (Alcohol and Drug Information Centre, 2017).

Effects of the consumption of tobacco

Tobacco and tobacco related products are one of the main reason for non-communicable diseases in the world. According to ADIC, 20,000 to 25,000 Sri Lankans die from smoking and smoking related health issues in Sri Lanka (Alcohol and Drug Information Centre, 2017). Further to that it was stated that 10% of them die as a result of passive smoking and third hand smoking. A recent study has pinpointed that the Nicotine, one of the main compound in cigarettes creates effect on human body and thus it stimulates the production of catecholamine while creating various adverse effects on the human health. Such effects could include increase in the heart rate, elevated blood pressure, increased peripheral vascular resistance, increase fibrolytic and platelet activity, impaired immunity increases the risk for lung infection, increased risk of fractures etc. (Sevinsky, 2010). Another study conducted on the same subject matter has highlighted that smoking and consumption of other tobacco related products would lead to many long term diseases such as lung cancer, cardiovascular disease etc. (Berman, 2012).

Imposition of tax on tobacco

Due to the adverse side effects created by consumption of tobacco, most of the countries have taken steps to discourage the use of tobacco. Such steps consists of anti smoking publicity, advertisement of side effects of the smoking and imposition of higher tax rates. These steps have also been taken

by the Sri Lankan government as well. A separate act has been passed with the intention of establishment of separate authority which is National Authority on Tobacco and Alcohol which has the responsibility of assist in developing alcohol policy, recommend measures to minimize the harm arising from the consumption of tobacco products and alcohol products, recommend legal, taxation, administrative and other measures necessary for the implementation of the National Policy on Tobacco and Alcohol etc. (Government Publication Department, 2006). The taxes on tobacco related products have been upsurge continuously by Sri Lankan government with the intention of discouraging the tobacco consumption in the country. Further it intends to provide a positive contribution to the Sri Lankan budget deficit as well.

A 43% increase in the price of cigarettes by the way of higher tax rates in October 2016 effectively meant that Sri Lankan cigarettes are now the second most expensive in the entire Asia Pacific region (Fernando, 2017). Nevertheless it further stated that though the Sri Lankan government has taken so many steps to discourage tobacco consumption those have been focused only on the legal tobacco industry, which already complies with the existing laws and regulations in the country and contributes to the Government's tax revenues as the largest corporate contributor. Hitherto, beedi production and consumption is essentially unaccounted for by Government authorities and advocates for the anti-tobacco movement, despite the large percentage of the tobacco market captured by beedi (Fernando, 2017). Further it was stated that the tax on tobacco contributes to 7% of the total tax revenue and moreover the total tax on tobacco has increased in 2016 to Rs.80.4 billion from Rs. 66 billion in 2015. The taxes on tobacco consists of higher income tax, value added tax, import duties, excise duties etc. in the Sri Lankan context.

Relationship between tobacco tax and consumption of tobacco

A study that has been conducted on Latin American countries has pinpointed that cigarette prices have a negative and statistically significance effect on consumptions of the cigarette (Guindon, 2015). Further the study has highlighted that the increase in tobacco prices is an effective mean of discouraging the tobacco consumption in Latin America. One of the major expectation of imposition of the tobacco taxes is to discourage the younger generation from smoking (Department of Finance, Canada, 2013). A recent study has highlighted that Taiwan has made major progress in tobacco control by taxation, the implementation and enforcement of clean air laws, restrictions on advertising by tobacco manufacturers, anti-smoking media campaigns, school education programmes, health warning labels, the implementation and enforcement of youth access laws, and taxation on cigarette products. Yet, out of all the policies it has been identified that the higher tax rate is more effective than others (Lee, 2016).

Though most of the studies have indicated that the consumption of cigarette is directly linked with the price of such product, a study conducted by Finance Department of Canada has highlighted that it could be affected by several other factors as well. Such factors may include price of substitute products, population, education level, social status, advertisement on tobacco related products, anti-smoking publicity, smoking bans introduced by the government, health consciousness of the individuals, income level and the degree of addiction to such products etc. (Department of Finance, Canada, 2013). This has been put forward in another study as well. In view of that it has been noted the gender, urbanity, education level and wealth are the factors that could affect to the tobacco consumption other than the price of the products (Kostova, 2014). Accordingly it is not fair to attribute entire behavior of tobacco consumption to the price of such products which is affected by the taxes imposed being the other factors that have been mentioned above are also put a pressure on the consumption (Chaloupka, 2005). Further the same study has found that the price elasticity of the demand for tobacco is more elastic in the short run.

While confirming the findings of such study, a recent study on the same subject matter has highlighted that the smokers initially react to the higher prices backed by higher taxes by reducing the smoking level or in extreme cases by quitting from smoking (Guindon, 2015). Nonetheless, in the long run, it becomes more inelastic in nature. That is because in the long run, the smokers addict in to tobacco consumption and as a result they are not able to reduce or quit from the consumption (NCD Allience, 2015). On the other hand a recent study has brought in to the attention that higher prices of tobacco could discourage the consumption of youth generation, yet evidence that tobacco taxes reduce adult smoking is relatively sparse (Callison & Kaestner, 2012).

Further to that it has been highlighted, the way people respond to the higher prices is also affected by the age and socioeconomic group as well (Townsend, 2006). It was stated that the most effective tactic to monitoring and controlling the spread of tobacco use is through policies that straightly diminish the demand for it. Though there are many effective methods of achieving such objective such as advertising bans to public smoking prohibitions, the most compelling and cost-effective alternative for governments all over the world is the simple elevation of tobacco prices by use of consumption taxes (World Health Organization, 2017).

Though there are many researches have been carried out in the context of relationship between tobacco tax and the consumption of tobacco, it was notorious majority of these studies have been conducted primarily on Western economies. But it is important to note that tobacco tax is considerably higher in developing economies like Sri Lanka. Further the initiatives taken by government to discourage tobacco consumption is also at a greater level. On the other hand findings of Western countries may not equally applicable to Sri Lanka due to the cultural and structural

dissimilarities. Therefore, the purpose of this research is to bridge the research gap on the relationship between tobacco tax and tobacco consumption in Sri Lanka.

Scope of the Study

The scope of the study has been limited to those who use tobacco and tobacco related products in Maharagama and Nugegoda area in Sri Lanka. The scope has been limited to those areas due to the information accessibility. Further the study has been limited to the impact of tax on tobacco and cigarette and thus other tobacco related products have been excluded from the scope of the study.

Limitations of the Study

The main limitation of the study is the focus only on tobacco and tobacco related products users in the area of Nugegoda and Maharagama. Therefore this study does not address the impact on tobacco taxes on the consumption of tobacco products in rural areas. On the other hand this is a study to determine the relationship between tobacco taxes and the consumption, so the findings do not apply for other countries with different economic and cultural backgrounds.

The sample size of the study was too small. The findings of the research have been limited to the particular areas in which the study had been carried out. The viewpoints are varying and difficult to generalize based on the age, income level and gender of the participants/ also their views may be varying according to the situation. Some participants will reluctant to express their views regarding the subject matter, because they may not want to expose real scenarios. Therefore some responses will be misleading. As a result there is a reasonable doubt arose that whether all the information disclose and expresses are exactly accurate and reliable.

Thus the research could be strengthened by using a sample comprising a more diverse set of areas in Sri Lanka. Future research should collect data on a longitudinal basis to help draw causal inferences and to validate the findings of this research.

RESEARCH DESIGN AND METHODS

Overview

This section includes an account of the conceptual diagram, population, sample, data collection procedures, data management, data analysis strategies and ethics and human subject issues. In order to generate data of appropriate range and depth, questionnaires are expected used among selected participants to the survey.

Research Approach

The deductive approach will be used as a research approach to the study by which the assumptions will be tested for its validity.

Population and Study Sample

Population of this study contained all the people who consumed tobacco or tobacco related products in the year of 2018 who lives in the area of Nugegoda and Maharagama, Sri Lanka. The reason for the selection of Nugegoda and Maharagama for this study is due to the information accessibility. The study sample of 100 participants was generated by using stratified sampling methods. Accordingly the sample will be consists of 50 participants from Nugegoda and 50 participants from Maharagama.

Conceptual Diagram

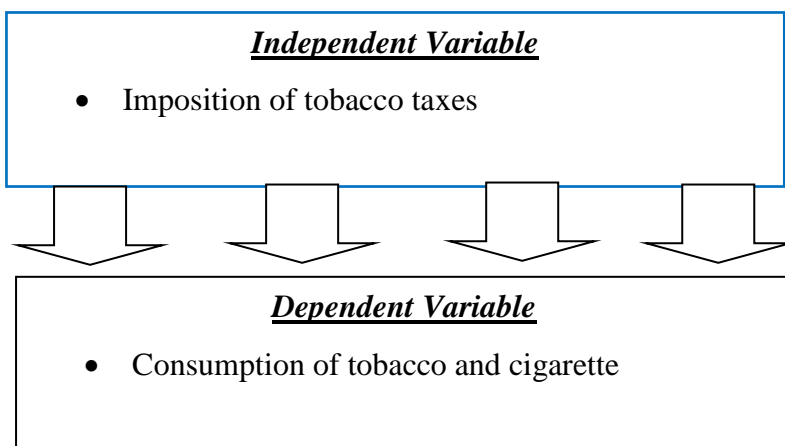


Figure 1: Conceptual diagram

Hypotheses

The purpose of the study is to identify the relationship between tobacco taxes and tobacco and cigarette consumption in Sri Lanka. Thereby it was anticipated to figure out to what extent the various taxes could discourage the use of tobacco products among the people. In view of that, following hypothesis were tested in the study.

Hypothesis 1:

H₀= There is no relationship between tobacco tax and tobacco and cigarette consumption in Sri Lanka.

H₁= There is a relationship between tobacco tax and tobacco and cigarette consumption in Sri Lanka.

Operationalization

Tobacco tax include exercise duty. This was measured by comparing the above tax rates over 5 years covering the period from 2013 to 2017.

Tobacco consumption- The tobacco consumption level covers only the consumption of tobacco and cigarette. The consumption over five years was considered covering the period of 2013 to 2017.

Sample Size and Selection of Sample

100 participants are considered as the sample for this study. Again the sample is divided into 50 participants from Nugegoda area and 50 participants from Maharagama area. The 50 sample of participants again sub divided into 45 male participants and 5 female participants. Researchers want to identify whether there is any statistically significant relationship between gender and the consumption of tobacco after considering the impact of imposition of higher taxes on tobacco and tobacco related products. The sample was selected using the stratified sampling technique. Further five doctors have been selected for the purpose of gathering data from the interviews. Doctors were selected based on convenient sampling technique and thereby the base was the information accessibility.

Sources and Collection of Data

Researchers are anticipated to use both primary and secondary data for the purpose of achieving objectives as defined above. The primary data was used to bridge the research gap in the existing literature. In view of that the main source of data is the data which collected from questionnaires which was collected among the people who consume tobacco and tobacco related products. Further to that the data gathered from interviews conducted with the doctors have also been considered as main source of data/ Other than that, many academic journals and articles were used as sources of

data. Accordingly the secondary data sources were mainly consists of articles and periodicals on taxes imposed on the tobacco and tobacco related products in Sri Lanka and the financial reports and other published reports by manufactures of tobacco and tobacco related products in Sri Lanka.

When concern about the collection of data, it is expected to designed a questionnaire for the purpose of collecting primary data from the selected participants. In the first section of questionnaire is designed to collect demographic information such as gender, age, occupation and home town etc. From next part onwards it is being asked the questions in relation to consumption of the tobacco, impact of taxes on their consumption etc. Above and beyond the information gathered from the questionnaires it is anticipated to use a number of documents available in the university web sites as the secondary data source as explained above.

Data Analysis Strategies

Secondary data, which were collected through a comprehensive review of literature as detailed in the literature review of this proposal, analysed to identify gaps in the existing body of knowledge on the issues pertinent to the research topic. Further it was used in order to obtain a comprehensive understanding on current tax system relating to tobacco and tobacco related products. The research gaps identified were used as a basis for developing the relevance of the research problem and developing the research.

Primary data was collected using questionnaires and analyse quantitatively. Accordingly the SPSS software was used to analyze the gathered data. The SPSS software is one of the best soft wares to analysis data, especially in quantitative nature. For all demographic questions it was used frequency analysis. The factor analysis also used appropriately. More prominently it was carried out parametric and non- parametric analysis as applicably to ascertain the significance relationships in the collected data. Other than that reliability test, t- tests, post hoc tests, regression analysis also were tested.

DATA ANALYSIS

Chapter overview

The chapter includes a discussion on findings of the survey. It is based on the results of the survey conducted with the 100 participants who represent the people who smoke in Maharagama and Nugegoda area. Their views represent the relationship between tobacco consumption and tobacco taxes. Further to that interviews were conducted to obtain insight in to the tobacco consumption with selected doctors. In addition to that secondary data sources have been used for the purpose of analyzing taxes applicable to the tobacco in Sri Lankan context.

Descriptive statistics of the participants

Descriptive analysis was carried out get an understanding regarding the characteristics of participants. Accordingly, it was identified that 10% of the participants are female and 90% of the participants are male participants. In analyzing the area of living of the participants, it was noted that the 51% of them are from Nugegoda whereas 49% of them are from Maharagama. The income level of the respondents were inquired and accordingly it was noted that the majority of the participants were in the income category between Rs. 100,001 to Rs. 150,000. Further to that 19% of them are in the income level which is below Rs. 50,000. 20% have mentioned that they are earning in between Rs. 50,001 to Rs. 100,000. Only 25% of the participants are earning more than Rs. 150,001. The participants were asked to comment on the earners in their families. Accordingly 41% of them have stated that the respondents is the only person who earn income in the family. The same percentage have stated that the respondent and his/ her spouse are the earners. Further 11% have stated that the respondent and parents earn income while only 7% have stated that the respondent, parents and wife earn income. Further it was noted that 56% of the respondents are married while 44% of them are single. When concerning about the age category of those who participated to the survey it was noted that majority of them are in 22-32 range (47%) and 11% of them are in the age category of 33-43. Nevertheless, only 24% of respondents are above 44 years. In analyzing the educational level, it was noted that 33% of them have only GCE O/L while 39% of them have completed GCE A/L. Nevertheless only 21% of them have completed their first degree whereas only 7% of them have a MBA or PhD.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	10	10.0	10.0	10.0
	2	90	90.0	90.0	100.0
	Total	100	100.0	100.0	

Table 1: Gender of the participants

Area of living

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Nugegoda	51	51.0	51.0	51.0
	Maharagama	49	49.0	49.0	100.0
	Total	100	100.0	100.0	

Table 2: Area of living of the participants

Income level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below Rs. 50,000	19	19.0	19.0	19.0
	Between Rs. 50,001 to Rs. 100,000	20	20.0	20.0	39.0
	Between Rs. 100,001 to Rs. 150,000	36	36.0	36.0	75.0
	Above Rs. 150,001	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

Table 3: Income level of the participants

Earners of the family

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Only me	41	41.0	41.0	41.0
Me and my wife	41	41.0	41.0	82.0
Me and my parents	11	11.0	11.0	93.0
Me, wife and parents	7	7.0	7.0	100.0
Total	100	100.0	100.0	

Table 4: Income earners of the participants

Educational Level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid GCE O/L	33	33.0	33.0	33.0
GCE A/L	39	39.0	39.0	72.0
First Degree	21	21.0	21.0	93.0
MBA/ PhD	7	7.0	7.0	100.0
Total	100	100.0	100.0	

Table 5: Educational level of the participants

Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	56	56.0	56.0	56.0
Single	44	44.0	44.0	100.0
Total	100	100.0	100.0	

Table 6: Marital status of the participants

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 21	18	18.0	18.0	18.0
	22- 32	47	47.0	47.0	65.0
	33-43	11	11.0	11.0	76.0
	Above 44	24	24.0	24.0	100.0
	Total	100	100.0	100.0	

Table 7: Age of the participants

Consumption of tobacco

The respondents were asked to comment on the consumption of tobacco and descriptive analysis was conducted to obtain understanding about the behaviour of the participants. Accordingly it was noted that majority of them mostly prefer to consume Cigarettes (47%). Further to that 28% have mentioned that they prefer to consume Beedi whereas only 7% have stated that they like to consume Pipes. On the other hand 18% of the respondents have stated that they prefer to consume other tobacco products.

Types of products that participants mostly prefers to consume

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cigarettes	47	47.0	47.0	47.0
	Beedi	28	28.0	28.0	75.0
	Pipe	7	7.0	7.0	82.0
	Other tobacco products	18	18.0	18.0	100.0
	Total	100	100.0	100.0	

Table 8: Types of products that participants mostly prefers to consume

Moreover they were asked to comment on number of products that they consume on daily basis. Accordingly the findings indicate majority of the respondents (35%) consume 2-5 tobacco products

per day. While 15% consume only one product per day, 28% consume 6-8 products during a day. Surprisingly 22% of the participants have stated that they consume more than 8 products per day.

How many products do participants consume on daily basis

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Only 01	15	15.0	15.0	15.0
2-5	35	35.0	35.0	50.0
6-8	28	28.0	28.0	78.0
Above 8	22	22.0	22.0	100.0
Total	100	100.0	100.0	

Table 9: Number of products participants consume on daily basis

The respondents commented on the way they find money to buy the tobacco products. Accordingly it was noted that 50% of them use their own money while 24% of them have indicated that they ask money from their parents. 9% of the respondents get money from their friends while the rest find any other means to find money.

How do you find money to buy the products

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid My own money (earned by myself)	50	50.0	50.0	50.0
Get money from my parents	24	24.0	24.0	74.0
Get money from my friends	9	9.0	9.0	83.0
Any other	17	17.0	17.0	100.0
Total	100	100.0	100.0	

Table 10: Income source of participants to buy the products

In analyzing since when the respondents started smoking, it was noted that only 18% have started the smoking one year ago. Nevertheless 47% have been smoking 2- 4 years. Nevertheless 11% have

pinpointed that they have started smoking 5-8 years ago. Surprisingly 24% have stated that they have started smoking more than 8 years ago.

Since when have you started smoking

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid One year ago	18	18.0	18.0	18.0
2-4 year ago	47	47.0	47.0	65.0
5-8 year ago	11	11.0	11.0	76.0
Above 8 years ago	24	24.0	24.0	100.0
Total	100	100.0	100.0	

Table 11: Time since participants have started smoking

Tobacco consumption and tax

A descriptive analysis was carried out to draw attention to the general idea of participants on taxes and tobacco consumption. Accordingly, it was noted that the respondents are aware of the higher taxes imposed on tobacco and related products (Mean value- 1.63). Further they have commented that they are aware of the negative impact of tobacco on their health as well (mean value- 1.66). When inquired about whether they are willing to reduce the tobacco consumption if the government further increases the tax rates, they have majority of them have agreed to it with the mean value of 1.63. Nevertheless, at the movement they have reduced their other spending to secure the spending over tobacco and tobacco related products when the prices of tobacco products were increased (Mean value- 1.63). Further they have commented that when the government increases the taxes on tobacco, it affected significantly on their spending pattern (mean value- 1.66). Moreover it was noted that their families have forced them to stop the smoking (mean value -1.66). When they were asked whether they can stop the smoking if government further increases the tax on tobacco and whether will reduce other spending to secure the spending over tobacco and tobacco related products if the prices of tobacco products will be increased the participants have shown a neutral behaviour (mean value- 3.07).

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I am aware of the higher tax rates imposed on tobacco related products by Sri Lankan government	100	1	5	1.63	.800
I will reduce the spending on tobacco if the government further increase the tax rates	100	1	5	1.63	.800
I have reduced my other spending to secure my spending over tobacco and tobacco related products when the prices of tobacco products was increased.	100	1	5	1.63	.800
I am aware of the negative impacts of tobacco on my health level	100	1	5	1.66	.831
When the government increases the taxes on tobacco, it affected significantly on my spending pattern	100	1	5	1.66	.831
My family force me to stop smoking	100	1	5	1.66	.831

I reduced my tobacco consumption once the tax rates were increased by the government	100	1	5	1.66	.831
I can't stop smoking even if the prices are increased by the government	100	1	5	3.07	1.451
I will reduce other spending to secure my spending over tobacco and tobacco related products if the prices of tobacco products will be increased.	100	1	5	3.07	1.451
I am suffering from the diseases caused by tobacco	99	1	5	3.17	1.429
I have other personal commitments which I have to fulfil in financial terms	100	1	5	3.18	1.424
I am giving priority to smoking over other personal commitments	100	1	5	3.18	1.424
Valid N (listwise)	99				

Findings of the interview

The section analyses the responses given by participants for the open ended questions which have been developed with the view of obtaining insights of the participants with regard to tobacco consumption in Sri Lanka.

With the intention of identifying social implications of smoking they were asked to comment on the long term health effects of using tobacco. Accordingly it was noted that tobacco consumption will lead to number of diseases including mouth cancers, Oesophagus, Carcinoma, Lung cancer, Bowel cancer, Respiratory diseases, Asthma, Vessel blocking, Heart diseases, Peripheral vascular diseases etc. On the other hand, it was pinpointed that out of various tobacco products Bidi cigarettes and cheroot are worse than cigarettes as those products haven't either filter or something which reduces the effects. In addition to that the interviewee was asked to explain regarding health problems relating to exposure to second hand smoke. Accordingly it was explained that second hand smoke in the sense is the effect that is impacted to the other people who are in the surrounding of the smokers such as family members, friends and any other person who is closer to. As per the explanation, the second hand smoking will also create number of health issues including heart diseases, tuberculosis, wheezing, Lung carcinoma, Respiratory allergic conditions, Bronchiectasis, and cancers. In analyzing the reasons for addiction to the tobacco, the participants pinpointed various reasons for such addicting including isolation, effects of the peer groups, idea generation (e.g.: artists think that they have more capacity to think when they are used to tobacco related products), to be highlighted in the society and the family background (e.g.: if father uses). Further it was highlighted that nicotine is a form of addiction as well.

The doctors were asked to where a person should go for seeking advices if such person is addicted to tobacco. Accordingly it was explained that if a person feel the urge to smoke, such person should go to any hospital as those hospitals provide the required consultancy services. In addition to that they can go to health units, Tobacco prevention units established in the hospitals, Centre for Combating Tobacco (CCT), family advisors or closer associates. The doctors were asked to comment on whether there is a safer way to smoke tobacco and are menthol cigarettes safer than without menthol. Nonetheless they did not agree with the statement and accordingly they have mentioned that the menthol cigarettes are not good for health as it increases the favor for cigarettes more than normal cigarettes having the same impacts as normal cigarettes. Therefor doctor urged that it is not a solution for tobacco consumption.

In obtaining insight of the doctors towards tobacco tax and consumption of tobacco it was noted that majority of them agreed that the tobacco tax or the increased price of the tobacco products are effective means of reducing consumption. Nevertheless they have pinpointed that it is not the only way to reduce the consumption 100%. They have mentioned that there are various steps that have been taken to enhance the tobacco consumption by respective manufacturers irrespective of the Sri Lankan taxes. For instance it was pinpointed the sponsorships granted by manufacturers to film directors to promote tobacco related products by using famous actors in Sri Lanka. Nonetheless

they have agreed that taxation has been playing a major role for reducing the consumption in Sri Lanka. On the other hand a doctor has stated that tax is a good action, yet not the best. Accordingly he has pinpointed that once the person addicted such person tries to consume tobacco irrespective of the taxes. This may cause many social problems when such person put effort to find money for buying tobacco related products. In view of that it was mentioned the better option is the prohibition of importing and steps taken to rehabilitate the addicted fellows.

Further to that they were asked the cultural changes which are required to be achieved to discourage the tobacco consumption other than the steps taken by taxation authorities. Accordingly it was noted that since Sri Lankans have been used to tobacco related products such as Bidi, cheroot as well as beetles leaves with dried tobacco leaves, it has been really difficult to change the mindset of the people in contemporary situations in order to eliminate fully. Nevertheless if the closer people could explain them the consequences and harmful effects of such products to the addicted persons, there would be a more effective implications to get him/her rid of tobacco consumption. On the other hand it was highlighted that female smoking has been a cultural pattern in high class society and accordingly they should be educated on the effects of smoking to discourage the consumption. Further they recommended the use of medicinal smoking as alternative for addicts. In addition to that the professional and occupational support should be given to them and family support is also essential in quitting the smoking.

Discussion of findings

From the descriptive analysis of the survey, it was noted that majority of the participants who consume tobacco are male and they are in the income level between Rs. 50,001 to Rs 100,000. Due to the cultural influence still there is a lower level of female addiction to the smoking comparing with other western countries. On the other hand it was noted that majority of the smokers have GCE A/L and O/L education level. The people who are having first degree or MBA shows less tendency to addict to smoking.

When concern about the types of product that they consume, it could be noted that the majority of the people consume cigarette and it was noted that majority of them have addicted to smoking being they are consuming more than 6 cigarettes per day. On the other hand the people aware of the tobacco taxes and they also aware of the negative implications of the tobacco consumption. Further it was noted that they have not reduced the consumption due to the increase in the taxes. This might be due to the fact that majority of them are earning more than Rs. 50,000 per month. Nevertheless, it has been mentioned that if the government further increases the taxes the people will reduce the

consumption of tobacco. Accordingly it could be noted that up to particular level, the consumers are not willing to reduce the consumption being they can afford the tax level with the income that they are earning. Nevertheless, the further increases in the taxes will discourage the consumption of tobacco.

The people addict to tobacco mainly due to nicotine which is included in such products. On the other hand there are various other factors which lead people to addict to tobacco including loneliness, family background, effects of the peer groups and social influence. When concern about the social implications of tobacco consumption it was noted that the tobacco have created number of health issues being it is a root cause for various diseases including mouth cancers, Oesophagus, Carcinoma , Lung cancer, Bowel cancer, Respiratory diseases, Asthma, Vessel blocking, Heart diseases, Peripheral vascular diseases etc. On the other hand it was pinpointed that the second hand smoking has also become a major problem being it could result in various health issues including heart diseases, tuberculosis, wheezing, Lung carcinoma, Respiratory allergic conditions, Bronchiectasis, and cancers. In analyzing the effectiveness of the taxes in discouraging the tobacco consumption, it was noted that professionals in the field did not see tobacco tax as the only one method of discouraging the tobacco consumption. It is one method, yet not the best method being if a person addicts to tobacco there is a tendency that such person somehow find money buy tobacco irrespective of the higher prices.

According to the Central Bank of Sri Lanka, the demand for tobacco has come down in 2013 due to the higher excise taxes on cigarettes resulting in higher cigarette prices and public health concerns relating to tobacco consumption. Further it was noted that the output of tobacco sub sector has been dropped by 9% in 2014 in comparison with 2013 mainly due to the drop in demand. Such reduction was due to the higher cigarette price resulting from increase of excise duties on tobacco. Nevertheless in 2015, there is a contradictory trend in tobacco consumption. Accordingly the tobacco production indicated a year-on-year growth of 8.9 per cent during 2015. The reason for such behaviour is the increase in demand for the tobacco products due to the increase in income level. Nevertheless, during the fourth quarter of 2015, the subsector experienced a contraction of 6.1 per cent mainly due to the upward revision of cigarette prices resulting from the increase in excise duty and also due to the impact of the government regulation on compulsory display of 80 per cent pictorial warnings on cigarette packages. Continuing the same trend, there was a reduction of 3.2% of tobacco production in 2016 and such reduction was backed by the increase in excise duties during the latter part of 2015 and further price increases during 2016. The price of cigarettes rose between 45.0 to 100.0 per cent, depending on the brand, in 2016. The last increase in November 2016 was as a result of the application of a 15.0 per cent VAT on tobacco products. When concern

about the behaviour in 2017, it was noted that the same trend has been maintained and such reduction of tobacco consumption was greatly backed by the higher tobacco taxes.

Category	2011 Jan	2011 Oct	2012 Mar	2012 Oct	2013 July	2014 Oct	2015 Oct	2016 Oct
Cigarettes each not exceeding 60mm in length (eg. CAPSTAN, THREE ROSES)	3,465	3,465	4,037	4,612	5,722	6,975	6,975	11,675
Cigarettes each exceeding 60mm but not exceeding 67mm in length (eg. FOUR ACES)	6,973	7,540	8,112	9,258	10,355	12,675	12,675	17,375
Cigarettes each exceeding 67mm but not exceeding 72mm in length (eg. PALL MALL)	9,811	10,381	10,953	12,100	12,100	14,660	14,660	20,500
Cigarettes each exceeding 72mm but not exceeding 84mm in length (eg. GOLD LEAF)	12,108	13,243	13,815	14,963	16,610	21,610	23,750	30,500
Cigarettes each exceeding 84mm in length	15,000	16,400	17,100	18,500	20,000	25,100	27,240	34,250

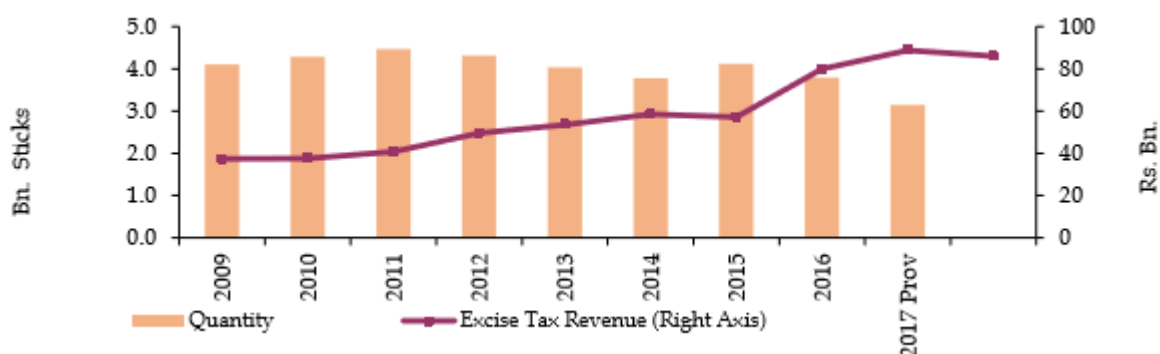


Figure 2: Department of Fiscal policy- Exercise tax on tobacco

The figure indicates the exercise duty revision on Cigarettes per 1000 sticks. It has been shown that the duty has been increased gradually over the period. On the other hand the production of tobacco has decreased in 2017 in comparison with 2009. As explained above the lower production is due to the lower demand and the higher prices backed by the higher duties has discouraged the tobacco consumption among people.

CONCLUSION AND RECOMMENDATION

Non communicable diseases have become one of the key concern in countries all over the world. When concern about the root causes for such diseases, tobacco consumption is playing vital role. Yet, tobacco consumption is considerably higher in Sri Lanka irrespective of all the negativities. On the other hand with the intention of discouraging the usage of tobacco and enhancing the revenue to the government, taxes on tobacco has been upsurge during the past few years in far- reaching manner. Among the taxes that have been imposed on the tobacco and relate products, few taxes have been upheld by the manufactures while the rest have been passed to the customers. Yet, it is imperative to pinpoint relationship between tobacco taxes and tobacco consumption.

The document has been compiled with the findings on relationship between tobacco consumption and tobacco taxes. The research was carried out in the area of Nugegoda and Maharagama area due to information accessibility with 100 randomly selected sample representing people who use tobacco and tobacco related products. A questionnaire was designed to distribute among selected participants to gather data where the gathered data was analysed using SPSS software in a quantitative manner. On the other hand the interviews were carried out to obtain more insight in to the tobacco consumption among the people. However it has to be noted that the research is subjected to certain limitations including generalization of the findings among all the people who consume tobacco products in Sri Lanka due to the difference in gender, education level, wealth level, cultural background etc.

The results indicated that there is a negative relationship between tobacco consumption and the tax rates on tobacco in Sri Lanka. Nevertheless it is not the only and best way to discourage the consumption. When a person is addicted to tobacco, he/ she will not reduce the consumption unless exercise duties considerably affect to their spending pattern. Yet after a certain level, they will reduce the consumption. On the other hand during the period from 2013 to 2017, the tobacco tax rate has gone up and the consumption has dropped significantly due to the higher prices. Thus it can be concluded that there is negative relationship between tobacco tax and tobacco consumption.

Further to the taxes, steps need to be taken in order to discourage the consumption of tobacco being it is not the only method to discourage the consumption. If a person addicts to smoking he/ she should obtain advices to get rid of such habit. Accordingly there are number of occasions including health units, Tobacco prevention units established in the hospitals ,Centre for Combating Tobacco (CCT), family advisors or closer associates in seeking advices. The family of such addicted people has a greater responsibility of educating them regarding negative implications of tobacco consumption. . Further to that, it is recommended to use of medicinal smoking as alternative for

addicts. In addition to that the professional and occupational support should be given to them and family support is also essential in quitting the smoking.

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APPENDICES

Appendix 1: Questionnaire

AN ANALYSIS OF THE RELATIONSHIP BETWEEN TOBACCO TAX AND CONSUMPTION WITH HISTORICAL AND CONTEMPORARY CIRCUMSTANCES IN SRI LANKAN CONTEXT

This questionnaire is only for the use of information in the academic module of Research methodology which is coming under the degree program of B.Sc. Accounting (Special) Degree part IV of the University of Sri Jayewardenepura.

The questionnaire was designed to find out about the relationship between tobacco taxes and consumption of tobacco products in Sri Lanka. We would be very grateful if you could complete the questionnaire below and provide your honest answers. The information will be only used for the academic purpose and we ensure the confidentiality of information provided by you.

Demographic

1. Gender

Female ☐ Male ☐

2. Area of Living

Nugegoda ☐ Maharagama ☐

3. Income level (Monthly)

Below Rs. 50,000	<input type="checkbox"/>
Between Rs. 50,001 to Rs. 100,000	<input type="checkbox"/>
Between Rs. 100,001 to Rs. 150,000	<input type="checkbox"/>
Above Rs. 150,001	<input type="checkbox"/>

4. Earners of the family

Only me	<input type="checkbox"/>
Me and my wife	<input type="checkbox"/>
Me and my parents	<input type="checkbox"/>
Me, wife and parents	<input type="checkbox"/>

5. Educational level

☐

GCE O/L	<input type="checkbox"/>
GCE A/L	<input type="checkbox"/>
First Degree	<input type="checkbox"/>
MBA/ PHd	<input type="checkbox"/>

6. Marital Status

Married	<input type="checkbox"/>	Single	<input type="checkbox"/>
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7. Age

Below 21	<input type="checkbox"/>
22- 32	<input type="checkbox"/>
33-43	<input type="checkbox"/>
Above 44	<input type="checkbox"/>

Tobacco Consumption

8. What are the types of products that you mostly prefers to consume?

Cigarettes	<input type="checkbox"/>
Beedy	<input type="checkbox"/>
Pipe	<input type="checkbox"/>
Other tobacco products	<input type="checkbox"/>

9. How many products do you consume on daily basis?

Only 01	<input type="checkbox"/>
2- 5	<input type="checkbox"/>
6-8	<input type="checkbox"/>
Above 8	<input type="checkbox"/>

10. How do you get money to purchase those products?

My own money (earned by myself)	<input type="checkbox"/>
Get money from my parents	<input type="checkbox"/>
Get money from my freinds	<input type="checkbox"/>
Any other (Please specify below)	<input type="checkbox"/>

.....

11. Since when have you started smoking?

One year ago	<input type="checkbox"/>
2-4 year ago	<input type="checkbox"/>
5-8 year ago	<input type="checkbox"/>
Above 8 year ago	<input type="checkbox"/>

12. Percentage of spending of monthly income over tobacco products

Less than 10%
 10% to 15%
 16% to 20%
 21% to 25%
 26% to 30%
 Above 31%

☐
☐
☐
☐
☐
☐

Implication of higher tax rates on tobacco consumption

Please indicate the extent of your agreement or disagreement with the statement.

1- Strongly agree

2- Agree

3- Neither Agree nor Disagree

4- Disagree

5- Strongly Disagree

1	I am aware of the higher tax rates imposed on tobacco related products by Sri Lankan government	1	2	3	4	5
2	I am aware of the negative impacts of tobacco on my health level	1	2	3	4	5
3	I am suffering from the diseases caused by tobacco	1	2	3	4	5
4	When the government increases the taxes on tobacco, it affected significantly on my spending pattern	1	2	3	4	5
5	I have other personal commitments which I have to fulfil in financial terms	1	2	3	4	5
6	I am giving priority to smoking over other personal commitments	1	2	3	4	5
7	My family force me to stop smoking	1	2	3	4	5
8	I reduced my tobacco consumption once the tax rates were increased by the government	1	2	3	4	5
9	I will reduce the spending on tobacco if the government further increase the tax rates	1	2	3	4	5
10	I can't stop smoking even if the prices are increased by the government	1	2	3	4	5
11	I have reduced my other spending to secure my spending over tobacco and tobacco related products when the prices of tobacco products was increased.	1	2	3	4	5
12	I will reduce other spending to secure my spending over tobacco and tobacco related products if the prices of tobacco products	1	2	3	4	5

	will be increased.					
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Thank you for your kind incorporation



University of Sri Jayewardenepura
B.Sc. Accounting (Special) Degree Programme Year IV – Semester I

Knowledge Seeking and Learning to Learn (KSLL) Sub-unit of ACC 4321: Skill Development of
Intern Accountants'

Record of Meeting the Supervisor - I

This record is required to be submitted at the end of each meeting to your supervisor and remarks and signature of him/her should be obtained. The group leader should maintain this record, and at the end of the Year IV – Semester I, this record should be attached with the research proposal and submitted.

Topic of the Research Proposal:

An Analysis of the relationship between tobacco tax and Consumption of Cigarette and Tobacco with historical and Contemporary Circumstances in Sri Lankan Context.

Supervisor's Name: P. D. C. Udayanhanthe

Group Leader's Name and CPM Number:

A. S. P. Fernando (CPM 13875)

Date	Discussion	Signature of the Supervisor
30.08.2018	Discussed the changes to be done after presentation of Proposal.	
12.09.2018	Discussed about the data analysis.	
31.10.2018	Discussed the changes in draft	
01.11.2018	Discussed the changes in draft & identified before ^{and after} changed.	