



## IMPACT OF GST ON SALE TURNOVER AND OPERATING PROFIT OF SELECTED FMCG COMPANIES

**Abstract:** After GST implementation many companies/sector has got lot of effects of GST in their sales, profitability, share market price etc. Researcher think GST effect on FMCG sector more than any other sector. In this context, the present research in analyzing the sales turnover and operating profit of the FMCG companies. Researcher select 10 public limited companies, on the basis of their total capitalization which are listed either in B.S.E. or N.S.E. Researcher Test the hypothesis by applying parametric T test as well as using the statistical table and graph. At the end I would conclude that the in sales turnover there has been no significant impact of GST and in operating profit there has been positive impact of GST on selected 10 FMCG companies.

**Keywords:** GST: goods and service tax, sale turnover, operating profit, FMCG: fast moving consumer product, B.S.E, N.S.E. Parametric T test.

**Introduction:** A large and emerging country like India, Good and service tax (GST) has been considered as the biggest change in indirect tax reform since 1947. There were many indirect taxes levied on commodities before GST such (1) Central taxes: central excise duty, additional excise duties, services tax, custom duty, etc. and (2) State taxes like value added/sales tax, entertainment tax, octroi, luxury tax etc. It was make indirect tax structure complex and also central and state both levied this tax on same commodities so it all replaced by GST on **1<sup>st</sup> July, 2017** (implementation date). GST make *one nation.... One tax.... One market....* After the implementation of GST, India's GDP will boost by 1% to 1.5%. Under GST, the Centre GOVT will have the power to levy the Central GST(CGST), and State to levy the State GST (SGST) on the supply of goods and services within a state. An Integrated GST will be levied on inter-state supplies, and a part of the revenue will be given to the state where the good or service is consumed.

GST effects on fast moving consumer good (FMCG) Companies more than any other sector/companies because the FMCG Company's products pass through supply chain like a wholesaler, sole trader, retailers and then hand of consumer. In this context, research paper analyzing sales turnover and operating profit pre and post effects of GST implementation in selected company from FMCG sector.

**Literature Review:** The following important research studies have been u out for the purpose of this paper.

Agogo Mawuli (May 2014)<sup>1</sup>studied, "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries.

Dr. R. Vasanthgopal (2011)<sup>2</sup>studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also. After seeing these literature reviews researcher can find gap for research work that how much GST effect on some selected FMCG companies concern to sales turnover and operating profit

**Objective of the Study:** The objectives of the study are under.

1. To study the impact of GST on sales turnover of selected FMCG companies.
2. To study the impact of GST on operating profit of selected FMCG companies.
3. To know GST effect on these companies profitability

**Hypothesis:** The broader hypothesis would be as under

1. There would be no significant difference average sales turnover of selected FMCG companies before and after GST implementation.
2. There would be no significant difference of average operating profit of selected FMCG companies before and after GST implementation.

**Population of Study:** The population of study is all FMCG companies which listed in BSE or NSE or both such Asian Paints , ITC, Amul, Godrej Consumer Products Limited, Dabur India Limited, Emami, Zyndus Wellness, Britannia, Pidilite Industries, Wipro Consumer Care and Lighting Limited, Marico, Future Consumer Enterprise Limited, CavinKare, Parle Agro, Jyothy Laboratories, Nirma, Himalaya Healthcare Limited, Manpasand beverage Limited, Hindustan Unilever, Nestle, PepsiCo, Coca-Cola India, Colgate Palmolive. Marico etc. The research work done on the basis of secondary data.

**Sampling Design:** Effects of GST in many industries sector such as FMCG, Automobiles, Cement, Pharmaceutical, Chemical, Food Beverage, Tobacco etc. Researcher select FMCG companies on the basis of market capitalisation because fast moving consumer product has involved many traders and it people used in day to day life so that GST implementation effect on FMCG sector more than any other sector. 10 selected FMCG companies are as under:

1. ITC Limited.
2. HUL: Hindustan Unilever Limited.
3. Asian Paints Limited.
4. Nestle.
5. Godrej Consumer Products Limited.
6. Dabur India Limited.
7. Britannia Industries.
8. Pidilite Industries.
9. Marico.
10. Colgate Palmolive.

**Period of Study:** In order to make the study meaningful and applicable, the present study is made for two quarter (1<sup>st</sup> January to 30<sup>th</sup> June, 2017) before and two quarter(1<sup>st</sup> July to 31<sup>th</sup> December,2017) after GST implementation for sales turnover and operating profit of selected companies. Time period is very important to reach to any conclusion. Very short run may not give proper Analysis very long period also put difficult results to analyze.

**Data Collection:** The study is a based mainly on secondary data which is collected from official website of BSE and NSE Stock Exchange of India as well as selected company's periodical publications.

**Tools and Techniques:** For the study, Mathematics and Statistics tool and techniques like: classification, tabulation, average and the most appropriate parametric T-test (student's t- test given by William Sealy Gosset) has been used, for the T-test is used as sample size is less 30 ( $n < 30$ ).

**Data Analysis :**

- The following Table No: 1 shows pre and post sales turnover and it also shows the calculation as well as table value of T test.

**Table no.1: sales turnover**

**(in cr.)**

Sr.no	Name of the company	Sales turnover	
		Before GST $X_1$	After GST $X_2$
1	ITC Limited	28,809.24	19,716.11
2	Hindustan Unilever Limited	18,108.00	16,899.00
3	Asian Paints Limited	7,356.72	7,189.63

4	Nestle	5,076.67	5,115.51
5	Godrej consumer products Limited	2,550.78	2,788.82
6	Dabur India Limited	2,668.56	2,864.70
7	Britannia Industries	4,356.49	4,796.38
8	Pidilite Industries	2,725.12	2,739.60
9	Marico	2,494.70	2,583.87
10	Colgate Palmolive	2,295.27	2,118.20
<b>Value</b>		$\bar{x}_1=7,644.15, \bar{x}_2=6,681.18, S_1=8,850.36, S_2=6,354.67, n=10$	
<b>Level of Significant</b>		5%	
<b>Degree of freedom</b>		$n - 1 = (10 - 1) = 9$	
<b>Computed value of t</b>		1.05326	
<b>Table value of T- test</b>		1.83311	
<b>Result</b>		No significant	

\* (note: method of t-test is paired two sample for means)

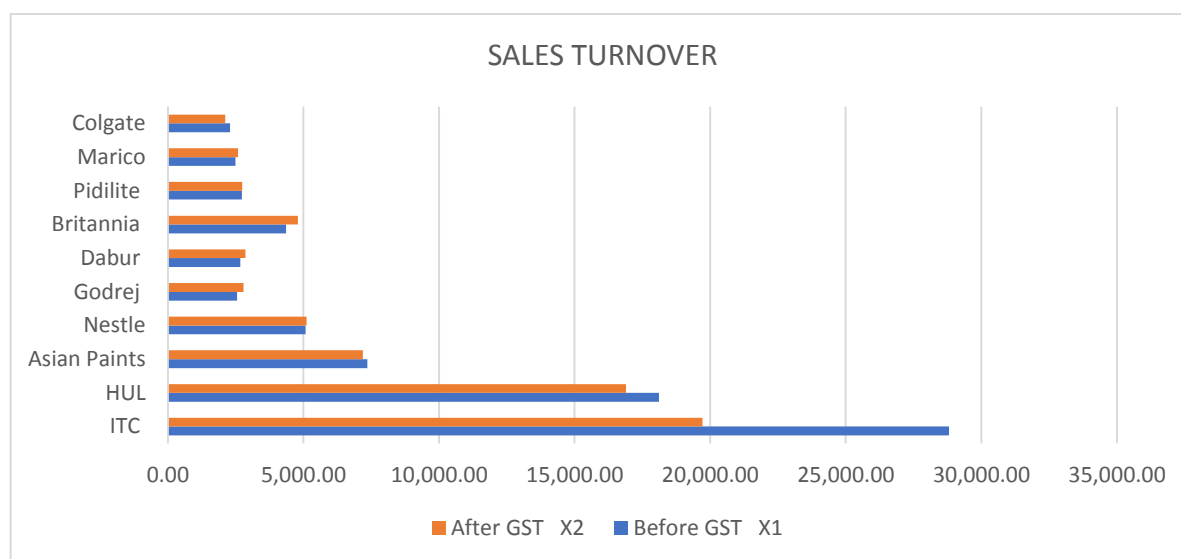
#### Hypothesis testing for average sales turnover:

$H_0 : \mu_1 = \mu_2$  There is no significant difference in average sales turnover before and after GST implementation.

$H_1 : \mu_1 > \mu_2$  After GST implementation average sales turnover of selected FMCG companies have declined.(one way test)

Since the compute value of T is a less than critical value of t at 5% level of significance.  $H_0$  is accepted therefore it can be conclude that There has not been significant decline in sales turnover after GST implementation.

#### Chart No.1 Sales Turnover



**Analysis:** After looking above chart it can said that ITC Limited 31.56% sales turnover declined after GST implementation it is big loss. HUL 6.67% sales turnover declined. Other companies has been less

fluctuations in sales. Some companies sales declined of some companies sales boost after GST implementation.

**Table no.2: operating profit (EBIT :Earning Before Interest and Tax) (in cr.)**

Sr.no	Name of the company	Operating profit	
		Before GST X <sub>1</sub>	After GST X <sub>2</sub>
1	ITC Limited	8,013.56	8,626.87
2	Hindustan Unilever Limited	3,477.00	3,497.00
3	Asian Paints Limited	1,257.83	1,515.10
4	Nestle	889.75	1,041.45
5	Godrej consumer products Limited	552.33	739.39
6	Dabur India Limited	623.32	713.82
7	Britannia Industries	610.87	753.59
8	Pidilite Industries	484.25	739.09
9	Marico	493.96	516.68
10	Colgate Palmolive	415.17	522.18
<b>Value</b>		$\bar{x}_1 = 1,681.80, \bar{x}_2 = 1,866.52, S_1 = 2,406.32, S_2 = 2,536.47, n = 10$	
<b>Level of Significant</b>		5%	
<b>Degree of freedom</b>		$n - 1 = (10 - 1) = 9$	
<b>Computed value of t</b>		3.4039	
<b>Table value of T-test</b>		1.83311	
<b>Result</b>		Significant	

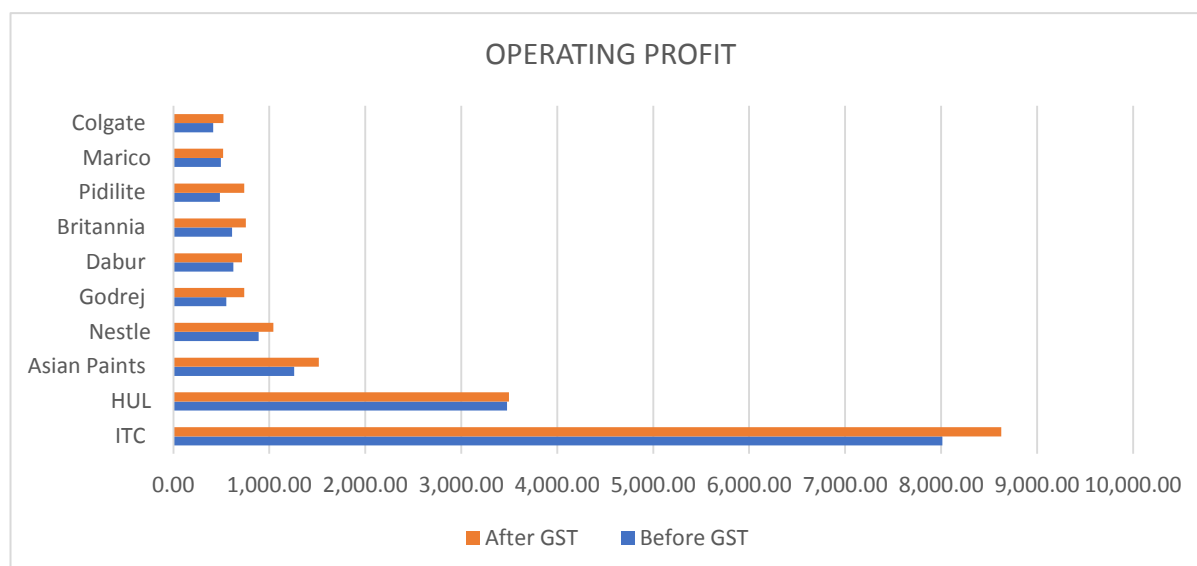
\* (note: method of t-test is paired two sample for means)

#### **Hypothesis testing for average operating profit:**

H<sub>0</sub>:  $\mu_1 = \mu_2$  There is no significant difference in average operating profit and after GST implementation.

H<sub>1</sub>:  $\mu_1 < \mu_2$  After GST implementation average Operating profit of selected FMCG companies has increased.(one way test)

Since the compute value of T is a more than critical value of t at 5% level of significance. H<sub>0</sub> is rejected against alternative hypothesis and it can be concluded that after GST operating profit is increase.

**Chart No.2 Operating Profits:****Analysis:**

After looking above chart it can said that ITC Limited sales turnover declined 31.56% but the profit increase 7.56% after GST. In Pidilite industries 52.63% operating profit has been increased and Godrej company 33.87% operating profile increased, Generally all selected company's operating profit have increased after GST implementation. It is good sign for these companies profitability.

**Limitations of the Study:**

GST is in introduction stage so two quarter pre and post may be less effects in selected companies. In this paper all data use secondary sources of information and selected companies financial results are also unaudited so Research paper results are depending on correctness of data.

**Conclusion:**

In this paper an attempt was made to test the effects of GST implementation on sales turnover and operating profit of some selected companies the following conclusion are come out.

Government always said before the GST act enforcement that GST makes the indirect tax structure easy, transparent and reduce transaction business cost. In this paper researcher finding out with the help of parametric T-test, that after GST profitability has increased selected companies without any significant difference in sales turnover. This indicate overall positive effects of GST act in FMCG companies.

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