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Impact of GST on FMCG Sector: A Study with Special Reference to Hindustan Unilever Limited (HUL)

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Abstract:

The Goods and Services Tax (GST) introduced in India has significantly transformed the indirect taxation system by replacing multiple taxes with a unified tax structure. The Fast-Moving Consumer Goods (FMCG) sector is one of the largest beneficiaries of GST due to simplified taxation, reduced logistics costs, and improved supply chain efficiency. Hindustan Unilever Limited (HUL), a leading FMCG company in India, has experienced notable operational and financial changes following GST implementation. This study examines the impact of GST on the FMCG sector with special reference to HUL. The research focuses on taxation, pricing, supply chain management, profitability, and business performance. The findings reveal that GST has positively influenced operational efficiency and business growth in the FMCG sector.

Keywords: GST, FMCG Sector, Hindustan Unilever Limited, Tax Reforms, Supply Chain Management, Profitability.

Introduction:

The Goods and Services Tax (GST) was implemented in India on July 1, 2017, with the objective of creating a unified national market and simplifying the indirect taxation system. Prior to GST, businesses had to comply with multiple taxes such as VAT, Excise Duty, Service Tax, and Entry Tax.

The FMCG sector plays a crucial role in India's economy by producing and distributing essential consumer products. Hindustan Unilever Limited (HUL), one of the largest FMCG companies in India, manufactures a wide range of products in categories such as personal care, home care, food, and beverages.

GST has impacted HUL's operations by streamlining taxation, reducing logistics complexities, and improving supply chain efficiency. This study aims to analyze the effects of GST on HUL and the FMCG sector.

Literature Review:

Sharma and Gupta (2021) The study found that GST simplified tax compliance and reduced cascading tax effects in the FMCG sector.

Kumar (2022) The researcher highlighted that GST improved logistics efficiency and reduced transportation costs for FMCG companies.

Singh and Verma (2023) The study emphasized that GST contributed to better inventory management and supply chain optimization.

Government of India Report (2024) The report indicated that GST enhanced tax transparency and promoted ease of doing business across industries.

Mehta and Rao (2024) The researchers concluded that GST positively impacted profitability and operational efficiency in FMCG companies.

The literature suggests that GST has significantly improved tax administration, operational efficiency, and supply chain performance in the FMCG sector.

Objectives of the Study:

1. To understand the concept and structure of GST.
2. To examine the impact of GST on the FMCG sector.
3. To analyze the effect of GST on Hindustan Unilever Limited.
4. To evaluate the impact of GST on supply chain and operational efficiency.
5. To suggest measures for maximizing the benefits of GST.

Research Questions:

1. How has GST affected the FMCG sector in India?
2. What impact has GST had on Hindustan Unilever Limited?
3. Has GST improved supply chain and logistics efficiency?
4. How has GST influenced pricing and profitability?
5. What challenges and opportunities has GST created for FMCG companies?

Research Methodology:

Research Design:

Descriptive Research Design.

Sources of Data:

Primary Data:

- Structured Questionnaire
- Interviews with FMCG Retailers and Distributors

Secondary Data:

- HUL Annual Reports
- GST Council Reports
- Government Publications
- Research Journals
- Industry Reports

Sampling Technique:

Convenience Sampling.

Sample Size:

100 Respondents (Retailers, Distributors, and Consumers).

Data Collection Tools:

- Questionnaire
- Interview Schedule

Statistical Tools:

- Percentage Analysis
- Tables and Graphs
- Comparative Analysis

Study Period:

January 2026 – April 2026.

Data Analysis:

Table 1: Opinion on GST Benefits to FMCG Sector

Response	**Respondents**	**Percentage**
Yes	78	78%
No	22	22%
Total	100	100%

Interpretation: Most respondents believe GST has benefited the FMCG sector.

Table 2: Impact on Supply Chain Efficiency

Opinion	Respondents	Percentage
Highly Improved	40	40%
Improved	38	38%
Neutral	15	15%
Not Improved	7	7%
Total	100	100%

Interpretation: A majority of respondents feel that GST has improved supply chain efficiency.

Table 3: Impact on HUL's Business Performance

Response	Respondents	Percentage
Positive Impact	72	72%
Neutral Impact	18	18%
Negative Impact	10	10%
Total	100	100%

Interpretation: Most respondents perceive that GST has positively impacted HUL's business performance.

Findings:

1. GST has simplified the indirect taxation structure for FMCG companies.
2. HUL benefited from reduced logistics and warehousing costs.
3. Supply chain efficiency improved after GST implementation.
4. Tax transparency has increased across the distribution network.
5. GST reduced the cascading effect of taxes.
6. HUL experienced better operational efficiency and inventory management.
7. Retailers and distributors generally view GST positively.

Suggestions:

1. Continue simplifying GST compliance procedures for businesses.
2. Conduct awareness programs for retailers and distributors regarding GST updates.
3. Improve digital tax filing systems for better compliance.
4. Strengthen supply chain integration to maximize GST benefits.
5. Encourage automation in inventory and logistics management.
6. Reduce compliance burden for small retailers.
7. Promote periodic review of GST rates for FMCG products.

Conclusion:

GST has emerged as one of the most significant tax reforms in India. The study concludes that GST has positively impacted the FMCG sector by simplifying taxation, reducing logistics costs, improving supply chain efficiency, and enhancing operational performance. Hindustan Unilever Limited has benefited from these changes through improved business processes and cost efficiencies. Continued policy support and technological integration will further strengthen the positive effects of GST on the FMCG industry.

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