



Impact of GST on Rural Sales & Marketing of FMCG Sector

Prof. Pavankumar U D¹, Prof. Megha G Patil²

Assistant Professor, Department of P. G., Studies in Commerce, KLE's G H College, Haveri, Karnataka University of Dharwad, Haveri, India^{1,2}

ABSTRACT: Based on the empirical evidence in the major common challenge in modern world of globalization in 21st century GST also known as the Goods and Services Tax is defined as the giant indirect tax structures designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so. Goods and Services Tax (GST) will be a game changing reform for Indian economy by developing a common Indian market and reducing the stream effect of tax on the cost of goods and services. The GST creates one nation one tax to replace a slew of complex ones that differ from state to state. The present structure of Indirect tax is very complex in India. There are so many types of taxes that are levied the Central and State Government on Goods & Services has been subsumed under GST Act.

It has its more impact on FMCG sector. Since the price of majority FMCG product has been decline. Certainly demand for the product has been automatically increased. At the same time, because of same rates in all states (one tax one country) and allowing of Inter-state input credit, Supply will also be increased as more and more trader will come to the market. Almost of our population resides in India. Rural sales & marketing will surely be more impacted by GST in positive view.

KEYWORDS: FMCG, GST, Tax, Rural Marketing, Indian Economy

I. INTRODUCTION

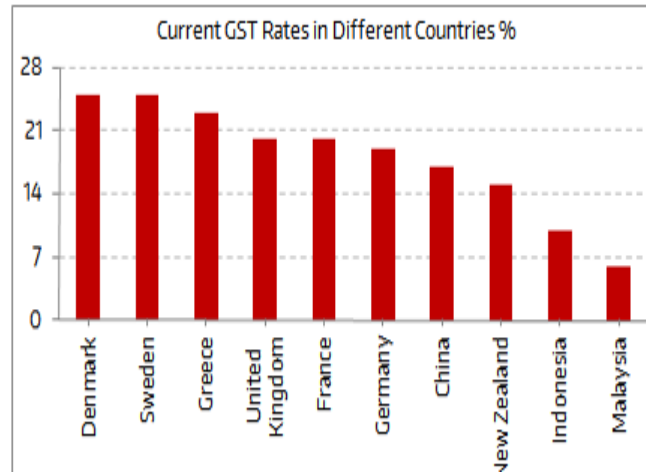
GST stands for Goods and Service Tax. It was first initiated in 1986 by “Vishwanath Pratap Singh” 7th Prime Minister of India. After that in 2007, the current government proposed to implement GST and presented the same in Lok Sabha in 2011. In Dec 2014 GST again presented in Lok Sabha and in same is passed in 2015. After approval of Rajya Sabha same is called as 101th amendment of the Constitution and is rolling out from 1 July 2017. After the passage of 25 years of economic reforms in the indirect taxes is going for a revolutionary change in the form of GST.

It will impact the Tax Structure, Tax Tax Incidence, Tax Computation, Tax Payment, Compliance, Credit Utilization and Reporting leading to a complete overhaul of the current indirect tax system.

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of credits. The current system taxes production, whereas the GST will aim to tax consumption.

The GST Council Here, every tax payer will be issued a 15 digit common identification number which will be called as —Goods & Service Tax Identification Number (GSTIN) a PAN based number. GST is a consumption based tax levied on sale, manufacturing and consumption of goods & services at a national level. Many taxes have been subsumed under GST which is as under.

Different countries are applied different rates %



Central Indirect Taxes & Levies

- Central Excise Duty * Additional Excise Duties * Excise Duty levied under the Medicinal Preparations (Excise Duties) Act, 1955 * Service Tax * Additional Customs Duty (CVD)
- Special Additional Duty of Customs □□ Central Surcharge and Cess

State Indirect Taxes & Levies

- VAT / Sales Tax * □ Entertainment Tax (other than the tax levied by local bodies) *Luxury Tax □□ Central Sales Tax
- * □ Octroi & Entry Tax □□ Purchase Tax □□□ Taxes on Lottery Betting and Gambling * □ State Cesses and Surcharge

Tax Rates under GST

GST rates are divided into five categories which are 0%, 5%, 12%, 18%, 28% in different commodities like as. All the basic need requirement goods are placed in 0% category like food grains, bread, salt, books etc. Goods like paneer, packed food, tea coffee etc are placed under 5% category. Mobiles, sweets, medicine, are under 12%. All types of services are under 18% category. All other remaining luxury items are placed under the last head of 28%.

Opportunities in Indian Rural Market:

- ✓ More than 800 million people.
- ✓ Estimated rural size of the rural market FMCG approximately Rs 70,000 Core. Agricultural inputs (including tractor) Rs. 48,000 core. Because Indian people do 75% in agriculture.
- ✓ In the financial year 2018-19, LIC sold more than 62% of its policies in the rural market.
- ✓ A number of houses increasing day by day.
- ✓ Rural literacy level improved from 60% to 75%
- ✓ The first strategy of marketing that is easy to Availability which highlights on the availability of the product for the customer.
- ✓ Second Affordability which focuses on product pricing (i.es reasonable) which gives importance to smaller packets.
- ✓ Acceptability focuses on satisfaction persuasive to buy the manufactured goods i.e. is aggressiveness for to promotional tools.

Challenges and Strategies in Rural Marketing: Rural marketing plays is more important role 4ps. Delivering to the rural markets is a real challenge to many marketers. In fact, the whole dynamics of rural markets are so unique that one has to look at beyond traditional marketing mix with advanced mix containing the 4A s instead traditional 4 Ps of marketing: Acceptability–develop what the consumer necessary wants, Affordability–Make an affordable product, Availability – product made available at villages and Awareness – Don’t promote the brand, demonstrate the product. Most of the marketers look at rural market as an extension of existing urban market hence they simply dump their existing product which is out-dated in urban market into rural market. Hence marketers fail to penetrate into rural market in big way. Though rural consumers attracted towards urban lifestyles their dynamic are differ from urban consumers. Similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban customer.



II. REVIEW OF LITERATURE

FMCG products.(Goel , A .2014) The author highlights the present scenario of rural marketing especially rural producers and its importance. The study also focuses on transportation facilities, communication and development in infrastructure . (Krishnan , J . 2014) The study mainly focuses on the aspect of rural aspect of rural markets, marketing issues and challenges, problem relating to rural marketing environment.

(Chitra, R2014) — an empirical study on customer purchase intention towards branded apparel, this paper aims to study factors affecting customers purchase intention towards branded apparels. Purchase intention is explained in terms of general consumer variables (normative influence, consumer confidence) and brand specific variables.

(Sreedevi, 2016) The study focus to find the challenges and strategies of rural marketing and also the effectiveness of current marketing strategies adopted by the marketers.

(S.Saranya & G.Surya 2016)The consumer plays an important in marketing. The study is influenced by variousfactors in the changing scenario it is found that consumer needs and wants to buy a product also changes with it

(kanta , R & Khanna , M 2015)The study reveals that there is a great opportunity for the marketers in the rural areas. The rural market forms an important part of the total market of India. (Joseph, Kumar 2014) The study reveals that the rural consumer are known to earn low income , low level of literacy , low level of brand awareness , inadequate communication and transportation facilities. (Mehraj 2014) , The study says that rural market offers a great scope for FMCG Companies to market their product because of the recent increases in rural income. The right distribution objective is to get the right good to the right place at the right time for the least cost.(Vyas , V & Vyas , S 2014) The author initially attempts to define the population which (60%)which lives in rural areas . Rajasthan is a state with 3, 42,239 sq km geographic area, 76.6% rural and 23.4% urban population with 165 per sq km population density. The market brings huge potential for growth and expansion for achieving.

III. OBJECTIVES OF THE PAPER

1. To study the rural consumer awareness of FMCG
2. To study the proposed impact of GST on rural sales &marketing of FMCG
3. To study the proposed impact of GST on the FMCG Industry in India (rural and urban).
4. To find out the satisfaction level of rural consumers from the FMCG products offered in the rural market of India.
5. To find out the impact of rural marketing strategies of FMCG companies on rural consumer satisfaction in Karnataka.

	Detergents	Baby foods	Sanitary napkins	Shampoo
GST RATE	28%	18%	18%	28%
CURRENT RATE	23%	5-12%	10-11%	24-25%
COMPANIES IMPACTED	HUL, P&G, Jyothy Lab	Nestle	P&G Hygiene and Health Care	HUL, P&G, Dabur, Himalaya

Types of GST

- State Goods and Service Tax (SGST) is the part of tax diverted to the state government which is credited to revenue department of state government. This is generally equivalent to CGST. This compensates the loss of existing VAT or Sales Tax revenue etc to state government. In the case of local sales, 50% quantum of tax amount under GST is diverted to SGST Tax.
- Central Goods and Service Tax (CGST) is the share of GST TAX diverted to revenue department of central government and is also equivalent to SGST. This share of tax compensates the loss of existing excise duty and service tax to the central government. In the case of local sales, balance 50% quantum of GST is transferred to CGST.

- Integrated Goods and Services Tax (IGST) is levied when inter-state buying and selling is made. One part of this tax transferred to central government and another to state government to whom goods and services belong. The IGST is charged only in case of inter-state sales or when transactions between two states involved

	Skin care	Ayurvedic medicine	Hair dyes	Paints
GST RATE	28%	12%	28%	28%
CURRENT RATE	24-25%	7-10%	23-28%	25-26%
COMPANIES IMPACTED	HUL, Dabur	Dabur, Emami	Godrej Consumer Products (GCPL)	Asian Paints, Berger Paints, Kansai Nerolac, Akzo Nobel

Impact of GST

In the case of indirect taxes, the burden was on end customer or consumer. But due to the implementation of one tax one country the overall cost of production of all goods will be reduced but on the other hand in case of services, it will increase after the implantation of GST but CST gets abolished which ultimately reduces the cost of goods. Currently, we pay 30-35% tax on a commodity. In the case of some goods, direct and indirect taxes imposed by government raise its cost up to 30%. After the implementation of GST, it will reduce. The GST also reduces the cascading effect of tax which helps in making the trade simple and reduces the tax Burden of Entrepreneurs.

In the present tax system, there are a lot of different taxes that one has to pay, like the VAT, octroi or the local body taxes. GST will subsume all these taxes into it. Diipesh Bhagtani, Chairman-Exhibition, CREDAI-MCHI, explains: “Instead of paying various taxes, at various states and cities, we would soon have just one tax that is going to benefit us. So, in this process, a lot of labour will be saved, along with large sums of money. Also, we look at taxes to be in line with the standard of the absorption of the industry.

FMCG Companies and distributions-largely GST ready






Impact of GST on FMCG:

The fast moving consumer good (FMCG) sector of India comprises more than 50 percent of the food and potation industry and another 30 percent from personal and household care, thereby spanning the entire rural and urban parts of the country. Reports suggest the sector contributes a significant USD 6.5 billion in direct and indirect taxes (Subramanian, 2015). The current Indirect Tax regime in India provides for a complex tax environment due to multiplicity of taxes, tax cascading and elaborate compliance obligations. Impact under GST Decrease in effective rate of tax from 25-27% to 18- 20% Impact on Consumer: Price will decrease.

GST Tax rate are divided into 5 categories which are 0%, 5%, 12%, 18%, 28%. All the basic need requirement goods are pleased in 0% category like milk, food grains, oats, bread, salt etc. Goods like Branded Paneer, tea, coffee are under 5% category. Mobile, sweets, medicines, Butter, Ghee, are under 12%. All type of services is under 18% category. All other remaining luxury items are under the last head 28%.



 GST @ NIL	 GST @ 5%	 GST @ 12%
Milk, Egg Curd, Paneer Wheat, Rice, Oats Fresh Vegetables	Branded Paneer Honey Frozen Vegetables Fried Areca Nuts	Butter Ghee Cheese Dry Fruits

GST Rate revision in 39th GST council meeting

39th GST Council meeting was held on 14 March 2020, Saturday at New Delhi. Read all the highlights on 39th GST Council Meeting.

Item	Old Rate	New Rate
Mobile phones and specified parts	12%	18%
Handmade matches	5%	12%
Other than handmade matches	18%	12%
Aircraft MRO (Maintenance, Repair, Overhaul) services	18%	5% (with full ITC)

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Product	Previously taxed at	Currently taxed at	Companies impacted
Detergents	23%	28%	HUL, P&G, Jyothy Laboratories
Shampoo	24-25%	28%	HUL, P&G, Dabur, Himalaya, Patanjali
Sanitary napkins	10-11%	18%	P&G Hygiene and Health Care
Skincare	24-25%	28%	HUL, Dabur, Himalaya, Patanjali
Hair dyes	23-28%	28%	Godrej Consumer Products
Ayurvedic medicine	7-10%	12%	Dabur, Emami
Toothpastes, soaps, hair oil	22-24%	18%	Colgate-Palmolive, HUL, P&G
Paints	25-26%	28%	Asian Paints, Berger Paints, Nerolac
Branded paneer	3-4%	5%	Nestle, Mother Dairy
Butter, ghee,cheese	4-5%	12%	Amul, Nestle, Mother Dairy

IV. RESEARCH METHODOLOGY

Researcher have used structured questionnaire and a five point balanced likert scale for measuring Impact of GST on Rural Sales & Marketing of FMCG Sector through a questionnaire designed for a sample of 500 respondents by using the survey method. Random sampling method was adopted by the researcher and selected the samples. The data collected from the respondents are coded, tabulated and analysed into logical statements using mean.

Secondary data was collected from the available literature, journals and web search wherever necessary. The Questionnaire method was chosen for its versatility speed and cost benefits. Due to shortage of time the researcher has used only descriptive statistical tool- Mean.

Frequency table

1. Awareness

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
04	47	62	334	53	2.23

2. Satisfaction

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
5	7	48	399	41	2.07

3. Quality

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
28	30	105	336	1	2.49



4. Quantity

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
00	48	52	351	49	2.19

5. Availability

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
03	05	394	107	01	2.86

V. CONCLUSION

The GST is more effective on avoid the risk. The GST has a more impact on every sector of the business active and therefore it requires a whole of business approach to ensure a smooth transition. In short, under the proposed GST regime, various Indirect Taxes would be subsumed (except for few taxes such as Stamp Duty) and hence it is expected that it would result in a simpler tax fixed, especially for industries like FMCG products. Apart from simplification of tax compliances, threat of tax will also have a significant impact on the FMCG sector. Presently the update tax costs for industry players amount to approximately 27% -28%. Under the GST regime, it is proposed that the revenue neutral rate would be in the range of 5% to 28%, thereby resulting in significant benefit for the sector. So, GST would have an impact on the pricing, working capital, contracts with vendors and customers, ERP systems, processes, internal control and accounting. Another important impact of GST on FMCG companies would be the opportunity to review the supply chain and move to a supply chain based on business parameters. Hence, GST would impact every aspect of the business

LIMITATIONS

In spite of finest of hard work to curtail the limitations the researcher has identified few limitations in the current study.

- The primary data of present research work has been gathered from selected rural consumer of FMCG products in Karnataka. So sample chosen from the rural areas cannot be regarded as suitable representation of the population of the India. Thus, the sample acquired for the study was restricted to selected rural region.
- Though the resources plenty to achieve high standards for this research, but the key limitation of the study was the availability of time for data compilation and investigation. □□ Even though the researcher has gathered data from respondents, which is a major limitation to the current study.
- Primary data has been collected through structured questionnaire while the researcher has acknowledged lack of peculiarity and acquaintance about rural marketing strategies and FMCG products in selected respondent of study.
- The sample size is limited to 500 did not allow to use confirmatory factor analysis as the collected data failed to fulfil the assumptions of these advance tests.

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