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A Study on Awareness and Impact of Goods and Services Tax (GST) on Local Jewellery Businesses

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Abstract

The aim of this research is to investigate the impact of GST on the jewelry industry in Navi Mumbai. This research will be based on the operations and finance aspects of the industry and how GST has impacted the behavior of customers. GST was introduced to India in 2017 and replaced the indirect taxation system. It replaced the VAT, excise, and service tax system. GST is set at a rate of 3% for gold and 5% for making charges. This has significantly impacted the gold jewelry industry. This research aims to investigate how GST has impacted the profitability and compliance of traders. This research will be based on primary and secondary research sources. From this research, it was found that GST has been beneficial to the industry with transparency, digitalization, and trust. However, GST has increased compliance costs for the industry. This has been challenging for small and family-owned jewellers, who do not have the technical knowledge to comply with the requirements. This research has shown that although GST has modernized the industry, traditional players are finding it very challenging due to issues with liquidity and the complexity of the Input Tax Credit system. This research found that although GST has formalized the industry, immediate government support is required to train small jewellers to be successful in the newly formalized industry.

Keywords *- Financial Literacy, GST Impact, Jewellery Business, Compliance, Navi Mumbai.*

Introduction

Goods and Services Tax, or GST, was implemented on July 1, 2017, and marked one of the most historic changes in the Indian taxation system. The Goods and Services Tax has been designed to follow a policy of "One Nation, One Tax," with all taxes under its umbrella. The jewelry industry has been a cornerstone in the economic heritage of India, contributing 7% to its GDP and 14% to its merchandise exports.

With the implementation of Goods and Services Tax, companies had to reassess how they operate, especially when it came to supply chain management and record-keeping. For instance, for the first time, online return filing and formal billing became a mandate, moving away from the traditional handwritten approach. This, although made companies more accountable, proved to be a challenge for traditional jewelers who were not tech-savvy and had a cash flow problem.

Background of the Jewellery Industry in India:

Indian jewelry can be considered at a crossroads of culture, society, and the economy. Indian jewelry can be traced back over five millennia to the Indus Valley Civilization, where ornaments have been considered a symbol of wealth, culture, and tradition. The regional flavors of Indian jewelry, such as temple jewelry from South India and the exquisite Kundan and Meenakari work from Rajasthan, reflect the cultural diversity of Indian society, which was further enhanced during Mughal rule. In recent times, Indian jewelry is an important sector of the Indian economy, contributing to 7% of India's GDP and 14% of its exports. Gold is an integral part of Indian culture and is linked to concepts of abundance and security. Gold is in high demand during Indian festivals like Diwali and Akshaya Tritiya. It is considered an investment and a cultural treasure, providing stability to the market through changing economic conditions.

In recent times, the jewelry industry has transformed in the wake of modernization and formalization, driven by the new rules and changing consumer preferences. GST, which was introduced in 2017, has dissolved all taxes into one regime, which has improved transparency but has also led to an increase in compliance costs, which has been a challenge for small jewellers. The entry of new retail brands has helped in building consumer confidence, including online platforms, which has improved access to the industry. Younger consumers are choosing lightweight products, brands, and lab-grown diamonds, which are sustainably sourced.

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Despite the challenges faced due to the volatility of gold rates and the complexity of the rules, the industry has been striking the right balance between traditionalism and modernity.

GST in the Jewellery Sector:

The Indian jewellery industry is at the juncture of culture, society, and the economy. With an inheritance of over 5,000 years, dating back to the Indus Valley Civilization, Indian jewellery has been synonymous with wealth, identity, and heritage. The regional flavour is evident in the temple jewellery of the southern states, the Kundan and Meenakari of Rajasthan, and the additional layers added during the Mughal period. Today, the industry contributes about 7% to the GDP and about 14% to exports, impacting the lives of millions across the chain. Gold is not just gold in India; it is an integral part of the culture, especially during festive occasions like Diwali and Akshaya Tritiya. Besides being an ornamental piece, gold is also an investment, with consistent demand even in an economic slump.

Traditionally, the industry has been a rather messy and informal sector with a number of small family-owned businesses and minimal regulation and formalities. There would be issues like the lack of standard standards, purity concerns, and a multitude of tax systems, which would cause a number of inefficiencies in the system. This was then followed by the hallmarking initiative by the BIS, which improved the quality assurance process. However, the real game changer was the GST implemented in 2017, which replaced a number of indirect taxes with a single unified tax system. This improved transparency, accountability, and traceability in every single transaction. However, the compliance costs of digital record-keeping, invoicing, and returns also added to the burden of the small jewelers in the industry. As mentioned earlier, the GST initiative formalized the process of registration, invoicing, and input tax credit.

In recent times, the jewelry industry has undergone significant changes due to modernization and changes in consumer demands. With the emergence of organized retail brands like Tanishq, Malabar Gold, and Kalyan Jewellers, consumer trust and price transparency have been on the rise. Young consumers are increasingly preferring light jewelry with ethical credentials, including lab-grown diamonds. This is turning jewelry into a fashionable accessory rather than just an investment. Government initiatives like the creation of Special Economic Zones, campaigns by GJEPC, and international exhibitions have also contributed to increasing the level of competitiveness globally. However, the industry is also facing some challenges, including gold price fluctuations, import duties, and increasing compliance costs. These are affecting small businesses in the industry. Even with these challenges, the industry is managing to balance traditional and innovative jewelry, sustainable growth, and regulatory and market forces at both domestic and international levels.

Research Methodology

Objectives:

The areas to be explored in the study are as follows:

1. - The awareness levels of local jewelers regarding GST
2. - The impact of GST on the pricing and profit margins
3. - The cost implications and changes in the operations
4. - The changes in the customer perception of GST
5. - The challenges faced by the jewelry businesses in the GST scenario

Scope of the Study:

On July 1, 2017, the Government of India introduced the Goods and Services Tax (GST), replacing the multiple indirect taxes with a unified and clearer system. The objective was to improve transparency, reduce tax cascading, and bring a greater number of businesses into the formal economy. The jewellery industry, a highly competitive and fragmented industry, especially for smaller and medium-sized jewellers in Navi Mumbai, experienced the GST reform to a significant extent. The change to a digital system, online returns, and increased documentation requirements increased compliance costs for smaller jewellers, while bigger and organized jewellers managed to take the GST reform in stride. While GST has increased billing clarity, reduced regional rate variations, and increased consumer trust, it also posed challenges such as technology adaptation, cash flow issues related to input tax credits, and regular compliance requirements. Nevertheless, GST has led to a positive trend for the jewellery industry to move towards formalization and modernization. This paper attempts to evaluate the success of GST by analyzing its impact on the jewellery business in Navi Mumbai on operational, financial, and perceptual levels.

Statement of Problem:

Yet, even as the GST is changing the complexion of the country's tax system, the small, family-owned jewellery stores in Navi Mumbai are still grappling with the challenges. The idea behind the move from the pre-GST system, cluttered with multiple levels of excise, VAT, and octroi, was to simplify the system and reduce cascading effects. However, the end result is increased compliance costs, and the struggle is far from over for the smaller outfits. The problem is the high compliance cost, the drudgery of digital compliance, and the complex mechanism of Input Tax Credit, all of which are affecting the jewellers' margins and cash flows. Moreover, the increased visibility of the GST on every invoice is changing the way consumers are buying, and the end result is that they are looking at the jewellery as being costlier and hence are buying less. So, the big question is, what are the jewellers doing now, and what are the gaps in the government's support and infrastructure which are making jewellery business to hold them back from fully leveraging the formal economy.

Data Collection:
The information to be used in the study was gathered using primary sources with the help of a structured questionnaire. The businessman and employees were sampled to learn their perception and problems with GST in jewellery industry.

Hypothesis:
HO1: Profitability Impact Hypotheses
H_0: GST implementation has not significantly affected the profit margins of local jewellery businesses.
H_1: GST implementation has significantly affected the profit margins of local jewellery businesses.
HO2: Overall Impact Hypothesis of GST on Jewellery Business Operations
H_0: There is no significant relationship between the implementation of GST and the overall perceptions of jewellery business owners regarding its impact on the taxation system, cost, transparency, compliance burden, and industry performance.
H_1: There is a significant relationship between the implementation of GST and the overall perceptions of jewellery business owners regarding its impact on the taxation system, cost, transparency, compliance burden, and industry performance.

Literature Review

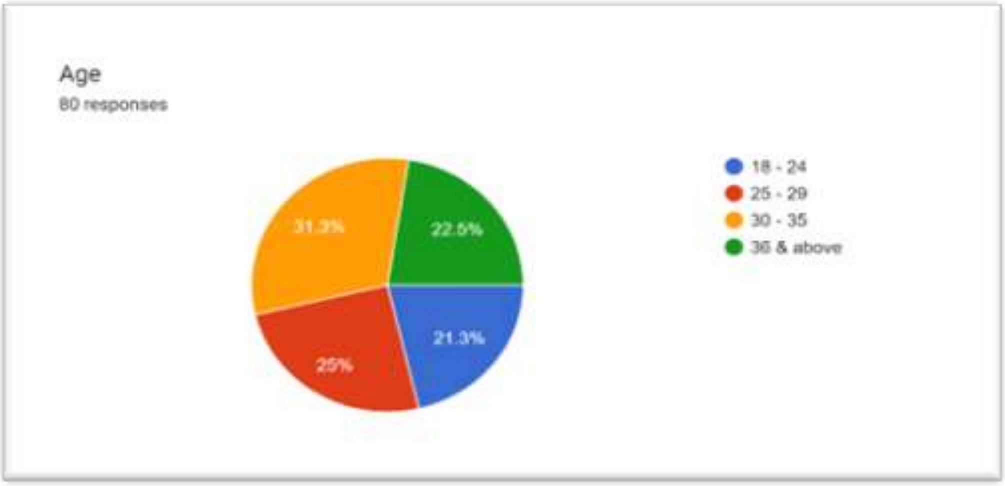
1. **Amutha, K., Aashik, M. M., Goyat, R. N., & Srinithi, G. (2025). Impact of GST on gold jewellery in Coimbatore City.**
   This study focuses on how GST influences pricing in gold jewellery, consumer behavior, and business profitability, especially for small-scale jewellers. It touches on various aspects, including industry trends, how GST is structured, and different stakeholders' views. In this paper, various advantages and disadvantages of GST have been highlighted. It provides an overview of how technology and changes in laws can impact the future of gold jewellery in India.
2. **Kashyap, A. (2025). The impact of Goods and Services Tax (GST) on small businesses in India: A comprehensive analysis.**
   The study examines the impact of GST on small businesses in India, which contribute to about 30% of the country's GDP and employ more than 110 million people across the country. The study will examine the impact of GST on small businesses in the country, highlighting the pros and cons, through an examination of literature and case studies, culminating in the formulation of suggestions and ideas on how to improve the situation in the future.
3. **Lodhiya, A. C. (2024).** ***An in-depth analysis of the impact of Goods and Services Tax (GST) on gold and silver merchants in Junagadh City of Gujarat*****. International Journal for Multidisciplinary Research (IJFMR), 6(6), 1–10.**
   The research aims to analyze how GST impacts traders of gold and silver, including their prices, their customers' reaction, and the cost of compliance. It also identifies the major challenges faced by small traders and shoppers and proposes possible ways to mitigate the negative impacts. By focusing on the impact of GST on this industry, the research offers useful lessons to policymakers working with culturally sensitive industries.
4. **Jain, D. (2023).** ***Jewellery business in India: Opportunities and challenges*****. International Journal for Multidisciplinary Research (IJFMR), 5(5), 1–15.**
   The paper highlights a crisis in the Indian jewellery industry driven by regulatory pressures, pandemic impacts, and limited government support, with many small retailers at risk of closure. It notes a generational shift in demand, as younger consumers prefer affordable fashion jewellery while older buyers focus on gold as an investment. Small jewellers face challenges such as design limitations, fluctuating gold prices, and intense competition, relying on policy reforms for survival.

Finding and Data Analysis

1. Age

Age group	**Responses**	**Percentages (%)**
18 – 24	17	21.3
25 – 29	20	25
30 – 35	25	31.3
36 & above	18	22.5
Total	**80**	**100**

(Table 4.1)

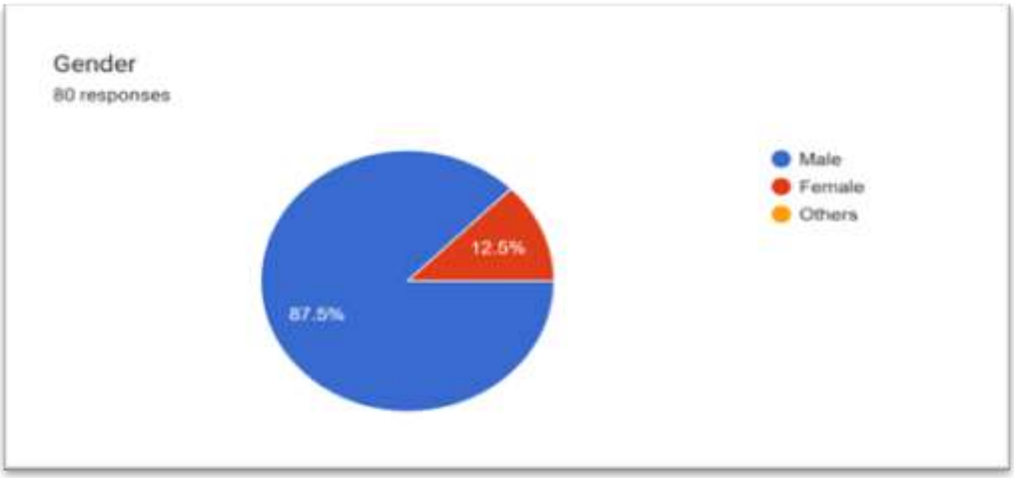


(Chart 4.1)

2. Gender

Gender	Responses	Percentages (%)
Male	70	87.5
Female	10	12.5
Total	**80**	**100**

(Table 4.2)



(Chart 4.2)

3. Since GST implementation, how have your profit margins changed?

Occupation	Responses	Percentages (%)
Increased	27	33.8
Decreased	29	36.2
No change	22	27.5
Not sure	02	2.5
Total	**80**	**100**

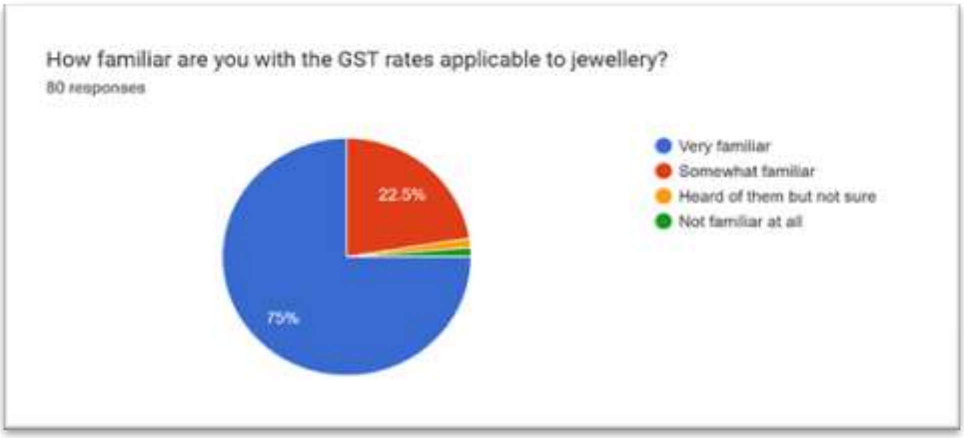
(Table 4.3)

(Chart 4.3)

4. **How familiar are you with the GST rates applicable to jewellery?**

Occupation	Responses	Percentages (%)
Very familiar	60	75
Somewhat familiar	18	22.5
Heard of them but not sure	01	1.25
Not familiar at all	01	1.25
Total	**80**	**100**

(Table 4.4)

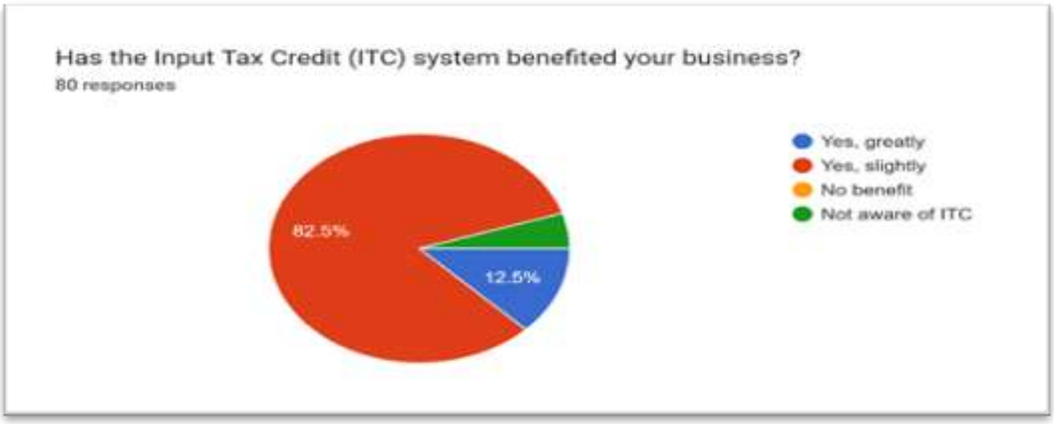


(Chart 4.4)

5. **Has the Input Tax Credit (ITC) system benefited your business?**

Occupation	Responses	Percentages (%)
Yes, greatly	10	12.5
Yes, slightly	66	82.5
No benefit	0	0
Not aware of ITC	04	5
Total	**80**	**100**

(Table 4.4)

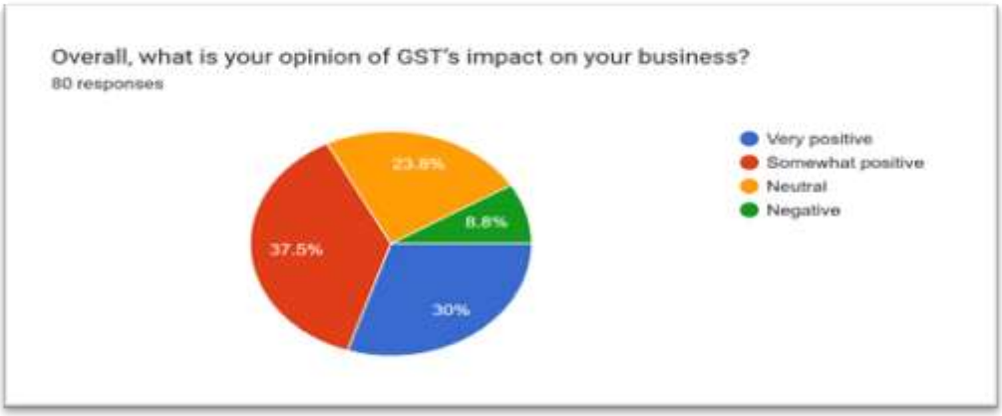


(Chart 4.5)

6. Overall, what is your opinion of GST's impact on your business?

Occupation	Responses	Percentages (%)
Very positive	24	30
Somewhat positive	30	37.5
Neutral	19	23.7
Negative	07	8.8
Total	**80**	**100**

(Table 4.4)



(Chart 4.6)

6.1 Hypothesis Testing

HO1: Profitability Impact Hypotheses

1. **H_0:** GST implementation has not significantly affected the profit margins of local jewellery businesses.
2. **H_1:** GST implementation has significantly affected the profit margins of local jewellery businesses.

T- Test

	Age	*Since GST implementation, how have your profit margins changed?*
Mean	2.56962	1.987342
Variance	1.120091	0.730607
Observations	79	79
Pooled Variance	0.925349	
Hypothesized Mean Difference	0	
df	156	
t Stat	3.804316	
P(T<=t) one-tail	0.000102	
t Critical one-tail	1.65468	
P(T<=t) two-tail	0.000204	
t Critical two-tail	1.975288	

ANOVA Test

Summary

Groups	*Count*	*Sum*	*Average*	*Variance*
Age	79	203	2.56962	1.12009
Since GST implementation, how have your profit margins changed?	79	157	1.987342	0.73061

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	13.39240506	1	13.39241	14.4728	0.00020373	3.901761
Within Groups	144.3544304	156	0.925349			
Total	157.7468354	157				

Interpretation: -

Since the calculated p(two-tail) = 0.000204 < 0.05, the results are statistically significant. Therefore, we can reject the null hypothesis. This means the alternative hypothesis holds true. The implementation of GST has significantly impacted the profit margins of the local jewelry businesses. The respondents said their profit margin has reduced.

HO2: Overall Impact Hypothesis of GST on Jewellery Business Operations

H_0: There is no significant relationship between the implementation of GST and the overall perceptions of jewellery business owners regarding its impact on the taxation system, cost, transparency, compliance burden, and industry performance.

H_1: There is a significant relationship between the implementation of GST and the overall perceptions of jewellery business owners regarding its impact on the taxation system, cost, transparency, compliance burden, and industry performance.

ANOVA Test

Summary

Groups	Count	Sum	Average	Variance
1	4	8	2	1.333333
4	4	27	6.75	10.25
5	4	41	10.25	29.58333
42	4	146	36.5	252.3333
28	4	98	24.5	419.6667

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3228.5	4	807.125	5.65874	0.005559	3.055568
Within Groups	2139.5	15	142.6333			
Total	5368	19				

Interpretation: -

As seen from the ANOVA table above, the F-value of 5.6587 is higher than the critical F-value of 3.0556. The p-value of 0.00556 is also lower than 0.05. Therefore, the null hypothesis can be rejected. In summary, the GST has a significant impact on the views of jewellery business owners regarding taxation, cost, transparency, and compliance.

Conclusion

The study reveals how GST has helped create a level of awareness among jewellery shop owners, with a high level of support from accountants and trade bodies. It also helps to improve transparency in terms of billing, pricing, and record-keeping, as everything comes under one tax system. On the other hand, the transition has also resulted in a higher compliance burden, especially for small and traditional jewellers, who find it difficult to comply with digital filing, matching invoices, and filing returns. Although many believe that GST has resulted in a higher price for jewellery, statistics reveal a different picture, namely, a change in profit margins for jewellers. The two-sample t-test also reveals how jewellers perceive a change in prices and profitability, and ANOVA also reveals how GST has different effects depending on age, size, and experience. However, in the long term, GST has a positive impact on the jewellery sector, as it improves transparency, checks tax evasion, and promotes formalization in the industry. Essentially, therefore, in order to realize all the above advantages, there is a need to streamline compliance and enhance digital and administrative support. By increasing support through training, improving the input tax credit mechanism, and ensuring stability in policies, jewelers will be able to cope with changing times. This, therefore, emphasizes the importance of guidance and support in ensuring growth.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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