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Impact Of Gst On Fmcg Sector, A Study From The Perspective Of Consumers And Retailers

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ABSTRACT-*GST (Good and Service Tax) is considered as the most important financial reform ever in the history of our country. GST with the concept of one nation, one market, one tax replaced the multiple tax structure prevailed in different states and union territories. Fast Moving Consumer Goods is the fourth largest sector in the Indian economy. It is a sector which touches every aspect of human life. Even 50% rural spending is for FMCG. So it is something which is consumed by all sections of the society and a larger portion of their income is spent on these goods. GST is beneficial to the FMCG sector retailers and consumers due to the reduced tax rate on FMCG. The average tax on FMCG under GST ranges from 18% to 20% which is much lower than the VAT system of 24% to 25%.The study focuses on the impact of GST on FMCG from the perspective of both consumers and retailers. The study also deals with the pros and cons of the GST system which will be beneficial in restructuring this system and also helps the common man to have clarification regarding the same.*

Key Words : FMCG,GST,VAT, RETAILERS, CONSUMERS

1. INTRODUCTION

Tax is considered as a burden imposed by the government on public. Its the prime duty of the government to meet the increasing development needs of the country. So the primary revenue of the government to meet this growing needs is through levying tax on public. Tax are of two types namely, direct and indirect. There prevailed a complex structure of indirect tax system which obstructed the growth and development of various sectors of the economy. It was a paradigm shift of the indirect tax system with the introduction of Goods and Service Tax on 1st July 2017.

GST (Good and Service Tax) is considered as the most important financial reform ever in the history of our country. GST has been introduced after 19 years of evolution with the objective of simplifying the VAT system by unifying various indirect tax into a single payment.[7] Fast Moving Consumer Goods is the fourth largest sector in the Indian economy. It is a sector which touches every aspect of human life. Even 50% rural spending is for FMCG. So it is something which is consumed by all sections of the society and a larger portion of their income is spent on these goods. GST is beneficial to the FMCG sector retailers and consumers due to the reduced tax rate on FMCG.[6]. FMCG, which is the fourth largest sector in the Indian economy touches every aspect of human life. The average tax on these products under GST range from 18% to 20% which is much lower than the VAT system of 24% to 25%.Therefore this sector has got a significant impact on the implementation of GST. The main objectives of the study includes

- To understand the role of GST in FMCG sector
- To study the challenges faced by the retailers as a result of GST implementation.
- To analyse the benefits of GST to the retailers of FMCG sector and consumers

2. RESEARCH METHODOLOGY

A.COLLECTION OF DATA

Both primary and secondary data has been used for the study purpose. Primary data has been collected from a sample of fifty retailers by way of questionnaire survey. Secondary data has been collected from secondary sources like newspapers, journals, books, government reports.

B.ANALYSIS OF DATA

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Statistical tools like graphs, percentages, pie charts have been utilised to present the data effectively. Convenience sampling method has been used for the study purpose. A sample of 50 retailers has been chosen from Ernakulam city.

3. RESULT

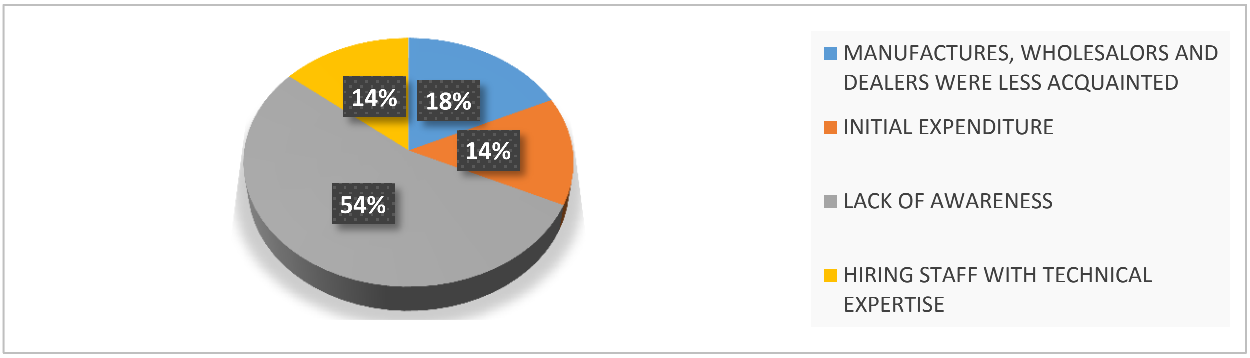
A) IMPACT OF GST ON RETAILERS

Fast Moving Consumer Goods is considered as the fourth largest sector in the Indian economy. This sector mainly comprising of Food and Beverage which accounts for 19%, Healthcare which accounts for 31%, and finally Household and Personal care which accounts for 50%

Showing the difficulties faced in the process of adaptation

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
MANUFACTURES, WHOLESALORS AND DEALERS WERE LESS ACQUAINTED	9	18%
INITIAL EXPENDITURE	7	14%
LACK OF AWARENESS	27	54%
HIRING STAFF WITH TECHNICAL EXPERTISE	7	14%
TOTAL	**50**	**100%**

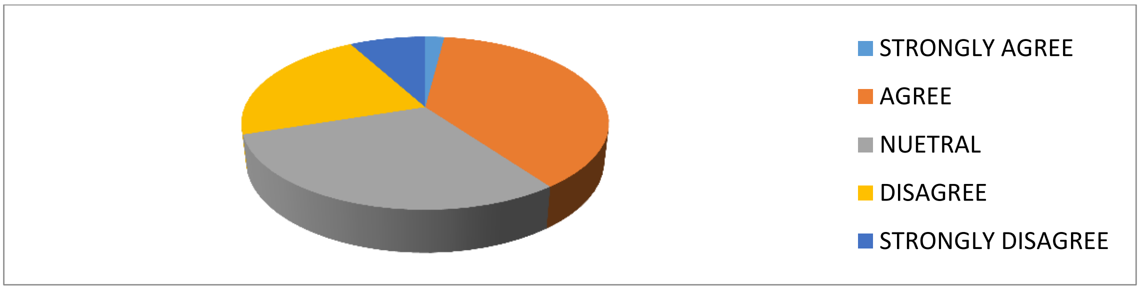
Source: Survey Data



Showing the availability of government support in the transition to GST

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
STRONGLY AGREE	1	2%
AGREE	19	38%
NUETRAL	15	30%
DISAGREE	11	22%
STRONGLY DISAGREE	4	8%
TOTAL	**50**	**100%**

Source: Survey Data



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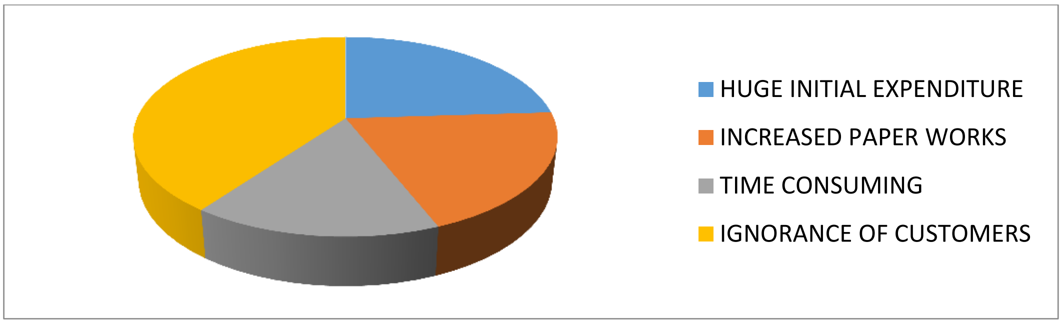
Showing the crisis borne by retailers in the working operations after introduction of GST

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
HUGE INITIAL EXPENDITURE	12	24%
INCREASED PAPER WORKS	10	20%
TIME CONSUMING	8	16%
IGNORANCE OF CUSTOMERS	20	40%
TOTAL	**50**	**100%**

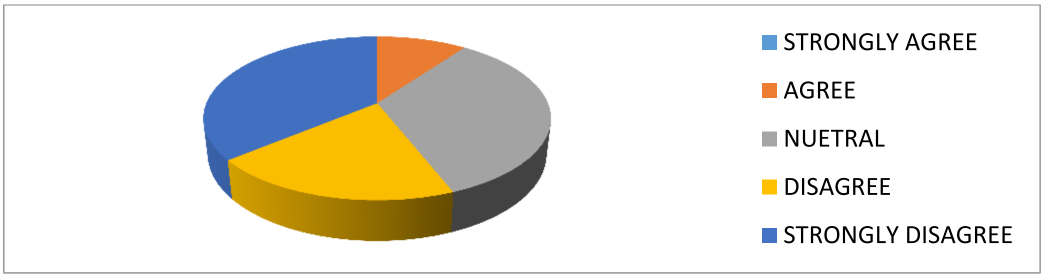
Source: Survey Data



Showing the accessibility and user – friendliness of GST portal

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
STRONGLY AGREE	0	0%
AGREE	5	10%
NUETRAL	17	34%
DISAGREE	10	20%
STRONGLY DISAGREE	18	36%
TOTAL	**50**	**100%**

Source: Survey Data



Showing the effectiveness of GST over VAT

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
STRONGLY AGREE	5	10%
AGREE	20	40%
NUETRAL	12	24%
DISAGREE	5	10%
STRONGLY DISAGREE	8	16%
TOTAL	**50**	**100%**

Source: Survey Data

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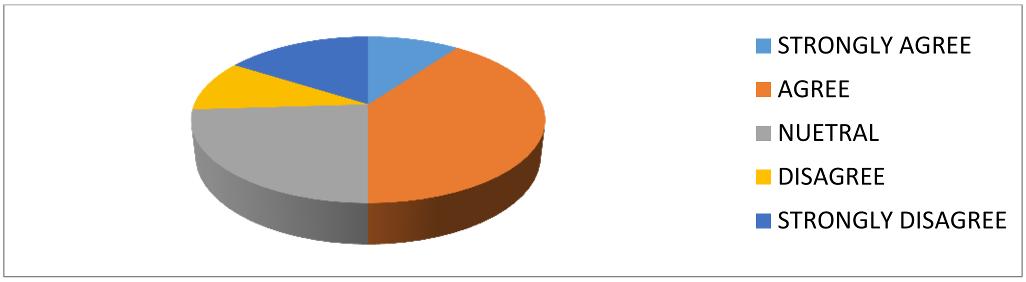
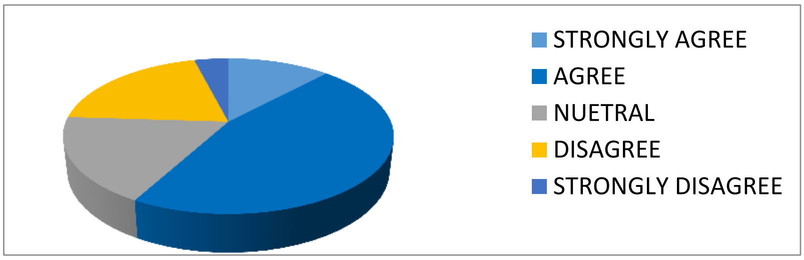


Showing the general rise in the prices of commodities

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
STRONGLY AGREE	3	4%
AGREE	6	12%
NUETRAL	10	20%
DISAGREE	9	18%
STRONGLY DISAGREE	23	46%
TOTAL	**50**	**100%**



WAREHOUSE BENEFITS

Under VAT system, FMCG companies had to set up warehouses in those states where it operated. So these were set up on those states where they got tax benefits, that is in those states where the effective tax was low. But with the implementation of GST in the country, FMCG companies can set up their warehouses wherever they want because of the principle of single rate of tax all over the country

B) IMPACT OF GST ON CONSUMERS OF FMCG

FMCG sector is considered as the fourth largest sector that touches every aspect of human life. Even 50 % of rural spending is for FMCG products. So these products are consumed by all sections of the society and a larger portion of their income is spend on these products.The following are examples of prices of some of the FMCG products before and after GST implementation.[1],[5],[3],[4]

ITEMS	AFTER GST	BEFORE GST
RICE	0%	2.47%
SUGAR	5%	6%
SOAP	18%	27%
DETERGENTS	18%	23%
SHAMPOO	18%	28%
TOOTHPASTE	18%	27%
WHEAT	0%	2.5%
UNBRANDED FLOUR	0%	3.5%
MINERAL WATER	18%	27%
SANITARY NAPKINS	0%	13.68%
MILK POWDER	5%	6%
VEGETABLES		
SPICES	5%	6%

Therefore with the introduction of GST, products and services are taxed at five rates namely 0%,5%,12%,18%,28%. With the introduction of these new tax reform, the average tax on FMCG products changed to 18% to 20% from 22% to 24 %.

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4. DISCUSSIONS

FINDINGS

- There is lack of awareness on the part of both retailers as well as the customers about the new tax regime which lead to difficulties in early adaption to the new tax policy
- The availability of government support did help majority of retailers during the transition period from VAT to GST.
- Huge initial expenditure and increased paper works are considered as the major crisis, together with that there is problem regarding the usage of GST portal among retailers
- Larger proportion of the retailers found GST more effective than the VAT system
- Majority are of the opinion that there is no increase in the price of commodities as an impact of GST implementation and the same reflected in the tax rate of FMCG
- The average rate of tax to be payable by the consumers on FMCG has been decreased by 4%

SUGGESTIONS

- To fulfil the objective of one nation, one tax all goods including petroleum products, alcohol, and electricity must be brought under GST
- The procedures must be reduced regarding the filing of return in order to make GST system more effective
- More GST awareness program should be conducted.

5. CONCLUSION

GST with the concept of one nation, one market, one tax united multiple tax structure prevailed in different states and union territories.[2]The purpose of the study is to determine the impact of GST on FMCG sector since GST is considered as one of the most important financial reform in the history of our country .FMCG, which is the fourth largest sector in the Indian economy touches every aspect of human life. The average tax on these products under GST range from 18% to 20% which is much lower than the VAT system of 24% to 25%.Therefore this sector has got a significant impact on the implementation of GST.

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