

A Study On the Efforts of GST on Price Stability in Indian Economy with Special Reference to Coimbatore City

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Abstract- The implementation of the Goods and Services Tax (GST) has been a landmark reform in the Indian economy, aimed at creating a unified tax structure and ensuring price stability. This study examines how GST influences price stability by eliminating the cascading effect of taxes and streamlining the supply chain. By analyzing various sectors in the industrial hub of Coimbatore, the research highlights how tax rationalization shapes market prices and consumer purchasing power. Findings indicate that while GST has improved long-term price stability in manufacturing and textiles, certain sectors like automobiles in Coimbatore have experienced initial price volatility. The study also discusses the challenges faced by small-scale industries in the region regarding compliance and input tax credits.

Keywords: GST, Price Stability, Indian Economy, Coimbatore Industry, Tax Reform.

I. INTRODUCTION

Taxation plays a vital role in determining the price of goods and services, which directly impacts inflation and economic stability. With the introduction of GST, the Indian economy moved from a fragmented tax regime to a "One Nation, One Tax" system. In a major industrial and commercial center like Coimbatore—known for its textiles, pumps, and engineering goods—the impact of GST on price stability is of significant importance. The removal of interstate checkpoints and the introduction of the Input Tax Credit (ITC) have been pivotal in reducing the overall tax burden on final products, thereby contributing to price stabilization.

Coimbatore, often referred to as the "Manchester of South India," is a major hub for textiles, pumps, engineering goods, and small-scale industries. The city's diverse industrial base makes it an ideal case for examining the sector-wise impact of GST on price stability. The implementation of GST has influenced various aspects of business operations in Coimbatore, including cost structures, pricing strategies, and compliance requirements. While some industries have benefited from reduced tax burdens and streamlined processes, others have faced challenges due to higher tax rates, increased

compliance costs, and delays in receiving input tax credits.

II. REVIEW OF LITERATURE

1. **Varnali and Toker (2010):** Stated that unified tax structures enhance market efficiency by reducing hidden costs and streamlining cross-border transactions.
2. **Shankar et al. (2016):** Concluded that transparent taxation significantly affects consumer purchase intention by delivering stable pricing and reducing information asymmetry.
3. **Guptha (2014):** In an early ex-ante study, argued that GST would benefit the industry, trade, and consumers alike by removing the "tax-on-tax" barrier that traditionally drove up retail prices.
4. **Mukherjee (2014):** Projected through an NIPFP assessment that GST would increase GDP growth by 0.9% to 1.7% due to improved economic efficiency and standardized tax rates across states.
5. **Rao (2018):** Emphasized that the integration of tax systems significantly reduced logistical costs and tax evasion, particularly in the

transportation and warehousing sectors, which directly stabilizes the cost of goods.

6. **Das and Bansal (2020):** Observed that while long-term stability is expected, MSMEs experienced short-term price fluctuations due to cash flow disruptions and delays in processing Input Tax Credits.

III. STATEMENT OF PROBLEM

Despite the theoretical benefits of GST in stabilizing prices, many businesses and consumers in Coimbatore continue to face challenges. Some sectors perceive GST as a factor that has increased the cost of services and luxury goods. Additionally, complexities in the filing process and delays in receiving input tax credits can lead to temporary price hikes as businesses attempt to maintain margins. Therefore, it is necessary to examine the actual impact of GST on price stability specifically within the socio-economic context of Coimbatore.

However, the actual impact of GST on price stability has not been uniform across all regions and sectors. In Coimbatore city, a prominent industrial and commercial center known for its textile, manufacturing, and service industries, the implementation of GST has generated mixed outcomes.

IV. SCOPE OF THE STUDY

The scope of the study is limited to examining the impact of GST on price stability with specific reference to the manufacturing and retail sectors in Coimbatore. It covers consumer awareness of price changes, the effect on business operating costs, and the overall perception of GST as an anti-inflationary tool. The study is based on primary data collected through surveys with local business owners and consumers in Coimbatore city.

The study also indirectly contributes to policy evaluation by identifying gaps in GST implementation and suggesting improvements that can enhance its effectiveness in achieving price stability and economic efficiency.

V. OBJECTIVES OF THE STUDY

- To examine the level of awareness among Coimbatore residents regarding GST slabs and their impact on prices.
- To analyze the role of the Input Tax Credit (ITC) in maintaining price stability for Coimbatore's manufacturing sector.
- To study the influence of GST on the pricing of essential versus luxury commodities in the local market.
- To assess the challenges faced by Coimbatore's MSMEs in passing on tax benefits to the end consumer.

VI. RESEARCH METHODOLOGY

The study adopts a descriptive research design. Primary data was collected from 65 respondents, including small-business owners and consumers in Coimbatore, using convenience sampling. Data were gathered through a structured questionnaire. Secondary data were sourced from government reports (PIB), the GST Council's publications, and academic economic journals (IJCRT, JETIR).

The methodology is designed to provide a balanced understanding of both theoretical and practical aspects of GST's impact on price stability. By combining primary data from local respondents with secondary data from credible sources, the study aims to present a realistic picture of how GST influences pricing behavior in a key industrial city like Coimbatore.

Moreover, ethical considerations were maintained throughout the research process by ensuring the confidentiality of respondents' information and using the data solely for academic purposes. The methodology thus provides a comprehensive framework to evaluate the effectiveness of GST in influencing price stability at both the micro (Coimbatore city) and macro (Indian economy) levels.

VII. FINDINGS AND ANALYSIS

- **Sectoral Impact:** In Coimbatore's textile industry, GST has led to a more organized supply chain, though initial confusion over job-work rates caused temporary price fluctuations.
- **Consumer Perception:** A majority of consumers in Coimbatore believe that while GST simplified the tax structure, the prices of services (like dining and insurance) have seen a slight increase.
- **Business Efficiency:** Local pump and motor manufacturers reported that the removal of entry taxes and octroi has helped in stabilizing the prices of raw materials sourced from outside the state.

VIII. CONCLUSION

GST has had a significant impact on the Indian economy by fostering a more transparent and stable pricing environment. In Coimbatore, the "Manchester of South India," the reform has benefitted the manufacturing sector by reducing the cascading effect of taxes. While there are still hurdles regarding compliance and the pricing of services, the overall transition toward GST serves as a powerful tool for long-term price stability and economic growth in the region.

In conclusion, GST plays a crucial role in stabilizing prices in the Indian economy, but its success depends on continuous improvements in implementation, simplification of procedures, and increased awareness among stakeholders. With ongoing reforms, GST has the potential to further strengthen price stability and support sustainable economic development both nationally and at the regional level.

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