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A COMPARATIVE STUDY ON CAUSE AND CONSEQUENT EFFECT RELATIONSHIP OF LIQUIDITY – PROFITABILITY ANALYSIS OF SELECT FAST-MOVING CONSUMER GOODS (FMCG) SECTOR IN INDIA WITH REFERENCE TO HOUSEHOLD & PERSONAL PRODUCTS

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Purpose/Aim: Current study aims to determine Cause and Consequent Effect Relationship of Liquidity – Profitability Analysis of Select Fast-Moving Consumer Goods (FMCG) Sector in India with Reference to Household & Personal Products.

Research Design/Methodology/Approach: Scope of Consequent Effect Relationship of Liquidity – Profitability Analysis of Select Fast-Moving Consumer Goods (FMCG) Sector in India, for Household & Personal Products are selected based on the review of market capitalization in FMCG brands. The study uses a Combination of descriptive and exploratory methods. The descriptive approach covered the description of phenomena or characteristics associated with FMCG consumers, a description of the subject population, and the discovery of associations between Consequent Effect Relationship of Liquidity – Profitability. Predictors: (Constant), Quick Ratio, Current Ratio, Gross profit margin ratio, Net Profit margin, ROE, ROI in association with Dependent Variable: Return on Profitability variables.

Findings/Conclusion: In terms of Margin Ratios: Gross Profit and Net Profit, Dabur India is in the top position which reveals the better management of overall cost and efficiency of the company.

- In terms of Rate of Return Ratios: Return on Equity and Return on Investments HUL is in the top position which indicates that HUL is proficient in management of Shareholder's fund and investments.
- In terms of Liquidity: HUL is in the top position for Current Ratio, while Dabur India is in the top position for Liquid / Acid Test Ratio. This shows that HUL has higher inventory level than other select FMCG companies. Dabur India is in a better liquidity position comparing the other select FMCG companies.

Abstract:
FMCG industry is one of the most important industries of the world. India's FMCG sector is the fourth largest industry in India. It provides employment for more than four million people in downstream activities. Its principal components are Household care, Personal care, Food and Beverages. The total FMCG Market is of more than Rs. 200,000 Crore and its current growth rate is double the digit and is expected to maintain a high growth rate. The financial performance is an indicator of the overall soundness of a business concern. In a broader sense, financial performance refers to the degree of which financial objectives have been accomplished. It is a technique of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firms of overall financial performance over a given period of time. In the current study, the overall financial performance of selected FMCG Companies of India is analyzed using Ratio Analysis and various other statistical techniques. The study takes a fresh look at the financial performance of the FMCG sector. It will help the future investors to choose a safe investment and to identify the growth opportunities. The scope of the study is limited because it is based on secondary data using financial statements and reports published by the company.
Keywords: Indian FMCG Sector, Gross Profit Margin, Operating Profit Margin, Net Profit Margin, Return on Equity, Return on Capital Employed.

1. Introduction

Fast-moving consumer goods have high turnover rate in Indian economy GDP and the market is not only very large, also very competitive. (A.Vaideki,Dr.V.T.Dhanaraj), 2020)1 their study investigate how perceived service quality and satisfaction determine parameters of services quality by the banks. Current study enables bank managers to understand and utilize the implications of SERVQUAL for measurements of customer behavior and it can provide excellent services to the customers. The main objective of the banking sector reforms in India has been to increase efficiency and profitability of the commercial banks Contemporary Relevance of Electronic Shopping a Paradigm Shift among Consumers has Essential for businesses involved in electronic commerce in India to make use of Internet. Dr. V T Dhanaraj (2022) 2.

The world's largest companies compete for market share in this industry including Tyson Foods, Coca-Cola, Unilever, Procter & Gamble, Nestlé, PepsiCo, and Danone. Consumers to buy their products like Household and Personal care products accounts for 50% of the sales in the industry, Healthcare accounts for 31-32%, Food and Beverage accounts for the remaining 18-19%. The impact of online advertisement which leads to consumer decisions (Dr V.T Dhanaraj, C.S Priya, Dr. T. M. Hemalatha & V. Varsha)3. FMCG sector provides employment for around 3 million people accounting for approximately 5% of the total factory employment in India. All economies are facing the problems how to the economy open and functioning during COVID-19. Many industries have been affected by the nation-wide lockdown. Companies are expected to register the poor growth in business(Mrs. Bushra B, Dr. T. M. Hemalatha, Mr. Ajith Kumar, Ms. Anusuya, Mrs. Dhanalaxmi)4. In the past few years, the FMCG market has grown at a faster pace in rural India compared to urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50% of the total rural spending. E-commerce share of Total FMCG sales is expected to increase by 11% in 2023 as already 40% of sales of FMCG in India are done online.

Bajaj Consumer Care Limited:

Bajaj Consumer Care Ltd. (formerly known as Bajaj Corp Ltd.) is an Indian consumer goods company with brands in hair care. It is a part of the Bajaj Group, founded by Jamna Lal Bajaj. Bajaj Group has interests in varied industries including sugar, consumer goods, power generation and infrastructure development. Bajaj Consumer Care Ltd. is the Third-largest player in producing hair oils and light hair oil in India. Bajaj Almond Hair Oil commands a 52% market share in the light hair oil category according to Nielsen Retail Audit Report.

Colgate Palmolive Limited:

Colgate-Palmolive (India) Ltd (CPIL) a subsidiary of Colgate-Palmolive Co, is a producer, developer, marketer and seller of personal and oral care products. The company's product portfolio comprises of toothpastes such as Colgate Active Salt, Colgate Total Advanced health, Colgate Herbal, Swarna Vedshakti, Colgate Cibaca, Colgate Active Salt, Colgate Colgate Motu Patlu Anticavity, Colgate Kids Batsman, Colgate Sensitive, Colgate for oral health of diabetics; toothbrushes; tooth powder; whitening products mouth wash; kid's products; and liquid hand wash products. CPIL markets its products under Colgate and Palmolive brand names. The company has its manufacturing plants in India at Himachal Pradesh, Goa, Gujarat, and Andhra Pradesh. CPIL is headquartered in Mumbai, Maharashtra, India.

Dabur India Limited:

Dabur India Ltd. is one of India's leading FMCG Companies with Revenues of over Rs. 10,889 Crores & Market Capitalization of over Rs. 100,000 Crore building on a legacy of quality and experience of over 138 years. Dabur is today India's most trusted name and the world's largest Ayurvedic and Natural Health Care Company. Dabur India is also a world leader in Ayurveda with a portfolio of over 250 Herbal/Ayurvedic products. Dabur's FMCG portfolio today includes nine distinct Power Brands: Dabur Chyawanprash, Dabur Honey, Dabur Honitus, Dabur Pudin hara and Dabur Lal Tail in the Healthcare space; Dabur Amla, Vatika and Dabur Red Paste in the Personal Care category; and Real in the Food & Beverages category.

Godrej Consumer Products Limited:

Godrej Consumer Products Ltd (GCPL) is a manufacturer, distributor, and marketer of fast-moving consumer goods. Its product portfolio includes household and personal care products, including soaps, toiletries, cosmetics, hair care, air care, health and hygiene, household insecticides, and fabric care products. The company offers Household insecticides products in aerosol, electric and burning categories. GCPL markets these products under several brands, including Cinthol, Saniter, Godrej No. 1, Ezee, Stella, Good Knight, TCB Naturals, Darling, Bblunt, HIT, Inecto and Nupur.

Hindustan Unilever Limited:

Hindustan Unilever Limited (HUL) is India's largest fast moving consumer goods company, touching the lives of two out of three Indians with over 20 distinct categories in Home & Personal Care Products and Food & Beverages. They endow the company with a scale of combined volumes of about 4 million tones and sales of over Rs. 13,000 crores. HUL is also one of the country's largest exporters; it has been recognized as a Golden Super Star Trading House by the Government of India. The Anglo-Dutch company Unilever owns a majority stake (52%) in Hindustan Unilever Limited.

Objective of the study:

1. To investigate the Cause-and-Effect relationship between Liquidity and Profitability Analysis of Select Fast-Moving Consumer Goods.
2. To analyze the liquidity and profitability performance of selected organizations. Evaluate the effect of liquidity on profitability.

Scope of Study:

The present study deliberately concentrates on the Cause and Consequent Effect Relationship of Liquidity – Profitability Analysis of Select Fast-Moving Consumer Goods (FMCG) Sector in India with reference to Household & Personal Products and financial performance of companies of FMCG sector in India. Financial ratios like Current Ratios, Quick Ratio, PAT Margin ratio, EBIT Margin, Return on Capital Employed, Return on Equity, Earnings Per share, Dividend Payout Ratio, Total Debt Equity Ratio, Interest Cover Ratios, Inventory Turnover Ratios, Debtors Turnover Ratios, Assets Turnover Ratios and Fixed Assets Turnover Ratios has been covered under the present study.

Need for the study

For every business to survive, liquidity and profitability are absolutely essential. Therefore, it is important to determine as to whether liquidity has any effect on the profitability of FMCG companies, while the liquidity affects FMCG firms' profitability, they will need to strike a balance between the two to prevent investing too much funds in liquid assets and profitability.

Period of study:

The present study focuses on Cause and Consequent Effect Relationship of Liquidity – Profitability Analysis of FMCG Sector of India for the period of 5 years from 2017-2018 to 2022-2023. In carrying out this study, the financial data reported by the company have been used and from such data various ratios have been worked out for the select FMCG Companies.

Limitation of the Study:

The limitations of the present study are as follows:

1. The present study entirely depends on the secondary data. Therefore, the detailed information regarding the individual company’s financial management and working would be missing.
2. This study is mainly based on secondary data derived from the annual reports of selected units. The reliability and the finding are contingent upon the data published in annual report.

Review of Literature

Malik et al., (2016)3 in their study “Impact of Liquidity on Profitability: A Comprehensive Case of Pakistan’s Private Banking Sector”, found a statistically significant relationship between bank liquidity and return on assets. The study was conducted for a period of five years on 22 private sector banks.

Tamragundi, A., & Vaidya, P. (2016)4 in their study “Liquidity–Profitability Relationship: A Study of ten Leading FMCG Companies in India”, found that there exists a very strong positive relationship between liquidity and profitability of the selected FMCG companies in India. The study was based on top ten FMCG companies in India and the period of study was from 2005 to 2015.

Pradhan, R., & Shrestha, D. (2016) in their study "Impact of Liquidity on Bank Profitability in Nepalese Commercial Banks" found that increase in liquidity ratio and quick ratio had a negative impact on return on equity and return on assets. The study was conducted on Nepalese commercial banks.
Ibrahim, S. (2017) in his study "The Impacts of Liquidity on Profitability in Banking Sectors of Iraq: A Case of Iraqi Commercial Banks" found that profitability is positively affected by liquidity. The study was conducted on five Iraqi banks over the period 2005 to 2013.
Rodney Bwacha, C., & Xi, J. (2018) in their study "The Impact of Liquidity on Profitability" found that only deposit to asset ratio had a significant impact on profitability measured by return on equity and other liquidity ratios did not have a significant impact on profitability of banks. The study was conducted for a period of ten years and the sample included 50 leading banks from Asia, Europe and North America.

Binay Shrestha, B. (2018) in her study "Liquidity Management and Profitability of Commercial Banks in Nepal" found that liquidity does not have a significant impact on profitability of commercial banks in Nepal. The study was conducted for a period of five years on Nepalese commercial banks.
Tawinder and Kaur (2020) in their research paper on "Economic Slowdown: An analysis of rural distress and informal sector" have laid a massive emphasis on the employability of the rural population and the informal sector workers who do not have secure jobs and are major contributors to the consumption of FMCG products. They have included the unemployment rate of the country in order to find the relation between it and the performance of the index.
Reeti Gaur, Rajinder Kaur (2018) in their research paper on the "Effect of Firm-Specific and macroeconomic conditions on corporate cash holding: Evidence from FMCG companies in Electronic copy available at: https://ssrn.com/abstract=3989613 India" concluded that the FMCG industry, producing products which are reasonably low in cost and have shorter shelf life. It maintained large cash reserves and a booming economy help these companies to generate more income. This showed that GDP growth has a positive influence on the cash holding of the firms. In their research, they have included the GDP figures at current prices and test the effect on the companies listed in NIFTY.

Beaver (2017) contented that standard financial ratios can predict the financial performance of firms; many subsequent studies have attempted to demonstrate the predictive value of various techniques for estimating actual business performance. Sarvanan and Abarna (2014) conducted study on liquidity analysis of selected FMCG companies in India using ANOVA. They concluded that there is a significant difference among the absolute liquid ratios of the selected companies.

Research Methodology:

Sources of Data:

The study uses secondary data extracted from the annual reports of the selected companies. The Liquidity ratios include Current Ratio and Quick ratio; Profitability ratios include Gross Profit margin, Net Profit margin Return on Assets and Return on Equity. The study is conducted for the time period of five years i.e., from 2017-2018 to 2022-2023. The five leading FMCG companies were selected for the study and these are Bajaj Consumer Care Ltd, Colgate Palmolive, Dabur India, Godrej Consumer Products Ltd and HUL.

Data Source:

This study is based on the analysis of five fast moving consumer goods companies listed on S&P BSE Fast Moving Consumer Goods indexed. The data relating to various financial parameters have been taken from the annual reports of five years i.e. from 2017-2018 to 2022-2023.

Data Analytical Tools Applied:

In this study various tools

- Financial Tools – Ratio Analysis and
- Statistical Tools—mean and Bi variable test have been applied for data analysis.

Research Hypothesis:

1. H0: There is no significant relationship between the recital Effect of Liquidity – Profitability of Select Fast-Moving Consumer Goods.
2. H0: There is no significant relationship between the profitability and effect of liquidity for growth performance.

Table: 1

Descriptive analysis for Gross Margin Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Financial Year	Bajaj Consumer Care	Colgate Palmolive	Dabur India	Godrej Consumer Products Ltd	HUL
2017-2018	42.20	64.48	78.58	58.98	59.33
2018-2019	43.78	64.99	78.32	55.92	55.73
2019-2020	45.97	65.61	76.02	63.38	60.67
2020-2021	48.26	66.02	77.07	60.13	60.56
2021-2022	49.18	66.44	76.33	56.02	62.67
2022-2023	49.55	70.83	80.18	60.55	63.76
Mean ($\bar{x}=\sum x/n$)	**46.48**	**66.39**	**77.75**	**58.98**	**60.45**
SD (σ)	**2.44**	**1.84**	**1.27**	**2.35**	**2.27**
COV (Cov(X, Y)	**0.05**	**0.03**	**0.02**	**0.04**	**0.04**

Source: Ratios Calculated from Annual Report of Companies

The above Table.1 depicts that Dabur India has the highest Mean Value (77.75) while Bajaj Consumer Care has lowest Mean Value (46.48) in comparison to other Companies. Standard deviation of least value is 1.27 of Dabur India, while the highest Coefficient of Variation of is Bajaj Consumer Care (0.05) maximum and Dabur India the minimum (0.02). It is concluded that the Gross Profit margine is yardstick for measurement of Business operating performance. The higher value of Dabur India represents efficient performance in comparison with other select companies.

Table: 2

ANOVA Variation Gross Margin Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Factor	Calculated F- Value	Table Value	D.F	Remarks
ANOVA Variation Gross Margin Ratio	117.445	2.75871	4	Not Hypothesis is required

Source: Ratios Calculated from Annual Report of Companies   Significant At 5% Level

It is surmised from the above table that the calculated F- Value (117.445) value is greater than the table value (2.75871) and the result is significant at 5% level. Hence, the null hypothesis (H0) is rejected. Therefore it is concluded that there is significant difference between Gross Profit Margin of mean score variance in select FMCG Companies. Therefore, these companies have incorporated different business strategies.

Table:3

Descriptive analysis for Net Profit Margin Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Financial Year	Bajaj Consumer Care	Colgate Palmolive	Dabur India	Godrej Consumer Products Ltd	HUL
2017-2018	65.41	79.96	97.44	73.14	73.57
2018-2019	54.29	80.59	97.12	69.34	69.11
2019-2020	57.00	81.36	94.26	78.59	75.23
2020-2021	59.84	81.86	95.57	74.56	75.09
2021-2022	60.98	82.39	94.65	69.46	77.71
2022-2023	61.44	87.83	99.42	75.08	79.06
Mean ($\bar{x}=\sum x/n$)	**59.82**	**82.32**	**96.41**	**73.36**	**74.96**
SD (σ)	**1.44**	**1.25**	**1.47**	**1.56**	**2.54**
COV (Cov(X, Y)	**0.024**	**0.015**	**0.014**	**0.021**	**0.034**

Source : Ratios Calculated from Annual Report of Companies   Significant At 5% Level

The above Table.3 depicts that Dabur India has the highest Mean Value (96.41) while Bajaj Consumer Care has lowest Mean Value (59.82) in comparison to other Companies. Standard deviation of least value is 1.25 of Colgate Palmolive, while the highest Coefficient of Variation is HUL (0.034) maximum and Dabur India the minimum (0.014). The Net Profit margin assesses the overall financial health of a company by measuring the profits generated from its revenue. Therefore, it can be concluded that company with highest mean value ie., Dabur India generates enough profit from its sales and also its operating and overhead costs are under control.

Table:4

ANOVA Variation Net Profit Margin Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Factor	Calculated F- Value	Table Value	D.F	Remarks
ANOVA Variation Net Profit Margin	166.723	2.75871	4	Not Hypothesis is required

Source : Ratios Calculated from Annual Report of Companies Significant At 5% Level

It is found from the above table that the calculated F- Value (166.723) value is greater than the table value (2.75871) and the result is significant at 5% level. Hence, the null hypothesis (H0) is rejected. Therefore, it is concluded that there is a significant difference between Net Profit Margin Ratio of mean score variance in select FMCG Companies.

Table:5

Descriptive analysis for Return on Equity - ROE Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Year	Bajaj Consumer Care	Colgate Palmolive	Dabur India	Godrej Consumer Products Ltd	HUL
2017-2018	54.68	43.15	37.70	37.57	105.40
2018-2019	67.33	28.52	39.93	38.44	103.42
2019-2020	67.08	25.17	40.80	28.77	127.84
2020-2021	73.04	24.55	40.42	35.96	148.18
2021-2022	69.94	26.54	37.70	44.64	129.33
2022-2023	69.32	29.02	36.21	45.76	102.18
Mean ($\bar{x}=\sum x/n$)	**66.90**	**29.49**	**38.79**	**38.52**	**119.39**
SD (σ)	**1.58**	**1.96**	**2.01**	**1.78**	**2.16**
COV (Cov(X, Y)	**0.024**	**0.066**	**0.052**	**0.046**	**0.018**

Source: Ratios Calculated from Annual Report of Companies Significant At 5% Level

It is identified from the above table that HUL has the highest Mean Value (119.39) while Colgate Palmolive has lowest Mean Value (29.49) in comparison to other Companies. Standard deviation of least value is 1.58 of Bajaj

Consumer Care, while the highest Coefficient of Variation of is Colgate Palmolive (0.066) maximum and HUL the minimum (0.018). ROE is the ratio which measures company's proficiency in generating profits from shareholder's equity. It is concluded that HUL utilizes the shareholder's investment effectively and efficiently and gives highest returns to its shareholders comparing other companies.

Table:5

ANOVA Variation Return on Equity - ROE of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Factor	Calculated F- Value	Table Value	D.F	Remarks
ANOVA Variation Net Profit Margin	106.88	2.75871	4	Not Hypothesis is required

Source: Ratios Calculated from Annual Report of Companies Significant At 5% Level

It could be observed from the above table that the calculated F- Value (106.88) value is greater than the table value (2.7587) and the result is significant at 5% level. Hence, the null hypothesis (H0) is rejected. Therefore, it is concluded that there is significant difference between Return on Equity - ROE of mean score variance in select FMCG Companies.

Table:6

Descriptive analysis for Return on Investments ROI of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Financial Year	Bajaj Consumer Care	Colgate Palmolive	Dabur India	Godrej Consumer Products Ltd	HUL
2017-2018	5.24	19.84	43.67	21.38	97.33
2018-2019	30.29	17.68	46.28	25.06	91.49
2019-2020	42.43	18.14	47.05	19.37	143.91
2020-2021	63.96	19.68	47.21	35.98	124.86
2021-2022	63.35	21.07	43.97	38.90	127.77
2022-2023	67.80	22.44	41.97	45.51	111.79
Mean ($\bar{x}=\sum x/n$)	**45.51**	**19.81**	**45.02**	**31.03**	**116.19**
SD (σ)	**0.93**	**1.96**	**1.01**	**1.23**	**1.45**
COV (Cov(X, Y)	**0.020**	**0.099**	**0.022**	**0.040**	**0.012**

Source: Ratios Calculated from Annual Report of Companies Significant At 5% Level

It is noted from the above table that HUL has the highest Mean Value (116.19) while Colgate Palmolive has lowest Mean Value (19.81) in comparison to other Companies. Standard deviation of least value is 0.93 Bajaj Consumer Care, while the highest Coefficient of Variation of is Colgate Palmolive (0.099) maximum and HUL the minimum (0.012). Return on Investment measures the profitability of investments of the company. The higher value represents the better management of investment and its strategies. Here, it is concluded that HUL has better investment and marketing strategies.

Table:7

ANOVA Variation Return on Investments – ROI Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Factor	Calculated F- Value	Table Value	D. F	Remarks
ANOVA Variation Return on Investments – ROI	76.88	2.75871	4	Not Hypothesis is required

Source: Ratios Calculated from Annual Report of Companies

It could be observed from the above table that the calculated F- Value (76.88) value is greater than the table value (2.7587) and the result is significant at 5% level. Hence, the null hypothesis (H0) is rejected. Therefore, it is concluded that there is significant difference between Return on Investments – ROI of mean score variance in select FMCG Companies.

Liquidity Ratios:

Current Ratio: It measures the excess of Current assets over the Current Liabilities of an entity. Higher Current Ratio indicates that firm can easily meet its short-term obligations with its available Current Assets. It should be noted that a firm with high proportion of Current Assets in the form of Cash and Debtors is more liquid than a firm with its maximum Current Assets in the form of Inventories, even though both have the same Current Ratio. Current Ratio also depends on the operating cycle of a firm. Longer the operating cycle, higher the Current ratio and vice versa. Normally a Current Ratio of 2:1 is acceptable.

Table:8

Descriptive analysis for Current Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Financial Year	Bajaj Consumer Care	Colgate Palmolive	Dabur India	Godrej Consumer Products Ltd	HUL
2017-2018	2.02	1.30	2.33	1.97	2.93
2018-2019	2.45	1.28	2.22	2.11	2.62
2019-2020	1.89	1.15	2.11	2.24	2.65
2020-2021	1.81	1.02	1.84	2.36	2.48
2021-2022	2.02	1.24	2.00	2.60	2.57
2022-2023	2.19	1.35	2.13	2.15	2.43
Mean ($\bar{x}=\sum x/n$)	**2.06**	**1.22**	**2.10**	**2.24**	**2.61**
SD (σ)	**2.01**	**1.96**	**2.01**	**1.78**	**2.16**
COV (Cov(X, Y)	**0.975**	**1.602**	**0.955**	**0.795**	**0.827**

Source: Ratios Calculated from Annual Report of Companies

It is found from the above table that HUL has the highest mean (2.61) in terms of Current Ratio followed by Godrej Consumer Products Ltd, Dabur India, Bajaj Consumer Care, and Colgate Palmolive. Standard deviation of both Bajaj Consumer Care and Dabur India are 2.01, while the highest Coefficient of Variation of Colgate Palmolive (1.602) is maximum and Godrej Consumer Products Ltd (0.795) the minimum. It is concluded that the company with higher current ratio ie., HUL has higher chance of meeting its shorterm obligations.

Table.9

Descriptive analysis for Liquid Ratio of Select Fast-Moving Consumer Goods (FMCG) Sector in India

Year	Bajaj Consumer Care	Colgate Palmolive	Dabur India	Godrej Consumer Products Ltd	HUL
2017-2018	0.67	1.59	1.15	1.49	0.71
2018-2019	0.63	1.44	1.25	1.28	0.74
2019-2020	0.67	1.35	1.36	1.34	0.71
2020-2021	0.57	1.14	1.50	1.36	0.69
2021-2022	0.88	1.31	1.74	1.12	0.72
2022-2023	0.99	1.35	1.38	1.26	0.78
Mean ($\bar{x}=\sum x/n$)	**0.74**	**1.36**	**1.40**	**1.31**	**0.73**
SD (σ)	**1.58**	**1.96**	**2.01**	**1.78**	**2.16**
COV (Cov(X, Y)	**2.148**	**1.437**	**1.439**	**1.361**	**2.978**

Source: Ratios Calculated from Annual Report of Companies

It is witnessed from the above table that Dabur India has the highest mean (1.40) in terms of Liquid Ratio followed by Colgate Palmolive, Godrej Consumer Products Ltd , Bajaj Consumer Care, and HUL. Standard deviation of HUL is highest (2.16). The highest while Coefficient of Variation of HUL is maximum and Godrej Consumer Products Ltd the minimum. Liquid ratio represents liquid position of a company ie., easily available cash to meet short term obligations. Here, it is concluded that Dabur India has higher liquidity than other select FMCG companies.

Effect Relationship of Liquidity – Profitability

Select Fast-Moving Consumer Goods (FMCG) Sector in India

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	631.49	2	315.79	0.544	0.648^{b}
Residual	1160.80	2	580.45		
Total	1792.29	4			

Source: Ratios Calculated from Annual Report of Companies

Dependent Variable: Return on Profitability

SPSS Output b. Predictors: (Constant), Quick Ratio, Current Ratio, Gross profit margin ratio, Net Profit margin, ROE, ROI

In the output above, we can see that the predictor variable Current Ratio is not significant because p-value is 0.648, which is greater than common alpha level of 0.05; this indicates that it is statistically not significant. So, there is no significant impact of Current Ratio and Quick Ratio on Return on Equity.

Conclusion

The present study on five leading FMCG companies has been conducted to examine the Cause and Consequent Effect Relationship of Liquidity – Profitability Analysis of Select Fast-Moving Consumer Goods (FMCG) Sector in India by using Ratio Analysis during the period 2017 to 2023 (Five years). The study reveals that:

- In terms of Margin Ratios: Gross Profit and Net Profit, Dabur India is in the top position which reveals the better management of overall costs and efficiency of the company.
- In terms of Rate of Return Ratios: Return on Equity and Return on Investments HUL is in the top position which indicates that HUL is proficient in management of Shareholder's fund and investments.
- In terms of Liquidity: HUL is in the top position for Current Ratio, while Dabur India is in the top position for Liquid / Acid Test Ratio. This shows that HUL has higher inventory level than other select FMCG companies. Dabur India is in a better liquidity position comparing the other select FMCG companies.

It can be summarized that there is a significant relationship between the recital effect of Liquidity – Profitability of select FMCG companies and there is a significant relationship between Liquidity and its effects on Profitability.

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