



Assessing the impact of advertisement expenditure on revenue and net profit of selected FMCG companies in India: An empirical study

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Abstract

In the current era of business, awareness of product with fascinating advertisement plays a significant role in increasing revenue from operation. The quality of the products is judged by their packaging, celebrities who endorse the specific goods and advertisement expenditure incurred by the organisation. Hence, advertisement expenditures are finding prominent place in the cost sheet of the company to boost the dependent variable 'Revenue and Net Profit'.

This empirical study is carried out to examine the correlation of advertisement expenditure with revenues and net profit. The companies from Fast-Moving-Consumer-Goods (FMCG) sector have been considered as samples which are listed on a National Stock Exchange (NSE). The data required for this research are compiled from Bombay Stock Exchange (BSE) website (www.bseindia.com), and annual reports of the companies for the period covered under this research i.e. last 15 years (FY 2006-07 to FY 2020-21). Correlation and regression statistics as assessing tools have been applied to evaluate the relationship among these three variables and found that there is a positive and linear correlation among them.

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Introduction

There are no exceptions that all businesses or companies ought to have some marketing strategies and every year businesses should be willing to set aside the specific amount of money as a marketing and advertising budget for attaining growth objectives. Advertisement expenditure should not be viewed as an expense but as an investment, as it helps to enhance sales, profitability, scalability & brand value of the company. According to a report by Dentsu India, "Digital Advertising in India 2022", witnessed the highest market growth rate of 18.6% in Indian Advertising Industry from Rs. 59,619 crore in 2020 to Rs. 70,715 crore in 2021 and FMCG sector alone accounts for 34% (23,736 crore) share of the entire Indian advertising industry by the end of 2021. FMCG sector is the fourth largest and fastest growing sector in Indian economy. The objective of this study is to measure the impact of incurring advertisement and other sales promotion expenses on the revenues & net profit of the selected FMCG companies.

Objectives of the study

The following objectives of the study are as under:

- To analyse the trend and growth pattern of sales, profits & advertisement expenses of selected companies.
 - To study the relation of advertisement expenses with revenue of the selected companies.
 - To find out the relation of advertisement expenses with net profit of the selected companies.
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Literature Review

Dr. Suparn Sharma and Dr. Jyoti Sharma (2009) ^[11] displays that there are other factors other than advertisement expenses as well which determines the sales of an Indian company. Though advertisement expenses are very crucial and Indian companies need to take care of it.

Dr. Sanchita (2016) ^[12] & Dr. Gagan Deep Sharma (2016) ^[12] conducted a study and found that in Indian manufacturing industries there is a positive impact of advertisement expenditure on their sales and profits. Margareta Nadanyiova, Lubica Gajanova, Dominika Moravcikova and Judit Olah (2019) revealed that in automotive industry, sales success are greatly and directly influenced by their brand value. In another study by Michael Yeboah (2016) ^[13] of Unilever (Ghana) Limited, exhibits that product branding creates a long-term positive impact on its revenue and not immediately. Siew Meng Leong, Sam Ouliaris & George R. Franke (2010) ^[6] also illustrated by using co-integration econometrics that a strong and positive correlation between advertisement and revenues can only be found in a long term rather than short term.

Sultana Razia Chowdhury (2017) ^[1] concluded that advertising expenditure, revenue sales and net profit after tax are having a positive and significant relationship. It has also discovered that there is an isolated relationship between the two variables, like between advertising expenditure & revenue sales, between revenue sales & between net profit and net profit & advertising expenditure.

Sanjeet Singh, Gagan Deep Sharma & Mandeep Mahendru (2011) ^[10] concludes that sales of an Indian company are affected by both the previous year's sales as well as the advertisement whether or not the advertisement is affected by the previous year's sales and therefore the previous year's profit.

In a research paper by Tiasha Islam (2019) ^[5], it is found that there is a negative relationship between advertising with the financial performance and on the other hand, there is a strong positive relationship between sales-incentives & sales revenue and sales-incentives & profit after tax.

In an attempt to identify relationship among the advertisement expenses, sales revenues & its profitability of the Nigerian Bottling Company Plc by Abdullahi, Dauda (2014) ^[2], it is observed that there is a significant relationship between them however it should be considered depending solely upon the advertisements can results into negative relationship between the advertisement expenditures and profits, the reason being this expense is not the only factor to determine the profitability and should not be over expensed on advertisements. Other factors are as crucial as advertising while determining their impacts on sales and profitability and must be considered while formulating the promotional strategy of an organisation (Abdullahi, Dauda, 2015) ^[3].

Hypothesis

The following two hypotheses are evaluated to explain the relationship between advertisement expenditure, revenues and net profit of three selected peer companies.

H0₁: There is a significant relation between advertisement expenditure and revenues.

H1₁: There is no significant relation between advertisement expenditure and revenues.

H0₂: There is a significant relation between advertisement expenditure and net profits.

H1₂: There is no significant relation between advertisement

expenditure and net profits.

Data and Methods

This research paper is based on data obtained from the secondary sources of the companies for examining the impact of their advertisement expenditure on their revenues and net profit before tax. Three companies from FMCG sector have been selected which are listed on NSE on the basis of 'Random Sampling' and independent study has been carried out for each company to generalise the influence of advertisement expenditure on revenue and net profit. The secondary data of respective companies has been collected from BSE (bseindia.com) and annual reports.

The data of companies from FMCG sectors showing advertising expenditure, revenues, and net profits are summarized for the last 15 financial years (i.e. from 2007 to 2021). The selling and distribution expenses are considered as advertisement expenditure and net profit before tax is taken as net profits for each selected companies.

Microsoft Excel software has been used for analysing the data for determining coefficient of correlation and coefficient of determination applying simple regression model; and hypothesis testing results have been concluded by using ANOVA.

Multiple R under regression statistics represents correlation coefficients which indicate the relationship between the two different variables that how the fluctuation of one variable is associated with other variable. R Square (R²) represents coefficient of determination (square of the correlation coefficient), the value which explains how much different related factors affects the variability of a variable. It explains the degree of dependence between the two variables. ANOVA (Analysis of Variance) is used test if there is a change in dependent variable according to the change in the level of independent variable or used to test whether both the variables are statistically different from each other.

Research Hypothesis Testing

For testing the two hypotheses formulated above, this research paper will have two regression equations as there are two hypotheses under the study which will results as below. This Simple linear regression model can be expressed in a two straight line equation as:

$$y = \beta_0 + \beta_1 x + \epsilon_i \quad (1)$$

Where, β_0 = Intercept

β_1 = slope

ϵ_i = random error component

y = Revenues (dependent variable)

x = Advertising expenditure (independent variable)

$$y = \beta_0 + \beta_1 x + \epsilon_i \quad (2)$$

Where, β_0 = Intercept

β_1 = slope

ϵ_i = random error component

y = Net profit (dependent variable)

x = Advertising expenditure (independent variable)

1. Marico Limited

Marico is one of the leading companies in FMCG sector incorporated on 13th October 1988. Since, the company's share of advertisement & promotion expenses in financial

year 2020-21 is 7.83% of total expenses and 6.56% of sales; these expenses play a significant role in the company and needs to effectively manage the funds while utilizing it for achieving advertisement objectives. Marico increased its spending on advertisement by 10% and sales increased by 26% on an average every year for the last 15 years. Over the last 15 years, it is found that sales are increased by 362% and profits are increased by 769% with the increase of 140% in advertisement and other promotional expenses, which proved that advertisement is very effective in promoting its sales and company is very much successful in brand building over a longer term.

Summary of regression statistics

Table 1: Regression Statistics (Advertisement expenditure and Revenues)

Multiple R	0.917605
R Square	0.842
Adjusted R Square	0.829846
Standard Error	704.8731
Observations	15

Source: Calculated by authors

Table 2: Regression Statistics (Advertisement expenditure and Net profit)

Multiple R	0.895874
R Square	0.80259
Adjusted R Square	0.787404
Standard Error	194.3061
Observations	15

Source: Calculated by authors

Table 1.1 shows Multiple R of 0.917605 stipulated that there is a positive correlation between advertisement expenditure and revenues; and revenues are linearly dependent on advertisement expenditure. On the other hand, there is also a positive correlation between advertisement expenditure and net profit with multiple R of 0.895874 as shown in Table 1.2. In Table 1.1, value of the coefficient of determination is 0.842

{ $R^2 = (0.917605)^2$ }, which constitutes only 84.2% of revenues are affected by the advertisement expenditure and remaining upto 15.8% of revenues are affected by other causes. Similarly, as per the Table 1.2, coefficient of determination is $0.80259\{R^2 = (0.895874)^2\}$, which constitutes 80.26 % of the net profit are affected by advertisement expenditure and remaining upto 19.74 % of net profit are affected by other factors.

Correlation Analysis

Table 3

Karl Pearson's coefficient of correlation	Advertising expenditure	Revenues	Net profit
Advertising expenditure	1		
Revenues	0.917605	1	
Net profit	0.895874	0.979399	1

Source: Calculated by authors

It is observed from the above table that there is a positive correlation between advertising expenditure and revenues ($R=0.917605$) which means increase in the advertising expense directs to more revenues. There exists an influence of advertisement on customers' behaviour to buy products and services. On the other hand, there is also a positive correlation between advertisement expenditure and net profit ($R=0.895874$) but found that advertisement is not as effective to net profit as to the revenues. Additionally, revenues and net profit are also positively correlated ($R=0.979399$) to each other which stipulated increasing revenues helps to generate more net profit.

Hence there is a linear and positive correlation among advertisement expenditure, revenues and net profit.

Table 4: ANOVA (Advertisement Expenditures and Revenues)

	df	SS	MS	F	Significance F
Regression	1	34420666	34420666	69.27833	1.45E-06
Residual	13	6458999	496846.1		
Total	14	40879665			

Table 5

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-429.627	540.1038	-0.79545	0.440633	-1596.45	737.1961	-1596.45	737.1961
Advertisement Expenditure	11.88209	1.427559	8.32336	1.45E-06	8.798035	14.96614	8.798035	14.96614

Source: Calculated by authors

Table 6: ANOVA (Advertisement Expenditures and Net profit)

	df	SS	MS	F	Significance F
Regression	1	1995447	1995447	52.85271	6.27E-06
Residual	13	490813.2	37754.86		
Total	14	2486260			

Table 7

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-329.613	148.8856	-2.21386	0.045328	-651.261	-7.96481	-651.261	-7.96481
Advertisement Expenditure	2.860904	0.393523	7.269987	6.27E-06	2.01075	3.711058	2.01075	3.711058

Source: Calculated by authors

Firstly, as shown in Table 1.3, ANOVA test is conducted to know how incurring of advertisement expenditures affects revenues. F-statistic is 69.27833 (with the significant level of 0.05) which is more than F critical value 4.6672 & the

significance F (i.e. 1.45E-06) is less than 0.05, then this model is statistically fit at 0.95 and there exists a statistically significant relation between the variables. It has been found that T-statistic calculated above (i.e. 8.32336) is more than T

critical value 2.145. Hence, null hypothesis (H_{01}) is rejected. So, it is concluded that *there is no significant relation between advertisement expenditure and revenues.*

Secondly, as per Table 1.4, ANOVA test is done to know how incurring of advertisement expenditure affects net profit. F-statistic is 52.8527 (with the significant level of 0.05) which is greater than F critical value 4.6672 & the significance F (i.e. 6.27E-06) is less than 0.05, then this model is statistical significant and fit at 0.95 and there exists a statistical significant relation between the variables. It has been found that T-statistic calculated above (i.e.7.269987) is greater than T critical value 2.145. Hence, null hypothesis (H_{02}) is rejected. So, it is concluded that *there is no significant relation between advertisement expenditure and net profits.*

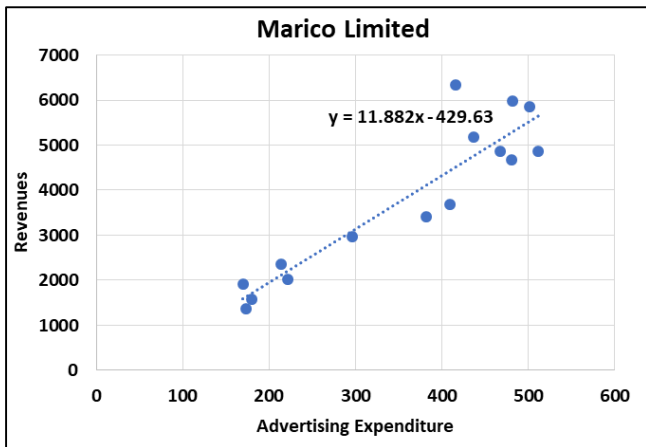


Fig 1: The correlation between advertisement expenditure and revenues of Marico Limited

The direction of the relationship between advertising expenditure and revenues illustrates that there is a positive association and a linear relationship between these variables as incurring more advertising expenditure encourages more revenues. The slope of the line is 11.882. This means that for every increase in advertisement expenditure by Re. 1, revenues gets increased by Rs. 11.882 on an average.

So, it is concluded that advertisement expenditure and revenues are positively and linearly correlated however they don't have significant relation between them for Marico Limited.

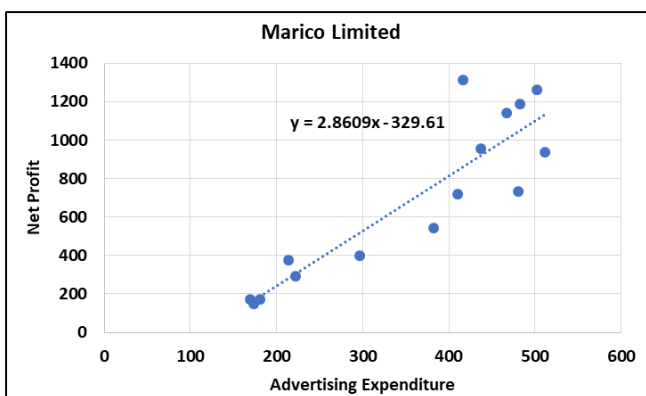


Fig 2: The Correlation between Advertisement expenditure and Net Profit of Marico Limited

The direction of the relationship between advertising expenditure and net profits illustrates that there is a positive association and a linear relationship between these variables as incurring more advertising expenditure encourages more net profits. The slope of the line is 2.86. This means that for every increase in advertisement expenditure by Re. 1, net profit gets increased by Rs.2.86 on an average.

So, it is concluded that advertisement expenditure and net profits are positively and linearly correlated however they don't have significant relation between them for Marico Limited.

2. Dabur India Limited

Dabur is one of the most trusted brands of India in FMCG sector whose mission is to provide 100% natural products. The company is spending more & more on research and development as newer and newer products and services are coming in everyday so need to keep on advertising to stay ahead of others. During the financial year 2020-21, company has spent 11.14% of total expenditure and 8.95% of total sales on advertisement. Company has gained 304% increase in sales and 492% increase in profits with 225% increase in advertisement expenses over the last 15 years. Both sales and profits are reacting positively from advertisement.

Summary of regression statistics

Table 8: Regression Statistics (Advertisement expenditure and Revenues)

Multiple R	0.836565
R Square	0.699841
Adjusted R Square	0.676752
Standard Error	968.8767
Observations	15

Source: Calculated by authors

Table 9: Regression Statistics (Advertisement expenditure and Net profit)

Multiple R	0.709722
R Square	0.503706
Adjusted R Square	0.465529
Standard Error	335.8959
Observations	15

Source: Calculated by authors

Table 2.1 shows multiple R 0.836565 stipulated that there is a positive correlation between advertisement expenditure and revenues; and revenues are linearly dependent upon advertisement expenditure. On the other hand, there is also a positive correlation between advertisement expenditure and net profit with multiple R of 0.709722 as shown in Table 2.2. In Table 2.1, value of the coefficient of determination is 0.699841 $\{R^2 = (0.836565)^2\}$, which constitutes 69.98% of revenues are influenced by the advertisement expenditure and remaining of 30.02% of revenues are affected by other causes. Similarly, as per table 2.2, coefficient of determination is 0.503706 $\{R^2 = (0.709722)^2\}$, which constitutes only 50.37% of the net profit are influenced by advertisement expenditure and remaining 49.63% of net profit are forced by other factors.

Correlation Analysis

Table 10

Karl Pearson's co-efficient of correlation	Advertising expenditure	Revenues	Net profit
Advertising expenditure	1		
Revenues	0.836565	1	
Net profit	0.709722	0.969313	1

Source: Calculated by authors

It is observed from the above table that there is a positive correlation between advertising expenditure and revenues ($R=0.836565$) which means increase in the advertising expense directs to more revenues. There exists an influence of advertisement to customers' behaviour to buy products and services. On the other hand, there is also a positive correlation between advertisement expenditure and net profit

($R=0.709722$) but found that advertisement is not as effective to net profit as to the revenues. Additionally, revenues and net profit are also positively correlated ($R=0.969313$) to each other which stipulated increasing revenues helps to generate more net profit. Hence, there is a linear and positive correlation among advertisement expenditure, revenues and net profit.

Table 11: ANOVA (Advertisement Expenditures and Revenues)

	df	SS	MS	F	Significance F
Regression	1	28453052	28453052	30.31041	0.000101
Residual	13	12203388	938722.1		
Total	14	40656440			

Table 12

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	106.9881	833.7198	0.128326	0.899855	-1694.15	1908.13	-1694.15	1908.13
Advertisement and Sales expense	9.547539	1.734185	5.505489	0.000101	5.801059	13.29402	5.801059	13.29402

Source: Calculated by authors

Table 13: ANOVA (Advertisement Expenditures and Net profit)

	df	SS	MS	F	Significance F
Regression	1	1488642	1488642	13.19413	0.003038
Residual	13	1466739	112826.1		
Total	14	2955381			

Table 14

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-78.3468	289.0389	-0.27106	0.790601	-702.777	546.0839	-702.777	546.0839
Advertisement and Sales expense	2.183847	0.601218	3.632373	0.003038	0.884995	3.482699	0.884995	3.482699

Source: Calculated by authors

Firstly, as shown in Table 2.3, ANOVA test is administered to know how incurring of advertisement expenditures affects the revenues. F-statistic is 30.31041 (with the significant level of 0.05) which is greater than F critical value 4.6672 & the significance F (i.e. 0.000101) is smaller than 0.05, hence this model is statistically fit at 0.95 and there exists a statistically significant relation between the variables. It has been found that T-statistic calculated above (i.e. 5.505489) is more than T critical value 2.145. Hence, null hypothesis (H_{01}) is rejected. So, it is concluded that *there is no significant relation between advertisement expenditure and revenues.*

Secondly, as per Table 2.4, ANOVA test is done to know how incurring of advertising expenditure affects net profit. F-statistic is 13.19413 (with the significant level of 0.05) which is greater than F critical value 4.6672 & the significance F (i.e. 0.003038) is less than 0.05, then this model is statistically significant and fit at 0.95 and there exists a statistical significant relation between the variables. It has been found that T-statistic calculated above (i.e. 3.632373) is greater T critical value 2.145. Hence, null hypothesis (H_{02}) is rejected. So, it is concluded that *there is no significant relation between advertisement expenditure and net profits.*

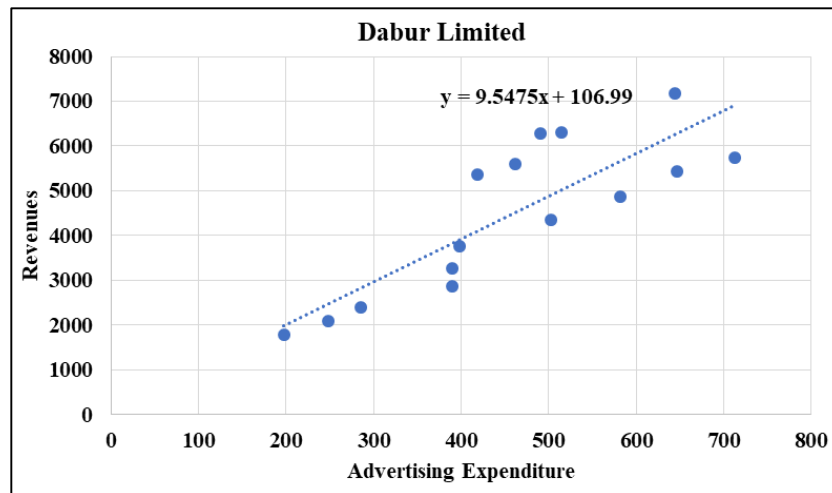


Fig 3: The Correlation between Advertising expenditure and Revenues of Dabur Limited

The direction of the relationship between advertising expenditure and revenues illustrates that there is a positive association and a linear relationship between these variables as incurring more advertising expenditure encourages more revenues. The slope of the line is 9.5475. This means that for every increase in advertisement expenditure by Re. 1, revenues gets increased by Rs. 9.5475 on an average. So, it is concluded that advertisement expenditure and revenues are positively and linearly correlated however they don't have significant relation between them for Dabur Limited.

13% on sales for the year 2020-21. On an average year on year growth of sales and profitability is 28.62% and 47.92% respectively by increasing 16% advertisement expenditure in the last 15 years. The company spends on promoting its products by covering both conventional as well as non-conventional media. Mass promotion and advertisement are being carried out by national & regional celebrities.

Summary of regression statistics

Table 15: Regression Statistics (Advertisement expenditure and Revenues)

Multiple R	0.980343
R Square	0.961072
Adjusted R Square	0.958078
Standard Error	149.3281
Observations	15

Source: Calculated by authors

Table 16: Regression Statistics (Advertisement expenditure and Net profit)

Multiple R	0.801188
R Square	0.641903
Adjusted R Square	0.614357
Standard Error	97.80767
Observations	15

Source: Calculated by authors

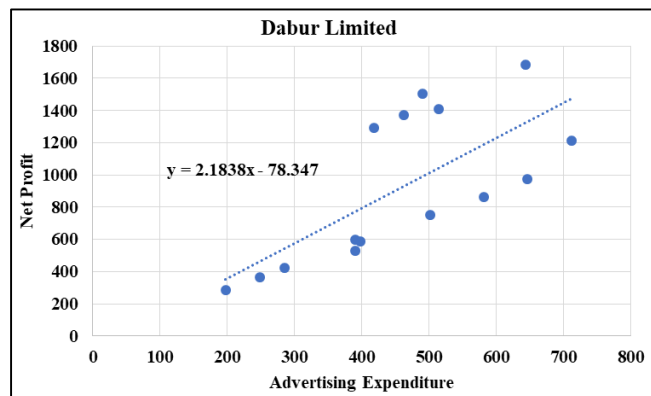


Fig 4: The Correlation between Advertising expenditure and Net Profit of Dabur Limited

The direction of the relationship between advertising expenditure and net profit illustrates that there is a positive association and a linear relationship between these variables as incurring more advertising expenditure encourages more revenues. The slope of the line is 2.1838. This means that for every increase in advertisement expenditure by Re. 1, net profits get increased by Rs. 2.18 on an average. So, it is concluded that advertisement expenditure and net profits are positively and linearly correlated however they don't have significant relation between them for Dabur Limited.

3. Emami Limited

Emami Ltd. is Kolkata-based company originated in 1995. This FMCG giant reported a spending on advertisement of

Table 3.1 shows multiple R of 0.980343stipulated that there is a positive correlation between advertisement expenditure and revenues; and revenues are linearly dependent on advertisement expenditure. On the other hand, there is also a positive correlation between advertisement expenditure and net profit with multiple R of 0.801188 as shown in Table 3.2. In Table 3.1, value of the coefficient of determination is 0.961072 { $R^2 = (0.980343)^2$ }, which constitutes only 96.11% of revenues are affected by the advertisement expenditure and remaining 3.89% of revenues are affected by other factors. Similarly, as per Table 3.2, coefficient of determination is 0.641903 { $R^2 = (0.801188)^2$ }, which constitutes 64.19% of the net profits are affected by advertisement expenditure and remaining 35.81% of net profits are affected by other factors.

Correlation Analysis

Table 17

Karl Pearson's co-efficient of correlation	Advertising expenditure	Revenues	Net profit
Advertising expenditure	1		
Revenues	0.980343	1	
Net profit	0.801188	0.860739	1

Source: Calculated by authors

It is observed from the above table that there is a positive correlation between the advertising expenditure and revenues (R= 0.980343) which means that advertisement expenses influenced positively for generating revenues. On the other hand, there is also a positive correlation between advertisement expenditure and net profit (R=0.801188) and

found that advertisement is affecting positively to the net profits of the company. Moreover, revenues and net profit are positively correlated (R=0.860739) to each other which stipulated increase in revenues generates more net profits. Hence there is a linear and positive correlation among advertising expenditure, revenues, and net profit.

Table 18: ANOVA (Advertisement Expenditures and Revenues)

	df	SS	MS	F	Significance F
Regression	1	7156900	7156900	320.9535	1.52E-10
Residual	13	289885.3	22298.87		
Total	14	7446786			

Table 19

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-36.3797	103.1618	-0.35265	0.730005	-259.247	186.4877	-259.247	186.4877
Advertisement and Sales expense	6.500948	0.362874	17.91518	1.52E-10	5.717007	7.284889	5.717007	7.284889

Source: Calculated by authors

Table 20: ANOVA (Advertisement Expenditures and Net profit)

	df	SS	MS	F	Significance F
Regression	1	222924.3	222924.3	23.30298	0.00033
Residual	13	124362.4	9566.341		
Total	14	347286.7			

Table 21

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	28.21023	67.56942	0.4175	0.683126	-117.765	174.1851	-117.765	174.1851
Advertisement and Sales expense	1.147342	0.237677	4.827317	0.00033	0.633872	1.660812	0.633872	1.660812

Source: Calculated by authors

Firstly, as shown in Table 3.3, ANOVA test is conducted to know how incurring of advertising expenditures affects revenues. F-statistic is 320.9535 (with the significant level of 0.05) which is greater than F critical value 4.6672 & the significance F (i.e. 1.52E-10) is less than 0.05, then this model is statistically significant and fit at 0.95 and there exists a demonstrated relationship between advertisement expenditure with their revenues. It has been found that T-statistic calculated above (i.e. 17.91518) is greater than T critical value 2.145. Hence, null hypothesis (H0₁) is rejected. So, it is concluded that *there is no significant relation between advertisement expenditure and revenues.*

Secondly, as per Table 3.4, ANOVA test is performed to know how incurring of advertising expenditure affects net profit. F-statistic is 23.30298 (with the significant level of 0.05) which is greater than F critical value 4.6672 & the significance F (i.e. 0.00033) is less than 0.05, which indicates that this model is statistically significant and fit at 0.95. It has been found that T-statistic calculated above (i.e. 4.827317) is greater than T critical value 2.145. Hence, null hypothesis (H0₂) is rejected. So, it is concluded that *there is no significant relation between advertisement expenditure and net profits.*

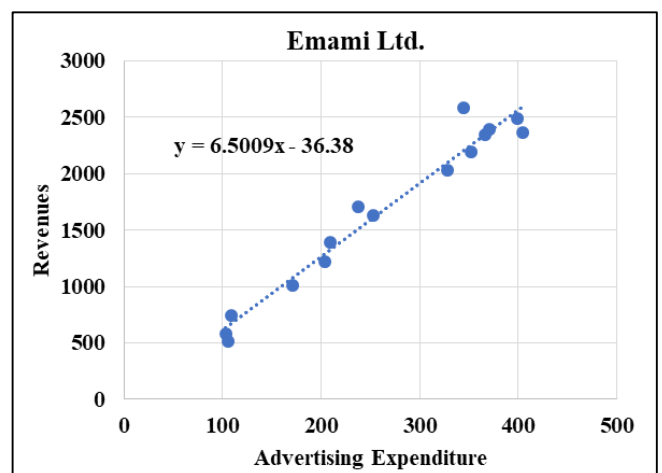


Fig 5: The Correlation between Advertising expenditure and Revenues of Emami Ltd.

The relationship between advertising expenditure and revenues illustrates that there is a positive and linear relation between these variables as incurring more advertising expenditure ultimately increases revenues. The slope of the

line is positive i.e. 6.5009. This means that for every increase in advertisement expenditure by Re. 1, revenues get increased by Rs. 6.50 on an average.

So, it is concluded that advertisement expenditure and revenues are positively and linearly correlated however they don't have significant relation between them for Emami Ltd.

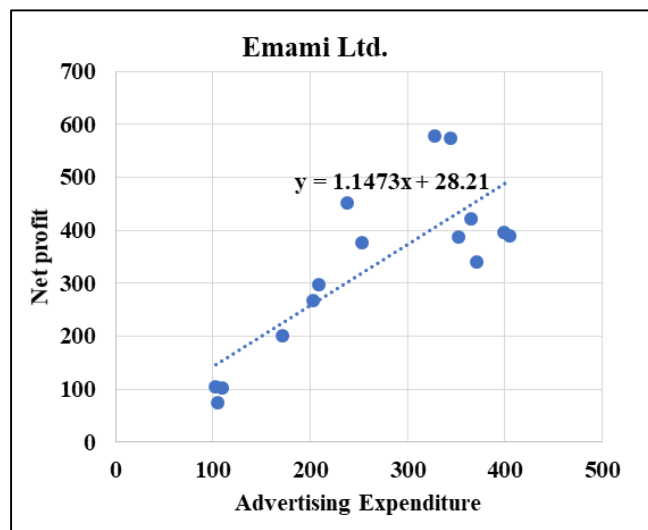


Fig 6: The Correlation between Advertising expenditure and Net Profit of Emami Ltd.

The direction of the relationship between advertising expenditure and net profits illustrates that there is a positive linear correlation between these variables as incurring more advertising expenditure ultimately increases net profits. Every time we get a positive correlation, its slope of the regression line is also positive i.e. 1.1473. This means that for every increase in advertisement expenditure by Re. 1, net profit get increased by Rs. 1.1473 on an average.

So, it is concluded that advertisement expenditure and net profits are positively and linearly correlated however they don't have significant relation between them for Emami Ltd.

Conclusion

Advertising and other promotional expenses are incurred to capture the target markets so that the company's sales, profits, customer base, share price, stakeholders' values etc. can be increased. The research concluded that in case of Marico Limited, Dabur India Limited & Emami Limited, correlation is present between their advertisement with their revenues and profits, however in a long run and not in a short run. Companies should not focus on immediate results of incurring advertisement expense to achieve desirable sales.

It also reveals that revenues are more governed by advertising expenses than the net profit. Moreover, independent study shows that increase in amount of advertisement expenditure can increase revenue and net profit of the companies. Thus, in case of all selected companies, there is a collinearity and statistically significant effect of advertising expenses on sales and profits. Therefore, incurring promotional expenses can be declared an effective medium for pushing the saleability and profitability of the companies in case of FMCG companies.

An overall result says that on an average 84.43% of revenues and 64.94% of profits are determined by advertisement expenditure and rest 15.57% of revenues and 35.06% of profits are determined by other factors like product quality, brand name, price of the product etc. This indicates that

revenues and profits are heavily depends upon the advertisements which proved to be effective in a longer period.

Therefore, the companies should carefully consider all the possible factors while formulating the promotional policy and select cost effective medium for advertising and marketing their products as advertisement expenditure is integrated part of operating expenses in this digital era.

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