



A Study on Impact of Goods and Service Tax on FMCG Sectors

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Abstract: This study has been undertaken to investigate the determinants of a study of effect of goods and service tax on FMCG Sectors in India using various descriptive Statistical tools and techniques. To test the impact of Goods and Service Tax, Statistical t-test and descriptive Statistical tools are used for this research segments. Secondary data has been collected from officials and used it this research segments. Comparison made for two-time period as Pre GST and Post GST in this research Study.

Index Terms – FMCG, Descriptive Statistical tools, Goods and Service Tax – GST etc.

Introduction:

The FMCG is also known as a CPG (Consumer Packaged Goods). The annual growth rate of FMCG is 11%. Quick turnover, Low cost, High Annual growth rate, Well Established distribution channels, low operating cost, lower per capita consumption, low penetrations level, these are the main characteristics of FMCG Company. Availability of raw materials, cheaper labor cost lower margin gives competitive advantages to India. The **Main Characteristics** of FMCG are as under.

A. From the View Point of Consumer:

- Low or Attractive Price
- High Degree of Consumption
- Frequently Purchase / Daily Consumed Products
- Low Involvement

B. From the view point of Marketers:

- Low Profit Margin
- Comprehensive and Accelerated Distribution Channels
- High Volume
- High Inventory Turnover Ratio

MAJOR SEGMENTS OF THE FMCG INDUSTRY IN INDIA:

- Household Care (Detergent Market)
- Personal Care (Oral Care Products, Skin Care Products etc.)
- Food and Beverages (Food Processing industry & health beverage Industry)

Segments in FMCG

**GST Models:**

1. **CGST:** CGST stands for Central Goods and Services Tax replaces all the central taxes like Central Excise Duty, Service Tax, Custom Duty etc.
2. **SGST:** SGST stands for State Goods and Services Tax replaces state taxes like VAT/Sales tax, Entertainment tax, Luxury tax, entry tax, etc.
3. **IGST:** IGST stands for Integrated Goods and Service Tax, levied on all inter-state supplies of goods and service and will be governed by the IGST act.

Literature Review:

Alie et al (2019) mentioned in his study that study completes that GST has impact on various aspects of FMCG corporations and as of now, it appears that new tax regime is favorable to these companies.

Babu & Hariharan (2018) investigate that GST was abundant for big companies but small firms were negatively unnatural by the GST tax rate.

Urvashi Gupta (August, 2018) describes that the impact of GST on textile industry and also displays the detail of exempted goods came under the present tax system.

Jayanthi (December 2017) recognized the foreign investments in FMCG sectors have grown gradually to reach the current size and are trying to influence consumer with intelligent deals. It also helps in development of economics.

Yogesh (October, 2017) the research inspects that GST has brought the transparency in gathering of indirect taxes. It is designed in such a way that it is expected to generate amount of revenue for both central and state government. All businessmen and services providers will be beneficial in long run.

Kumar & Kumar (April 2017) defines that FMCG sector of India include 50% of food and beverage industry and 30% from personal care. This sector also helps to account 10% in GDP in India.

Pankaj Kumar & Subhrangshu Sekhar Sarkar (March 2016) identified the challenges are between the center and state government proportion in taxes majorly but directly or indirectly it is adding wealth to the nation. GST has been implemented had positive impact on their economies.

Pramod Patil (February 2016) defines that the completion from unorganized sector can be overcome by increasing consumer brands awareness and by reducing cost through sharing resources such as distribution network. Favorable development happening in demand side supply side and systematic drivers shows that this sector has very bright future.

Research Objective:

To compare pre and post GST Impact on FMCG sector to find out the impact of GST on the Retail Sector

Hypothesis:

1. Null hypothesis (H0): There is no significant difference between stock indices of pre and post GST in India.
2. Alternative hypothesis (H1): There is a significant difference between the stock indices of pre and post GST in India.

Research Methodology:

For analyzing the impact of GST on FMCG Sectors, 10 products related to FMCG goods after implementation of GST had been taken. The products are taken from the various official website. The data was collected on July 2020.

Sample Size:

The Following Companies has been selected for this research segments:

1. CNX FMCG Index (CNX)
2. Colgate – Palmolive Ltd (CPL)
3. Nestle India (NI)
4. Britannia Industries Ltd (BIL)
5. Marico Ltd (ML)
6. Procter and Gamble (P & G)
7. Gillette India (GI)
8. Dabur India (DI)
9. Hindustan Unilever Ltd (HUL)

The following Products of FMCG and tax rate before GST and After GST indicate the significant impact for this study:

Product 1: Cheese, Ghee and butter

Product 3: Paints;

Product 2: Paneer;

Product 4: Hair Oil and Toothpastes

Product 5: Medicine;

Product 8: Sanitary Napkins;

Product 6: Hair Dyes;

Product 9: Shampoo;

Product 7: Skin Care;

Product 10: Powder (Detergent);

Rate of GST (Table: G)

Name of Products	Pre – GST	Post GST	Impact on Following Company
Powder detergent	23%	28%	HUL, P&G, Jyothy Laboratories.
Shampoo	24-25%	28%	Dabur, Himalaya, Patanjali.
Sanitary Napkins	10-11%	18%	Hygiene and Health Care.
Skin Care	24-25%	28%	Himalaya, Patanjali.
Hair Dyes	23-28%	28%	Godrej consumer products.
Ayurveda Medicine	7-10%	12%	Dabur, Emami
Soaps, hair oil	22-24%	18%	Colgate – Palmolive, HUL
Paints	25-26%	28%	Berger Paints, Nerolac.
Paneer	3-4%	5%	Nestle, Mother Dairy.
Ghee, Cheese	4-5%	12%	Amul, Nestle, Mother Dairy.

Collected from: <https://www.avalara.comblog/>**Data Analysis:**

There are Several alterations had been seen in the product after execution of GST. In Cleaner there was before in tax rate was 23% but after that the tax rate was 28%; In Shampoo also changes was seen from 24-25% to 28%; In Sanitary Napkins the changes was from 10-11% to 18%; In Skin Care from 24-25% to 28% changes had been seen; In Hair Dyes changes occurred from 23-28% to 28%; Ayurveda Medicine changes seen from 7-10% to 12%; In Toothpastes, soaps, hair oil changes occurred from 22-24% to 18%; In Paints 25-26% to 28% changes has been seen; In Branded Paneer 3-4% to 5% has occurred; In Butter, ghee, cheese 4-5% to 12% had been seen.

The sample population was with 9 companies. All companies' normality was taken out through logistic index. To analyzed the impact, paired – Samples T Test is applied. The Result and findings are as under:

Descriptive Statistical tools (Table: S)

Pair	Name of the Company	Mean	N	S.D	SEM
1	CNX: Before GST	4.37	123	0.029	0.00262
	After GST	4.41	123	0.011	0.00103
2	CPL: Before GST	2.98	123	0.030	0.00273
	After GST	3.03	123	0.012	0.00110
3	NI: Before GST	3.80	123	0.020	0.00182
	After GST	3.85	123	0.024	0.00220
4	BIL: Before GST	3.52	123	0.031	0.00282
	After GST	3.63	123	0.037	0.00337
5	ML: Before GST	2.46	123	0.034	0.00310

	After GST	2.50	123	0.011	0.00105
6	P & G: Before GST	3.86	123	0.024	0.00221
	After GST	3.93	123	0.025	0.00231
7	GI: Before GST	3.64	123	0.030	0.00277
	After GST	3.75	123	0.040	0.00366
8	DI: Before GST	2.44	123	0.011	0.00104
	After GST	2.50	123	0.023	0.00209
9	HUL: Before GST	2.96	123	0.041	0.00374
	After GST	3.08	123	0.022	0.00202

Paired Samples Test (Table: T)

Name of the Company	Paired Differences			t-cal	d.f.	Sig. (2tailed)
	Average	S.D	SEM			
CNX: Before GST – After GST	-.04148	.03286	.00296	-14.002	122	.000
CPL: Before GST – After GST	-.04315	.03574	.00322	-13.390	122	.000
NI: Before GST – After GST	-.05411	.01574	.00142	-38.121	122	.000
BIL: Before GST – After GST	-.11484	.01521	.00137	-83.724	122	.000
ML: Before GST – After GST	-.03926	.04344	.00392	-10.023	122	.000
P & G: Before GST – After GST	-.07091	.01200	.00108	-65.523	122	.000
GI: Before GST – After GST	-.11585	.02186	.00197	-58.772	122	.000
DI: Before GST – After GST	-.06031	.02105	.00190	-31.779	122	.000
HUL: Before GST – After GST	-.11822	.02554	.00230	-51.332	122	.000

In above table of paired sample test the average showing the mean difference between the two variables, the standard deviation shows the deviation of different scores and d.f. shows the degree of freedom of test. The d.f. of all the companies are 122. The significant 2 tailed value equal to (Sig.) of $0.000 < 0.05$ that means the data has significant difference between. The data collected shows that the result of CNX FMCG Index, Colgate Palmolive Limited, Nestle Limited, Britannia Industries Limited, Marico Limited, Procter and Gamble, Gillette India, Dabur India Limited and Hindustan Unilever Limited is Sig. (2-tailed) .000. Thus the test rejects the null hypothesis (H_0) and accepts the alternative hypothesis (H_1). Thus the result shows that there is significant difference between the pre and post GST.

Findings:

- A. Table: G showing the changes in Tax Rate after implementation of GST, we find that there are changes from before and after GST.
- B. Table: S showing Descriptive Statistics, it is being found that the mean value of pre is less than the post GST. That means the stock indices of pre does not affect significantly than the stock indices of post.
- C. Table: T indicate the statistical t test with 9 pairs defined the significant 2-tailed value is less than .05 which means the alternative hypothesis is accepted and null hypothesis is rejected.

D. The Conclusion of above Statements Showing the Acceptance of the alternative hypothesis. It shows that there is significant difference between pre and post GST in India.

Conclusion:

The above research segments indicated that in 2017 a change derived diagonally in tax regime with a slogan of “One Nation One Tax” which is called as Goods and Service tax is has eliminated all the other indirect taxes. Now there is only one indirect tax. Based on secondary data from five companies of FMCG of National Stock Exchange and equity of FMCG. This Study based on six months before and after GST data. Statistical samples t test is applied in all the six stock indices to see the result. The result shows that there is significant difference between the pre and post. So, it can be perceived that implementation of goods and service taxes has affected in the economy. Thus, GST has proved to be major financial reform can be a step towards better economy.

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