

IMPACT AND CHALLENGES OF GST ON VARIOUS CONSTITUENTS OF INDIAN ECONOMY

(A Select Study on quantitative analysis of FMCG companies in India)

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ABSTRACT

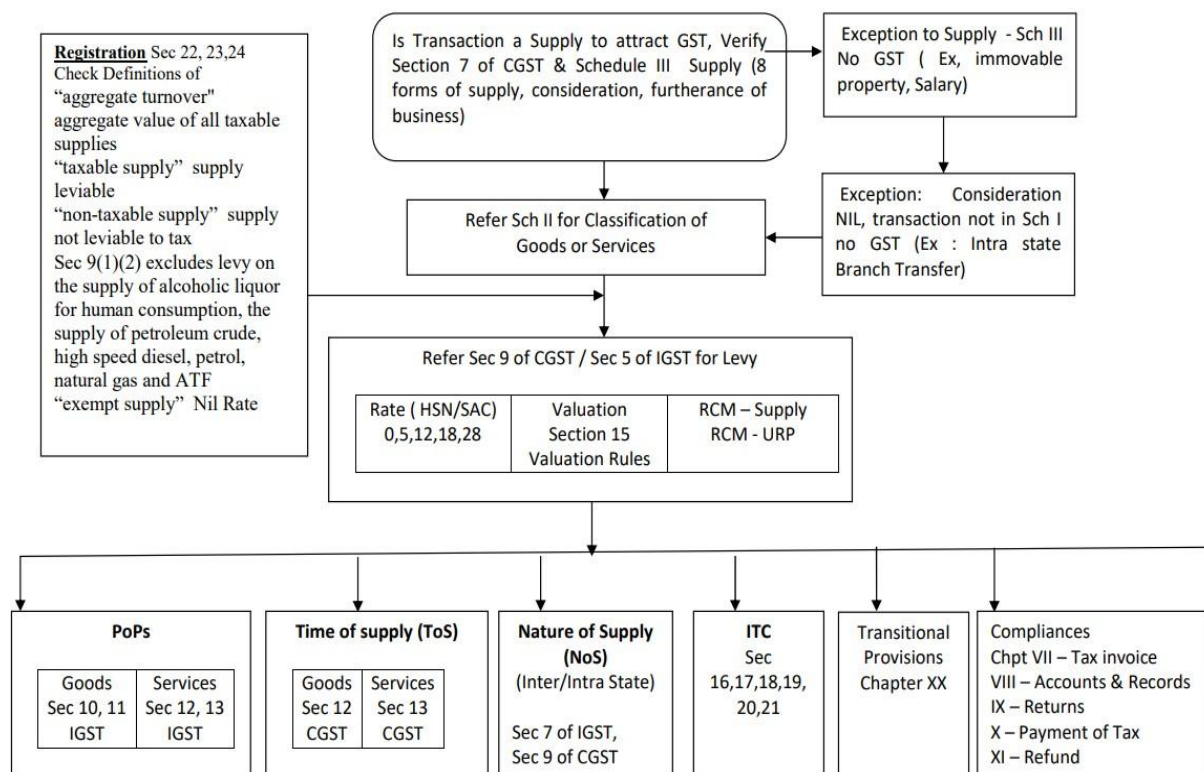
The Goods and Service tax (GST) is a very effective tax reform. It is introduced to modernize the existing tax reforms in India. GST has caused a high inflation rate in the short term, but it is beneficial in the long term. The impact of GST on consumer buying and saving behavior, knowledge about GST, number of GST filings, income tax policies, types of GST, and so on in the Indian economy. A questionnaire is sent to the people of the area to know what their reaction is on GST. The data is analyzed in Statistical Package known as SPSS. The people of the area are positive about the GST and implementation.

Keywords: GST, tax, inflation, policies, data, analysis

Introduction

The word "tax" originates from the Latin word "taxare," which means to approximate a mandatory contribution to public coffers, levied on the earnings of employees and company profits, or added to the cost of goods, services, and transactions. A tax is an input that is imposed and collected by the branch. The Indian tax system consists of both direct and indirect taxes.

GST Overview



Impact of GST on the Food Industry:

Any tax on food would be regressive in nature because it accounts for a substantial portion of the consumption costs of those with lower incomes. The extension of the GST will cause problems for the food processing sector.

Since food production and distribution are primarily informal in India, most other countries tax food purchases at lower rate to uphold global justice and equitable ideals. Food accounts for a minuscule portion for consumer basket and is tax-free in Canada, the UK, and Australia. Many countries impose recurring levies on food. At the initial stage of the GST, which is a lot less than Singapore's and Japan's 3%. There is no division at this level.

Review of Literature

Das et al. (2020) have tried to use social media analytics to investigate the impact of the tax-related features. Primarily examined the Twitter data to ascertain public opinion regarding

GST. According to Anand Nayar and Inderpal Singh (2018), the Goods and Services Tax (GST) has had varying effects on many sectors, including the IT industry, FMCG, internet shopping, telecom, cars, small businesses, and entertainment. Each of these sectors has a different GST rate. The cost of electronic goods like laptops and mobile phones has gone up because of the 14%–15% GST that IT companies are subject to. This has had a significant influence on both production and consumption in the FMCG sector. 2018's Meen According to the author since the GST was implemented.

Priyanshu Sharma, Manoj Sain (2017) According to the article, the biggest tax change to date in the Indian tax system is the GST. It was put into effect with the intention of strengthening India's financial sector. It has demonstrated a significant shift in stock exchange capital markets. However, even though the GST influences bank prices, it has no effect on bank stock prices. The stock markets have seen adjustments since the introduction of the GST. The country's widespread inflation caused the stock markets to enter a bear market following the introduction of the GST. Dani Shefali (2016) The article's primary focus is on how GST has affected various industries. The writer picked a few industries and carried them out.

This article examines the impact of GST on the FMCG sector in India. The authors find that GST has had a mixed impact on the sector, with some products benefiting from lower tax rates and others experiencing higher tax rates. The authors also find that GST has led to a simplification of the tax structure and reduced the cascading effect of taxes, which has benefited businesses in the sector. However, the authors also note that GST has increased the compliance burden for businesses, especially smaller businesses.

Article: Impact of GST on FMCG Sector and Consumers – A Study Authors: Prof. Rekha D. M, Swathi. V Journal: International Journal of Trend in Scientific Research and Development (IJTSRD) Year: 2019

This article examines the impact of GST on the FMCG sector and consumers in India. The authors find that GST has had a positive impact on the sector, leading to lower prices for some FMCG products and increased consumer spending. The authors also find that GST has made the tax system more transparent and efficient. However, the authors also note that GST has increased the compliance burden for businesses and led to some confusion among consumers.

Article: Literature Review on Impact of Goods and Services Tax on Consumer Buying Behaviour of Fast-Moving Consumer Goods in Dakshina Kannada District- An Analytical

Study Authors: Dr. Sudarshan B, Dr. Nagesh D Journal: International Journal of Finance and Management Research Year: 2023

This article reviews the literature on the impact of GST on consumer buying behaviour of FMCG products in Dakshina Kannada district, India. The authors find that GST has had a significant impact on consumer buying behaviour, with consumers becoming more price-sensitive and more likely to compare prices and brands before making a purchase. The authors also find that GST has led to a shift in consumer demand towards lower-priced FMCG products.

Overall, the articles reviewed suggest that GST has had a mixed impact on the FMCG sector and consumers in India. While GST has led to some positive outcomes, such as lower prices for some FMCG products and a more transparent and efficient tax system, it has also increased the compliance burden for businesses and led to some confusion among consumers.

A Study on the Impact of Goods and Services Tax on FMCG Sectors - IJCRT Authors: Dr. A. Uma Maheshwari, Dr. V. Saranya Journal: International Journal of Creative Research Thoughts Year: 2022

This article examines the impact of GST on the FMCG sector in India, with a focus on the organized and unorganized sectors. The authors find that GST has had a positive impact on the organized sector, leading to lower costs and improved efficiency. However, the authors find that GST has had a negative impact on the unorganized sector, leading to higher costs and reduced profitability. The authors also note that GST has led to a consolidation of the FMCG sector, with larger players becoming more dominant.

Article: A STUDY ON THE IMPACT OF GST ON FMCG PRODUCTS FROM THE PERSPECTIVE OF CONSUMERS - IRJMETS Authors: Dr. N. Sridevi, Dr. M. Jeyanthi Journal: International Research Journal of Management, Engineering and Technology Science Year: 2023

This article examines the impact of GST on FMCG products from the perspective of consumers in India. The authors find that GST has had a mixed impact on consumers, with some consumers benefiting from lower prices and others experiencing higher prices. The authors also find that GST has made it easier for consumers to compare prices and brands and has led to a more transparent supply chain. However, the authors also note that GST has increased the complexity of the tax system and made it more difficult for consumers to understand their tax obligations.

Article: Impact Of Goods and Services Tax on Fmcg Sector Authors: Dr. J. Karthikeyan, Dr.

M. R. R. Kumar Journal: International Journal of Management and Social Sciences Research
Year: 2023

This article examines the impact of GST on the FMCG sector in India, with a focus on the challenges and opportunities faced by businesses in the sector. The authors find that GST has led to several challenges for businesses in the sector, including increased compliance burden, input tax credit issues, and competition from the unorganized sector. However, the authors also find that GST has created several opportunities for businesses in the sector, such as the ability to expand into new markets and improve their supply chain efficiency.

Overall, the literature reviewed suggests that GST has had a mixed impact on the FMCG sector in India. While GST has led to some positive outcomes, such as lower prices for some FMCG products and a more transparent supply chain, it has also created several challenges for businesses in the sector, such as increased compliance burden and competition from the unorganized sector.

RESEARCH METHODOLOGY

Source of Data:

The type of data used for research is secondary data as the data was collected from the samples

Research problems

The Research problem is identified after the literature review is done generally. The research starts with the identification of research problems. When the problem is identified the all the procedure for the further research is made and the research will be done

Research Objectives

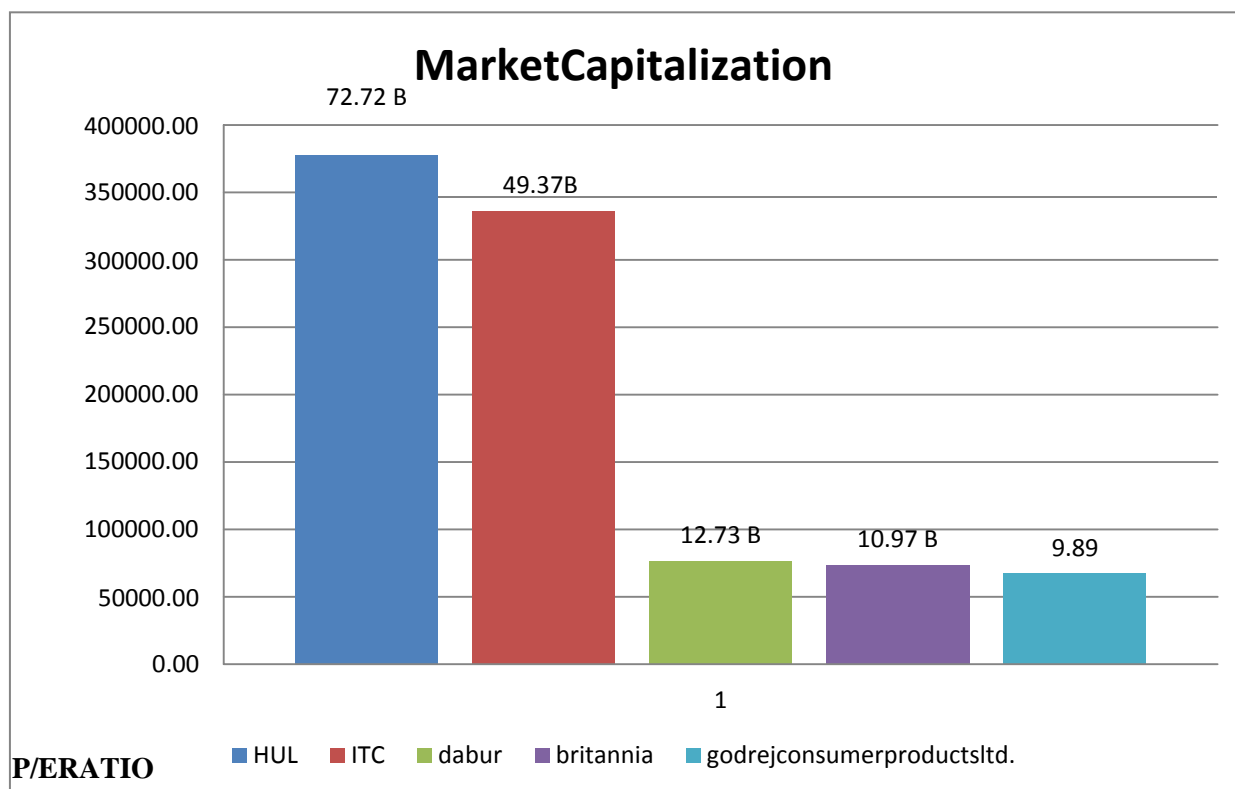
1. To research the GST's conceptual framework within the context of India
2. To examine the effects and difficulties of the GST on the various sectors of the Indian economy.
3. Make recommendations for action to address negative effects on diverse stakeholders.
4. To know about the company's techniques to reduce the GST

DATA ANALYSIS AND INTERPRETATION

Analysis

The market capitalization of the SELECT companies is shown in the below table.

Table.1 Market capitalization of the SELECT companies

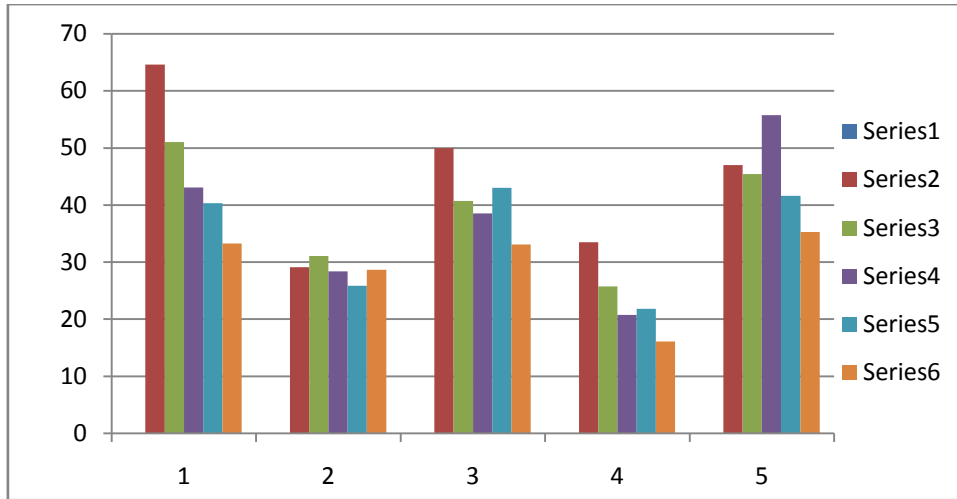


1. P/ERatio

Table.2 P/ERatio ofSELECT companies

Companies	2020.	2019.	2018.	2017.	2016.
HUL	64.61	51.03	43.05	40.32	33.24
ITC	29.11	31.05	28.36	25.84	28.64
DABUR	50	40.73	38.54	43.04	33.08
BRITANNIA	33.48	25.74	20.77	21.83	16.08
GodrejConsumerProductsltd.	47.03	45.43	55.76	41.61	35.27

Fig.1 P/E Ratio of SELECT Companies



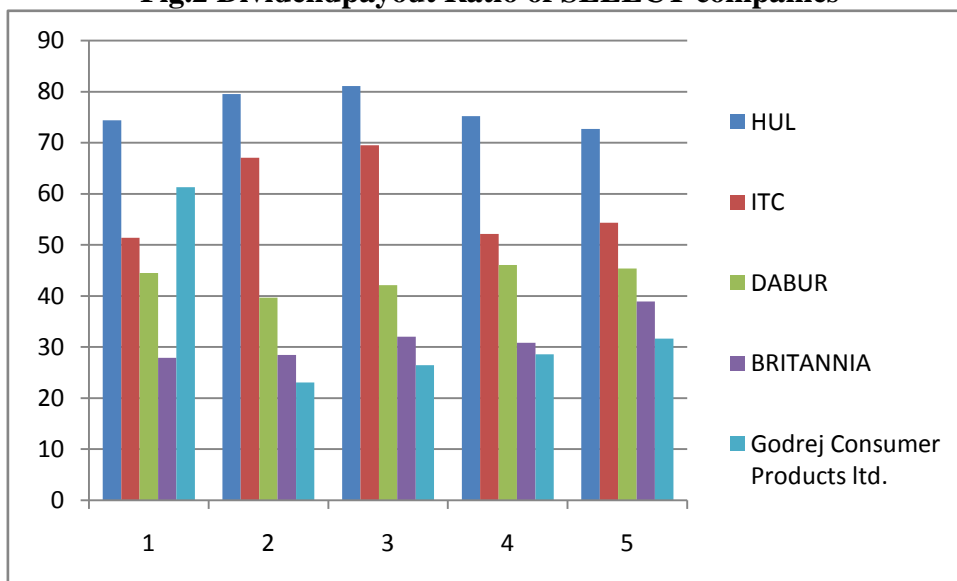
INTERPRETATION:It is clear from the above Figure 1. That Britannia is having a sound P/E Ratio as compared to select other companies.

DIVIDENDPAYOUTRATIO

Table.3 Dividendpayout Ratio of SELECT companies

Dividendpayoutratio					
Companies	2020	2019	2018	2017	2016
HUL	74.39	79.53	81.07	75.2	72.69
ITC	51.41	67.05	69.48	52.14	54.31
DABUR	44.49	39.7	42.12	46.06	45.4
BRITANNIA	27.86	28.44	32.03	30.82	38.91
GodrejConsumerProductsltd.	61.31	23.09	26.47	28.61	31.632

Fig.2 Dividendpayout Ratio of SELECT companies



INTERPRETATION:

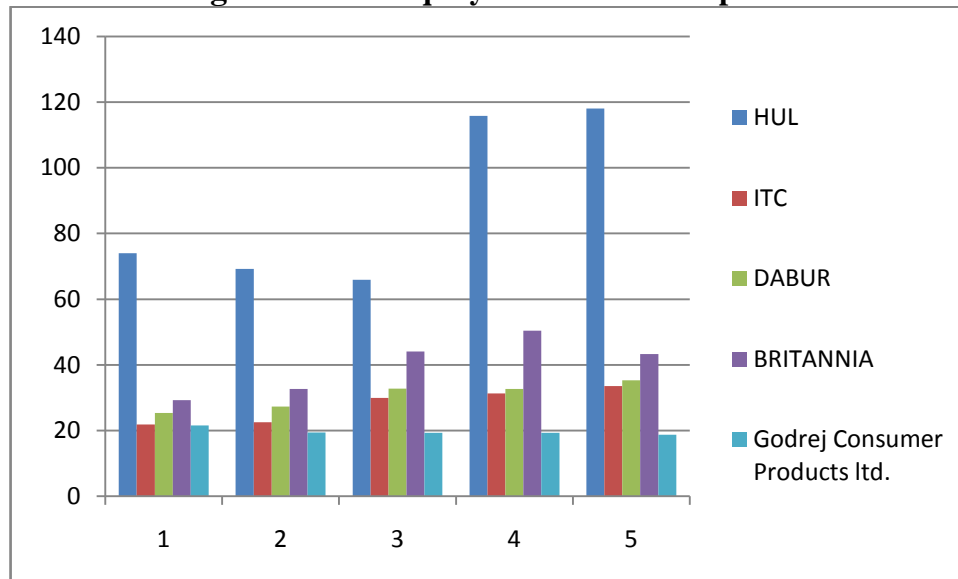
It is clear from Figure 2. That HUL and Godrej Consumer Group have the highest dividend payment ratios among the corporations.

RETURN ON EQUITY:

Table.4 Return on Equity of SELECT companies

ROE					
Companies	2020	2019	2018	2017	2016
HUL	74.02	69.18	65.88	115.87	118.04
ITC	21.83	22.49	29.94	31.31	33.51
DABUR	25.36	27.29	32.71	32.64	35.33
BRITANNIA	29.29	32.67	44.05	50.37	43.33
Godrej Consumer Products Ltd.	21.54	19.38	19.34	19.34	18.67

Fig.3 Return on Equity of SELECT companies



INTERPRETATION:

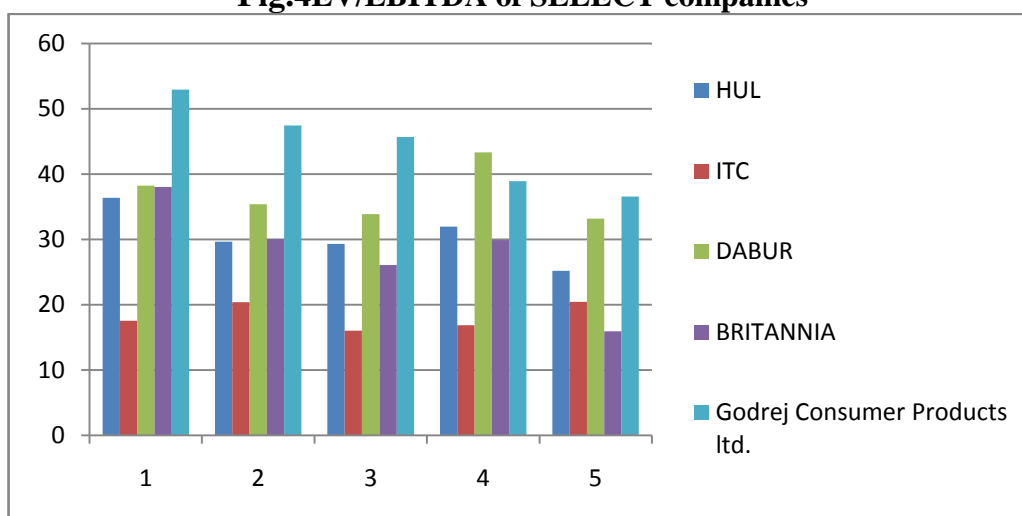
It may be inferred from Figure 3. that HUL has a higher ROE ratio than its rivals. It surpasses its rivals by around three to four times.

EV/EBITDA:

Table.5 EV/EBITDA of SELECT companies

EV/EBITDA(X)					
COMPANY	2020	2019	2018	2017	2016
HUL	36.35	29.64	29.31	31.98	25.18
ITC	17.53	20.4	16.05	16.87	20.46
DABUR	38.23	35.41	33.86	43.32	33.21
BRITANNIA	38.05	30.05	26.08	29.92	15.92
GodrejConsumerProductsltd.	52.94	47.45	45.67	38.94	36.58

Fig.4EV/EBITDA of SELECT companies



INTERPRETATION:

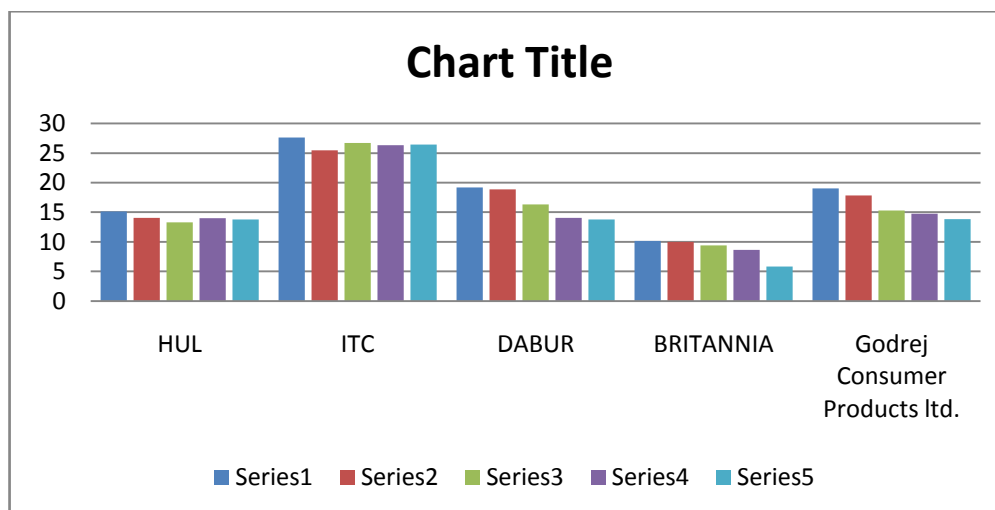
It may be inferred from Figure 4 That Godrej's EV/EBITDA is excellent and stood first, Dabur's EV/EBITDA is also good, coming in second place in the industry .

NETPROFITMARGINRATIO

Table.6NetProfitMarginratioof SELECT companies

NetprofitMargin%					
COMPANY	2020	2019	2018	2017	2016
HUL	15.16	14.07	13.31	14	13.8
ITC	27.62	25.44	26.72	26.31	26.43
DABUR	19.17	18.86	16.33	14.04	13.8
BRITANNIA	10.18	10.02	9.42	8.67	5.86
GodrejConsumerProductsltd.	19	17.85	15.3	14.77	13.84

Fig.5NetProfitMarginratioof SELECT companies

**INTERPRETATION:**

It may be inferred from Figure 5 Figure 5 ITC's NPV is the highest, NPV for the Godrej consumer group is quite good.

CONCLUSION:

It can be concluded that HUL leads both Dabur and Godrej in terms of P/E ratio; HUL leads Godrej Consumer Group in terms of Dividend payout ratio; HUL leads Britannia in terms of ROE ratio (29.29%); Dabur trails Godrej in terms of EV/EBITDA (38.23) and Britannia (38.05) in terms of Net Profit ratio; and ITC leads both Dabur and Godrej Consumer Group in terms of Net Profit ratio.

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