

IMPACT OF GST ON GOLD JEWELLERY IN COIMBATORE CITY

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ABSTRACT

Goods and Services Tax changes to various industries, including the gold jewellery sector. This research explores the impact of GST on the gold jewellery industry, focusing on key aspects such as pricing, sales, demand, and business operations. Prior to GST, the gold jewellery sector was governed by multiple indirect taxes, leading to complexities in compliance and pricing. The implementation of a unified tax structure aimed to simplify these processes but also posed challenges for both retailers and consumers. This study investigates the effect of GST on the cost of gold jewellery, the shift in consumer behaviour, the impact on business profits, and the challenges faced by small-scale jewellers. Through a detailed analysis of industry trends, tax structures, and stakeholder perspectives, this research highlights the advantages and limitations of GST, providing insights into its long-term implications on the growth and sustainability of the gold jewellery market in India.

Keywords: GST (Goods and Services Tax), Pricing Impact, Consumer Behaviour, Jewellery Retailers, Economic Impact.

INTRODUCTION

Gold holds immense cultural and economic significance in India, representing prosperity and acting as a secure investment. In Coimbatore, a key gold market in southern India, the gold jewellery industry plays a crucial role in the local economy. The introduction of Goods and Services Tax (GST) affected the gold sector, imposing a 3% tax on gold bullion and a 5% tax on making charges for jewellery, leading to higher costs for consumers. Despite these challenges, GST simplified the taxation process for gold imports and exports, boosting cross-border trade. The tax system also helped formalize the gold industry, increasing transparency and reducing tax evasion, creating a more structured market. Gold continues to

be a cherished asset for investment and cultural purposes in Coimbatore, where it holds great value in weddings, festivals, and as a financial safeguard. Despite higher prices post-GST, gold remains indispensable to the city's economy and society. The gold jewellery industry's craftsmanship and innovation continue to thrive, contributing significantly to Coimbatore's status as a leading gold hub.

STATEMENT OF THE STUDY

The impact of Goods and Services Tax (GST) on the gold jewellery sector is a critical issue in the Indian economy. Gold jewellery is an important asset for the Indian population, both culturally and financially, and any changes in taxation policies have wide-ranging effects on consumers, manufacturers, and retailers alike. The problem at hand is to understand how the implementation of GST has affected the gold jewellery industry, particularly in terms of pricing, sales, consumer behaviour, and market dynamics. Specifically, there are concerns regarding the increase in tax rates, the effect of GST on the transparency of the sector, and the burden on consumers, especially when it comes to high-value items. Additionally, the impact of GST on the jewellery industry's supply chain, compliance costs, and the regulatory challenges faced by small and medium-sized businesses are also critical issues to explore.

SCOPE OF THE STUDY

The scope of the study on GST on gold in the future encompasses a detailed examination of its economic, social and policy implications. It will explore the potential impact of GST on gold pricing, consumption patterns, and demand, as well as the consequences for both domestic and international trade. The study will analyse the gold industry's response, including the effects on manufacturing, retail, and the jewellery sector, while also addressing compliance, regulatory challenges, and government revenue generation. Additionally, the research will consider the evolving role of gold as an investment, examining how changes in tax policies may influence consumer behaviour, market trends, and alternative investment channels. Cultural and social impacts, particularly in India.

OBJECTIVES OF THE STUDY

1. To evaluate changes in consumer buying behaviour due to GST.
2. To analyse the effect of GST on jewellery price.

RESEARCH METHODOLOGY

Research methodology refers to the systematic and structured approach used to conduct research. It involves a comprehensive plan that outlines the methods, procedures, and tools employed to collect, analyse, and interpret data. A well-defined research methodology helps ensure the validity, reliability, and generalizability of the research findings. The research methodology begins with defining the research problem, which involves identifying the

research question, objectives, and hypotheses. This is followed by selecting the research design, which can be qualitative, quantitative, or mixed methods. The research design determines the overall approach to the study, including the data collection methods and data analysis techniques.

SOURCE OF DATA

Primary data

Collected through questionnaires to gather information on investment behaviour, knowledge, risk perception and impact.

Secondary data

Gathered through existing reports, articles, research papers and documents related to GST on gold.

AREA OF THE STUDY

The study was conducted in Coimbatore city, Tamil Nadu.

SAMPLE SIZE

The sampling size which is used in the study in 150 respondents.

SAMPLING TECHNIQUE

Random sampling technique is used, this approach helps get a fair and balanced representation of the population.

LIMITATIONS OF THE STUDY

- 1) The study is based on the information given by the sample respondents.
- 2) The study is mainly covered only within the Coimbatore city.
- 3) The sample size of the study is also limited to 150 respondents.

REVIEW OF LITERATURE

Kumar & Shama (2021)¹ in their paper published in the Journal of Business and Economic Policy, Provide a detailed analysis of GST's impact on gold pricing and demand. They argue that the 3% GST has raised gold prices, impacting both consumers buying behaviour and the profitability of gold traders. Their research indicates that consumer demand for gold decreased

after the introduction of GST, particularly in rural areas, where the buying power is lower. The authors also discussed the operational difficulties faced by small jewellers, who were struggling with GST compliance and the added financial burden. Despite these challenges, they note that GST has streamlined the tax system, bringing transparency to the sector.

Patel & Joshi (2020)² in the Asian Journal of Business and Economics Examined the operational challenges that the gold and jewellery sector face under GST. They argue that the introduction of GST has raised prices of gold, making it less affordable for a segment of the Indian population. However, the study also suggests that GST has led to greater tax compliance, eliminating much of the informal gold trade. The authors noted that small jewellers have struggled to adjust to the new taxation system, facing difficulties with inventory management, GST filings, and recordkeeping. Nevertheless, the authors conclude that GST's long-term impact will bring benefits such as reduced black money in the sector and an overall organized market structure.

Reddy & Prasad (2018)³ published a study in the Journal of Retail and Consumer Services Examines the consumer behaviour shifts caused by the introduction of GST in the Indian gold sector. The study found that GST's effect on gold pricing led to a significant decrease in demand, especially among lower-income consumers. The authors highlighted that the increased cost of gold resulted from the tax, and many consumers chose to delay purchases. The research also pointed out that GST compliance has been easier for large businesses with established systems but remains a significant burden for smaller jewellers, impacting their ability to stay competitive. Over time, however, the authors predict that the Indian gold market will adapt to the tax regime, with a shift toward more transparent and legal transactions.

ANALYSIS AND INTERPRETATION

TABLE 4.1.1: Demographic Factors of the Respondents

Category	Factors	No. of Respondents	Percentage
Gender	Male	61	40.7
	Female	89	59.3
Occupation	Student	50	33.3
	Employed	61	40.7
	Self-employed	36	24
	Retired	3	2

Area of the location	Urban	72	52
	Rural	59	39.3
	Semi-urban	13	8.7
Total		150	100

Source: Primary data

Interpretation

The table includes that 59.3% of them are Female, 40.7% of the respondents are from the Employed, 52% of respondents are from the Urban.

TABLE 4.1.2: Pricing of Gold Jewellery

S.NO	Pricing of Gold Jewellery	No. of Respondents	Percentage
1	Increased significantly	34	22.7
2	Increased moderately	69	46
3	Stay the same	36	24
4	Decreased moderately	8	5.3
5	Decreased significantly	3	2
Total		150	100

Source: Primary data

Interpretation

The Above table Indicates that 22.7% of respondents are increased significantly in pricing of gold jewellery, 46% of the respondents are increased moderately in pricing of gold jewellery, 24% of the respondents are stay the same in pricing of gold jewellery, 5.3% of the respondents are decreased moderately in pricing of gold jewellery and 2% of the respondents are decreased significantly in pricing of gold jewellery.

Most (46%) of the respondents are increased moderately in pricing of gold jewellery.

TABLE 4.1.3 : Future impact of GST

S.NO	Future impact of GST	No. of Respondents	Percentage
1	Positive impact	46	30.7
2	Negative impact	65	43.3
3	Neutral impact	31	20.7
4	Not sure	8	5.3
Total		150	100

Source: Primary data

Interpretation:

The Above table Indicates that 30.7% of respondents are positive future impact of GST, 43.3% of the respondents are negative future impact of GST, 20.7% of the respondents are neutral future impact of GST and 5.3% of respondents are not sure in future impact of GST.

Most (43.3%) of the respondents are negative future impact of GST

TABLE 4.2.1: Satisfaction level of GST affected the Pricing of Gold Jewellery Compared with Buying Behaviour after GST on Gold

	Dissatisfied	Highly Dissatisfied	Neutral	Satisfied	Very Satisfied	Total
Decreased Moderately	1(6.2%)	1(6.2%)	1(6.2%)	1(6.2%)	4(25.0%)	8
Decreased Significantly	0(0.0%)	0(0.0%)	1(16.7%)	1(16.7%)	1(16.7%)	3
Increased Moderately	3(2.2%)	1(0.7%)	12(8.7%)	13(9.4)	40(29.0%)	69
Increased Significantly	7(10.3%)	1(1.5%)	5(7.4%)	4(5.9%)	17(25.0%)	34
Stay the Same	1(1.4%)	2(2.8%)	4(5.6%)	4(5.6%)	25(34.7%)	36
Total	12	5	23	23	87	150

Source: Primary data

Chi-Square Tests

Value		DF	Asymptotic significance (2-sided)
Pearson Chi-Square	17.770	20	0.603
Likelihood Ratio	15.722	20	-
N of Valid Cases	150	-	-

Interpretation

Since $p = 0.603$ is greater than 0.05, we fail to reject the null hypothesis. This means there is no statistically significant association between satisfaction with the GST rate on gold and the perceived effect of GST on gold pricing.

TABLE 4.2.2: Satisfaction level of Future Impact of GST on Gold Jewellery Compared with GST is Beneficial for gold Business

	Dissatisfied	Highly Dissatisfied	Neutral	Satisfied	Very Satisfied	Total
Dissatisfied	7(53.8%)	0(0.0%)	14(32.6%)	16(27.6%)	9(27.3%)	46
Neutral	2(15.4%)	0(0.0%)	23(53.5%)	32(55.2%)	12(36.4%)	69
Satisfied	4(30.8%)	13(100.0%)	5(11.6%)	1(1.7%)	1(3.0%)	14
Very Satisfied	0(0.0%)	0(0.0%)	1(2.3%)	9(15.5%)	11(33.3%)	21
Total	13	13	43	58	33	150

Source: Primary data

Chi-Square Test

Value		DF	Asymptotic significance (2-sided)
Person Chi-Square	63.232	16	0.0000001481
Likelihood Ratio	50.300	16	0.00002053

N of Valid Cases	150	-	-
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Interpretation

Since $p = 0.0000001481$ is much lower than 0.05, we reject the null hypothesis. This indicates a statistically significant association between satisfaction with the impact of GST on pricing and overall satisfaction with GST.

FINDINGS

1. Majority (59.3%) of the respondents are Female.
2. Most (40.7%) of the respondents are from the Employed.
3. Majority (52%) of respondents are from the Urban.
4. Most (46%) of the respondents are increased moderately in pricing of gold jewellery.
5. Most (43.3%) of the respondents are negative future impact of GST.
6. $P=0.603$ is greater than 0.05, we fail to reject the null hypothesis.
7. $P=0.0000001481$ is much lower than 0.05, we reject the null hypothesis.

SUGGESTIONS

1. **Educate Customers on GST:** Help customers understand the 3% GST on gold jewellery to manage their expectations and build trust.
2. **Offer Discounts on Making Charges:** Compensate for GST by offering promotions or reduced making charges to attract more buyers.
3. **Promote Digital Transactions:** Encourage cashless payments by offering small incentives, ensuring transparency and ease for both buyers and sellers.
4. **Ensure GST Compliance:** Stay up to date with GST filings and proper documentation to avoid fines and maintain smooth operations.
5. **Highlight Quality and Authenticity:** Focus on craftsmanship and purity to justify the increased prices due to GST and build customer loyalty.

CONCLUSION

This project highlights the crucial role of GST has brought big changes to the gold jewellery industry, with both good and bad effects. The 3% GST on gold and making charges has made jewellery more expensive for consumers, but it has also helped make the industry more transparent and reduced tax evasion, especially for larger jewellers. The move to digital payments and better rulefollowing has made the industry more trustworthy. This shift towards a more formal system has also helped in maintaining a fair competition between businesses. However, small jewellers have struggled to adjust to the new tax system due to their limited resources, and some even face the risk of losing their business or moving into the formal sector. While the increased costs have affected consumer buying patterns, GST has encouraged jewellers to maintain proper records, which has brought more professionalism to the industry.

Overall, GST has made the industry more organized and regulated, and though there have been some challenges, it offers the chance for steady growth and stability in the future, with the potential for better industry practices and stronger consumer confidence.