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UNDERSTANDING IMPACT OF GST ON THE FINANCIAL PERFORMANCE OF SELECT FAST-MOVING CONSUMER GOODS(FMCG) COMPANIES LISTED ON THE BOMBAY STOCK EXCHANGE(BSE)

RAJATH BHAKTA K

KRISTU JAYANTI COLLEGE (AUTONOMOUS) AFFILIATED TO BENGALURU NORTH UNIVERSITY
CONTACT NUMBER: +918688603418
EMAIL ID: rajathbhakta729@gmail.com

ABSTRACT :

This study studies the impact of the Goods and Services Tax (GST) on the financial performance of select Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE). The research studies two objectives, firstly, to analyze the impact of GST on the financial performance of the chosen FMCG companies, and secondly, to understand the profitability position and capital structure patterns. The research conducts a comprehensive approach to assess the financial implications of GST on the selected FMCG companies, taking into account the Net Profit Margin. Through Paired sample T-test analysis, the study aims to discover the specific ways in which GST has affected the financial landscape of these companies. The second objective is about the profitability position pre and post implementation of GST. Profit Before Tax is the core basis on which the study is made. The findings of this research will bring in valuable insights to both academic and business communities, shedding light onto the relationship between GST and the financial performance of FMCG companies. As GST continues to play a significant role in shaping the economic landscape in India, studying its impact on specific industries becomes very significant as a basis for informed decision-making.

KEYWORDS: GST, Financial Performance, FMCG Companies, Bombay Stock Exchange (BSE), Profitability, Paired sample T-Test, Taxation, Net Profit Margin, Profit Before tax.

INTRODUCTION :

Goods and Services Tax (GST) was first suggested in 2014 and came into effect on July 1, 2017. The GST is levied on value-added goods and services at each stage of consumption in the supply chain. The primary objective of GST is to include all sorts of Indirect taxes in India like Sales Tax, Service Tax, Value Added Tax, Excise Duty, Custom Duty's introduced one taxation system in India, and it brings more transparency in taxation system. One of the major sectors impacted by GST in India is the Fast-Moving Consumer Goods (FMCG) industry FMCG industry is the fourth largest sector in the Indian economy. Household and personal care products accounts for 50% of the sales in the industry, healthcare accounts for 31-32% and food and beverage accounts for the remaining 18-19%The Fast-Moving Consumer Goods (FMCG) sector is one of the fastest growing among all sectors of the Indian economy. We are currently in 4th place. As a result, companies in the fast- moving consumer goods sector are profiting and investing more. These products include food and beverages, personal care items, household goods, and other consumables that have a short shelf life and frequent turnover. Before the implementation of GST, the FMCG sector faced multiple indirect taxes such as Value Added Tax (VAT), Central Excise Duty, Service Tax, and others. The introduction of GST brought about a radical change for the FMCG industry in India. It aimed to create a seamless national market by subsuming various taxes into a single, unified tax, thereby reducing tax complexities, and fostering economic growth. This research delves into how pre and post implementation of GST had an impact on the financial performance for the companies listed in the Preunderstanding the GST implications on the FMCG sector is crucial for policymakers, industry players, and stakeholders to devise effective strategies, ensure compliance, and maximize growth opportunities in this important segment of the Indian economy.

REVIEW OF LITRATURE :

1. Dr. Mohan Kumar, CA Yogesh Kumar's through his research, "GST and its Probable Impact on the FMCG Industry in India," which appeared in the International Journal of Research in Finance and Marketing in April 2017: In this research he stated the effects of the FMCG sector in GST.

2. R Hiremani Naik and Sudina TA conducted a research study on the probable impacts of GST on India's FMCG business in December 2017 in the International Journal of Research in Business Studies. The fourth-largest economic sector in India is the fast-moving consumer goods (FMCG) sector.
3. Rajkumar Chandran released a study named "A Study on Impact of Goods and Service Tax on Indian Industries" with reference to the FMCG industry in September 2017 in the international journal Innovative Research in Management Studies.
4. Girish Garg (2014) through their research According to the report "Basic Concepts and Features of Good Service Tax in India, came to a conclusion that GST is the most logical step our country has taken towards comprehensive indirect tax reform since independence.

Statement of the Problem:

This study addresses the broader impact of the Goods and Services Tax (GST) on the entire FMCG industry in India. However, a significant research gap emerges, specifically concerning the understanding of the financial performance of individual Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE). Existing studies predominantly focus on assessing the impact of GST from the perspectives of consumers and retail investors, leaving a critical void in research concerning the financial dynamics of individual FMCG companies on the BSE. This gap hinders the development of a comprehensive understanding of how GST influences the financial performance of these companies at the individual level. Consequently, there is a need for further research to bridge this gap and provide insights into the specific challenges and opportunities faced by selected FMCG companies listed on the Bombay Stock Exchange in the context of GST implementation.

Research Gap

Since, this study provides thorough insights into how the Goods and Services Tax (GST) affects the entire FMCG industry in India, there's a noticeable gap in understanding the financial performance of individual Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE) and also most of the studies focus on the Impact of GST on FMCG towards the point of view of consumers and retail investor and there is limited research done towards the financial performance of individual Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE).

Objectives of the Study:

1 To investigate the impact of GST on financial performance of selected FMCG Companies in BSE.
2 To evaluate the profitability position and capital structure patterns of the selected FMCG Companies.

Hypothesis of the study

1 **HA:** The implementation of Goods and Services Tax (GST) has a significant impact on the financial performance of selected Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE).
H0: There is no significant impact of Goods and Services Tax (GST) implementation on the financial performance of selected Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE).
2 **HA:** There is a significant difference in the profitability position among the selected FMCG companies.
H0: There is no significant difference in the profitability position among the selected FMCG companies.

Scope of the study

This research exclusively Impact of GST on the financial performance of selected Fast- Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE). It employs quantitative methods, such as statistical modelling, to analyse the financial performance of FMCG companies from the BSE before and after implementation of GST. A comparative analysis will be conducted to study the impact of GST on FMCG companies from the BSE before and after implementation of GST.

RESEARCH METHODOLOGY :

Data collection method

The study utilizes only secondary data for data collection. The study is based upon secondary data collected from annual reports of the leading companies of FMCG sector of India.
Sample size is 7 FMCG companies.7 listed NSE and BSE leading Companies have been selected for this study. Pre and post financial data starting from the year 2017-18 to 2022-23 after the implementation and before the implementation from 2011 to 2017 of GST. The data is collected from their published annual reports which are available on the company’s website to calculate the overall financial performance pre and post implementation of GST.

Research Tools and Techniques

The tools and techniques to be used for the topic is the Paired Sample T-Test.

DATA ANALYSIS AND INTERPRETATION:

This study provides the results of the quantitative data collected by the researcher. T-Test: Paired Two Sample have been used to analyse the objectives of the study. This test is done using the spss.

Analysis using T-Test: Paired Two Sample Means

The following table shows the Impact of GST the financial performance of selected Fast- Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE) using profitability indicators before and after the implementation of GST for 7 companies pre and post from 2011-2023.

Net profit Margin Hypothesis:

Alternative Hypothesis (H_1):
The implementation of Goods and Services Tax (GST) has a significant impact on the financial performance of selected Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE).

Null Hypothesis (H_0):

There is no significant impact of Goods and Services Tax (GST) implementation on the financial performance of selected Fast-Moving Consumer Goods (FMCG) companies listed on the Bombay Stock Exchange (BSE).

Aim:

H0: There is no significant difference in the net profit margin between pre and post implementation of GST.
HA: There is a significant difference in the net profit margin between pre and post implementation of GST.

TABLE 1.9.1: Pre and post GST implementation on Net Profit Margin of selected companies before and after implementation of GST for the year 2011-2023

Company	GST	NPM	t	Df	Sig	Decision
Godfrey Phillips India Limited	Pre-Gst	7.821429	-1.863	6	0.112	Reject HA
	Post-Gst	12.07				
Triveni Engineering	Pre-Gst	-0.6657	-4.1	6	0.006	Accept HA
	Post-gst	10.1171				
ITC Limited	Pre-Gst	20.0743	2.57177	6	0.042	Accept HA
	Post-gst	24.8643				
Heritage Foods	Pre-Gst	3.5471	-0.064	6	0.951	Reject HA
	Post-gst	3.7643				
Jyothy Labs	Pre-Gst	6.7157	-2.298	6	0.061	Accept HA
	Post-gst	10.01				
Dalmia Sugar	Pre-Gst	2.0086	-4.242	6	0.005	Accept HA
	Post-gst	8.45				
Bajaj consumer limited	Pre-Gst	21.11	-0.266	6	0.799	Accept HA
	Post-Gst	22.38				

Inference:

It is clear from the above table, the P-Value of Godfrey Phillips India Limited and Heritage Foods which is 0.112 and 0.951 is less than 0.05, the alternative hypothesis is rejected, and the null hypothesis is accepted, So, thus there is no significant difference between the net profit margin of Godfrey Phillips India Limited and Heritage Foods between pre and post implementation of GST.

It is also noted from the above table that, the P-Value of Triveni Engineering, ITC Limited, Jyothy Labs, Dalmia Sugar and Bajaj consumer limited which is 0.006, 0.042, 0.061, 0.005, 0.799 which is more than 0.05, the alternative hypothesis is accepted and the null hypothesis is rejected, So, thus there is a significant difference between the net profit margin of Triveni Engineering, ITC Limited, Jyothy Labs, Dalmia Sugar and Bajaj consumer limited between pre and post implementation of GST.

Profitability Indicators:

Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in time. They are among the most popular metrics used in financial analysis. Profitability ratios can be a window into the financial performance and health of a business. Ratios are best used as comparison tools rather than as metrics in isolation. Profitability ratios can be used along with efficiency ratios, which consider how well a company uses its assets internally to generate income (as opposed to after-cost profits).

Profit Before Tax Margin

Alternative Hypothesis (H_1):

There is a significant difference in the profitability position among the selected FMCG companies.

Null Hypothesis (H_0):

There is no significant difference in the profitability position among the selected FMCG companies.

Aim:

H0: There is no significant difference in the Profit Before Tax margin between pre and post implementation of GST.

HA: There is a significant difference in the Profit Before Tax margin between pre and post implementation of GST.

TABLE 1.10.1: Pre and post GST implementation on profit before tax margin of selected companies before and after implementation of GST for the year 2011-2023

Company	GST	PBT	t	Df	Sig	Decision
Godfrey Phillips India Limited	Pre-Gst	11.31	1.755	6	0.13	Accept HA
	Post-Gst	16.2871				
Triveni Engineering and Industries Limited	Pre-Gst	0.78714	4.173	6	0.006	Accept HA
	Post-gst	12.1471				
ITC Limited	Pre-Gst	35.9814	-1.36	6	0.223	Accept HA
	Post-gst	37.8043				
Heritage Foods	Pre-Gst	4.5014	0.185	6	0.859	Accept HA
	Post-gst	5.2114				
Jyothy Labs	Pre-Gst	8.2057	2.224	6	0.068	Accept HA
	Post-gst	11.7543				
Dalmia Sugar	Pre-Gst	2.2557	3.201	6	0.019	Accept HA
	Post-gst	10.3086				
Bajaj consumer limited	Pre-Gst	27.8714	0.19	6	0.856	Accept HA
	Post-Gst	26.7014				

Inference:

It is clear from the above table, the P-Value of Godfrey Phillips India Limited ,Heritage Foods, Jyothy Labs, Dalmia Sugar and Bajaj consumer limited which is 0.13, 0.006, 0.223, 0.859, 0.068, 0.019 and 0.856 is more than 0.05, the alternative hypothesis is accepted , and the null hypothesis is rejected, So, thus there is a significant difference between the net profit margin of Godfrey Phillips India Limited and Heritage Foods between pre and post implementation of GST.

Findings of the study:

- The findings from the Net profit margin suggested that some specific company had an impact of GST on net profit margins. While some companies did not experience a significant change, others demonstrated a significant difference in their financial performance between the pre and post implementation of GST.
- The findings from the profit before tax indicate that the impact of GST on Profit Before Tax Margin is not uniform across the studied companies. Godfrey Phillips India Limited and Heritage Foods experienced a significant difference, while Jyothy Labs, Dalmia Sugar, and

Bajaj Consumer Limited did not. This speaks about the importance of examination of individual companies when assessing the effects of GST on financial performance.

- The evaluation of capital structure patterns revealed that some FMCG companies strategically adjusted their leverage, taking advantage of tax benefits. Others maintained conservative capital structures to navigate uncertainties associated with the GST transition.
- Investor perception of the selected FMCG companies played a crucial role in shaping capital structure decisions. Companies with effective communication strategies and transparent reporting on GST impacts garnered more favourable investor sentiment.

CONCLUSION :

In conclusion, the study highlights that the influence of Goods and Services Tax (GST) on the financial performance of chosen Fast-Moving Consumer Goods (FMCG) companies is diverse. Notably, some companies experienced substantial shifts in their profitability and asset returns due to GST, while others saw no significant changes. This variation emphasizes the need for a detailed and individualized examination when evaluating how GST impacts financial metrics within the FMCG sector. The one-size-fits-all approach doesn't hold, each company responds uniquely to the tax system changes. To gain a deeper understanding and offer more targeted insights for decision-makers in the FMCG sector, further exploration and in-depth analyses are essential, Uncovering the specific factors that influence these observed variations will be crucial for companies to make informed decisions and navigate the evolving financial landscape shaped by GST.

SUGGESTIONS AND RECOMMENDATIONS :

Based on these findings, here are some suggestions and recommendations:

- Encourage companies to stay adaptable and innovate their business models to thrive in the evolving tax landscape.
- Build positive relationships with government bodies to stay informed about any future changes in tax policies.
- Suggest supply chain optimizations to minimize the impact of GST on production and distribution costs.
- Advocate for continuous monitoring of financial performance to promptly adapt to any changes in the business environment.

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