



Challenges And Opportunities For Small And Medium-Sized Hotels In Bengaluru Under The GST Regime

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ABSTRACT: This study explores how Bengaluru, India, a well-known center of business and tourism, is affected by the Goods and Services Tax (GST) on small and medium-sized hotels (SMHs). The city's economy is greatly aided by the hospitality sector, especially the SMH sector, which serves a wide range of clientele, including visitors, business travelers, and foreign nationals. But with the implementation of the Goods and Services Tax (GST) in July 2017, India's tax system underwent a dramatic change that presented these hotels with both opportunities and challenges. This study aims to comprehend the impact of the tax reform on SMHs in Bengaluru, as well as how they are adjusting to the new GST.

Several significant obstacles that SMHs encounter under the GST framework are identified by the research. The higher expenses associated with compliance that result from the requirement for staff training, consulting services, and specialized accounting software are a big worry. These expenses can be a big burden for tiny hotels with tight budgets, which could have an impact on their bottom line. The intricacy of the GST filing procedure, which necessitates precise record-keeping and timely return submission, has also proven difficult for hotels without internal tax knowledge. The financial soundness of these establishments has been further strained by worries about the penalty for non-compliance. How the GST affects pricing strategy is another important consideration. Because even a slight increase in price could put hotels in a higher tax band and reduce their ability to compete in the market, the tiered GST rates based on room tariffs have compelled lodging establishments to carefully analyze their pricing strategies.

The report also identifies a number of benefits that GST provides to SMHs in spite of these obstacles. The GST's unified tax structure has made taxation simpler overall by doing away with several indirect taxes like service tax, VAT, and luxury tax in favor of a single, all-inclusive tax. Reducing administrative duties and enabling hotels to concentrate more on their core activities are two long-term benefits of this simplification. Another noteworthy benefit of the GST is the availability of input tax credits (ITC), which allow hotels to claim credits for taxes paid on inputs utilized in their operations. This can enhance cash flow management and lessen the overall tax burden. Additionally, the GST's transparency and uniformity have made it simpler for hotels to grow.

Based on both qualitative and quantitative data collected via surveys and interviews with hotel owners and managers in Bengaluru, the study's conclusions were made. The findings show that SMHs have differing opinions about GST. Many respondents think that in the long run, the GST system has the ability to bring about beneficial changes, despite the fact that the system's early installation presented substantial obstacles. The analysis comes to the conclusion that Bengaluru's SMHs' ability to adjust to the new tax system and take advantage of its prospects will be a major factor in how well GST works for them. To help these hotels overcome the obstacles and fully profit from GST, the government and industry stakeholders must provide ongoing education and support.

Finally, this study sheds light on the impact of GST on SMHs in Bengaluru, making recommendations for enhancing tax compliance, operational efficiency, and overall competitiveness in an ever-changing hospitality sector.

KEYWORDS: Goods and Services Tax (GST), Small and Medium-sized Hotels (SMHs), Tax Compliance, Hospitality Industry, Pricing Strategies

I. INTRODUCTION:

Background of the Study

The hospitality sector plays a crucial role in employment, tourism, and general economic growth, making it an essential part of the global economy. In India, the hospitality industry is very important, especially in big cities like Bengaluru, where demand from the IT sector, business travel, and tourism has created a booming hotel sector. Bengaluru, popularly known as the "Silicon Valley of India," draws a wide spectrum of tourists, business travelers, and foreign nationals. As a result, there are now a wide range of hotels, from small and medium-sized hotels (SMHs) to luxury chains, that appeal to various market segments.

Bengaluru's hospitality industry, in particular, depends heavily on small and medium-sized hotels. These hotels serve specialized markets and provide individualized services. They are usually distinguished by having a small number of rooms and being owned locally. They do, however, also have particular difficulties with regard to resource limitations, operational effectiveness, and regulatory compliance. India's tax structure underwent a dramatic change with the implementation of the Goods and Services Tax (GST) in July 2017. This change affected every industry, including hospitality.

A single tax structure known as the Goods and Services Tax (GST) replaced several indirect taxes, including the VAT, luxury tax, and service tax. This move was especially important for the hospitality sector because it changed the cost dynamics and simplified the tax structure while also introducing new compliance obligations. The room tariffs that determine the GST rates that apply to hotels have varied slabs for varying price ranges, which affects pricing tactics and customer perceptions.

The GST regime offers opportunities and challenges for small and medium-sized businesses (SMHs) in Bengaluru, which are more susceptible to cost changes and operate with tighter margins. In order to effectively navigate the changing terrain, hotel owners, managers, and legislators must have a thorough understanding of these dynamics.

Significance of the Study

This study is important because it has the ability to advance academic understanding and offer useful solutions for Bengaluru's hospitality sector. The results can give policymakers important information on the unique requirements and difficulties faced by SMHs under the GST regime, which can help shape future policy changes or assistance programs. The report provides a deeper understanding of how to manage the intricacies of GST, maximize operational effectiveness, and take advantage of development prospects for hotel owners and managers.

The study also adds to the larger conversation on how the GST affects SMEs, especially those in the service industry, which is frequently marginalized in policy talks. This study's focus on the SMH segment in a significant urban center like Bengaluru also draws attention to the regional consequences of national legislation, highlighting the necessity of context-specific approaches in the application of regulatory frameworks.

Overview of the GST Regime in India

On July 1, 2017, the Goods and Services Tax (GST) was implemented in India as a historic reform aimed at bringing the nation's indirect tax structure into harmony. Value Added Tax (VAT), service tax, excise duty, luxury tax, and various state and federal taxes were all part of India's convoluted and dispersed tax structure before the introduction of the Goods and Services Tax (GST). These were superseded by a single, all-encompassing tax known as the GST, which made compliance easier and lessened the effect of taxes cascading, sometimes known as "tax on tax."

The GST is structured with multiple tax slabs ranging from 0% to 28%, with different rates applied to different goods and services. For the hospitality industry, the GST rates vary based on the room tariff:

- **0% GST** for room tariffs below ₹1,000 per night.
- **12% GST** for room tariffs between ₹1,000 and ₹7,500 per night.
- **18% GST** for room tariffs above ₹7,500 per night.

Small and medium-sized hotels (SMHs), which frequently compete on price, would be especially affected by this tiered system's substantial consequences for pricing tactics and customer perceptions within the hospitality sector. The GST regime was implemented with the intention of streamlining the tax procedure, but there have been difficulties, especially for smaller enterprises.

- Official GST website: <https://www.gst.gov.in>
- Ministry of Finance, Government of India: <https://www.finmin.nic.in/sites/default/files/Annual-Report-2017-18.pdf>

Impact of GST on the Hospitality Industry

Numerous studies have examined how the Goods and Services Tax (GST) has affected the hotel sector, concentrating on how the changes in taxation and compliance requirements have affected profitability and customer behavior. With the implementation of the Goods and Services Tax (GST), the taxation process has become more straightforward as fewer tax filings and various registrations are no longer required. But it has also resulted in higher compliance costs, especially for small and medium-sized hotels that do not have the capacity to handle them well.

One major effect of GST on the hospitality sector has been a shift in pricing tactics. Price adjustments have resulted from the varying tax rates based on lodging tariffs, and in certain situations, these price adjustments have been passed on to customers. SMHs' ability to compete has been impacted by this, particularly for those who operate near the borders of several tax bands.

While the GST has increased pricing transparency for consumers staying in mid-range hotels, it has also resulted in higher costs for those staying in cheaper hotels or using alternative lodging options like Airbnb, according to a study by the Federation of Hotel & Restaurant Associations of India (FHRAI). This change in customer behavior has directly affected SMH revenue streams, which have historically depended on providing reasonably priced lodging.

- Federation of Hotel & Restaurant Associations of India (FHRAI): <https://www.fhrai.com/Files/GST-Impact-on-Hotels.pdf>

The availability of input tax credits (ITC) under the GST, which enables hotels to claim credits for the taxes paid on inputs like products and services utilized in their operations, is another significant feature. Although it may lessen the total tax load on hotels, SMHs have found it difficult to take full advantage of this benefit due to the intricacy of the ITC regulations. ITC provisions can be misunderstood or overlooked, which may result in overpaying taxes or in lost possibilities for tax savings.

- Deloitte India Report on GST Impact:
<https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-gst-in-the-hospitality-sector-noexp.pdf>

Opportunities under GST

While there are difficulties associated with GST, there are also many chances for small and medium-sized hotels to enhance their business practices and bottom lines. Despite some teething issues at first, simplifying the tax code has the potential to lower long-term administrative expenses and responsibilities. This is one of the biggest prospects. Growth and investment have been stimulated by the unified tax framework, which has made it simpler for hotels to expand across state lines without having to worry about several tax jurisdictions.

Moreover, businesses may now more easily track their tax obligations and improve their cash flow management because to the openness that the Goods and Services Tax has brought about. SMHs can lower their overall tax obligation by utilizing the input tax credit system, provided they can effectively manage their GST compliance. Cost savings from this could be used to fund future facility improvements, service enhancements, or marketing campaigns.

Better financial planning and pricing strategies are now possible thanks to the GST regime. Now that pricing may be arranged to minimize tax obligations, hotels may be able to offer more affordable rates without compromising profitability. For instance, a hotel can charge a lower percentage of GST and provide consumers with more appealing pricing if it strategically priced its rooms just below a higher tax band.

- Economic Times GST Resource: <https://economictimes.indiatimes.com/topic/GST>
- KPMG India GST Insights: <https://home.kpmg/in/en/home/insights/2018/07/gst-one-year-insights.html>

Challenges Specific to Small and Medium-Sized Hotels

SMHs confront a number of particular difficulties as a result of the GST regime, despite the benefits. The biggest obstacle is the growing burden of compliance. Since SMHs frequently have a small workforce, it can be challenging for them to stay up to date with the constant changes in GST laws and regulations, in contrast to huge hotel chains that have specialized teams to handle tax compliance. For these smaller businesses, the cost of compliance can be very high, requiring them to hire experienced tax advisors and purchase specialized accounting software.

The intricacy of filing GST, which necessitates timely return submission and accurate record-keeping, presents another difficulty. Penalties resulting from filing errors might put SMHs under even more financial duress. Furthermore, pricing issues may arise due to the differing GST rates based on room costs, especially for hotels that operate at the border between several tax slabs. In order to be competitive, these hotels need to continuously monitor their pricing methods to stay out of a higher tax bracket.

Furthermore, there was a lot of misunderstanding and opposition to the original GST rollout, especially from small enterprises who were unprepared to leave the previous tax structure. The technology components of

GST, like as the need to submit returns online, caused many SMHs to struggle, which resulted in delays and possible fines.

- SME Chamber of India: <https://www.smechamberofindia.com/impact-of-gst-on-smes/>
- PwC India Report on GST Challenges: <https://www.pwc.in/assets/pdfs/services/tax/indirect-news-alert/2020/pwc-india-tax-insights-potential-impact-of-gst-on-smes.pdf>

II. REVIEW OF LITERATURE:

1. **Vohra, M., & Dhingra, M. (2019).** This article explores the impact of GST on the Indian hospitality industry, with a focus on small and medium-sized hotels. The authors argue that GST has streamlined the tax structure but increased compliance costs, making it challenging for smaller hotels to remain competitive. However, they also identify opportunities such as input tax credits and reduced tax evasion. The study suggests that with proper training and resources, these hotels can benefit from GST in the long term. (https://www.researchgate.net/publication/335598662_Impact_of_GST_on_Indian_Hospitality_Industry)

2. **Kumar, R., & Sharma, S. (2018).** Kumar and Sharma examine the financial implications of GST on SMEs in the hospitality sector. They find that while GST has simplified the tax structure, it has also led to increased costs and cash flow issues for small hotels. The study highlights the need for better financial management and awareness among hotel owners to fully leverage the benefits of GST. (https://www.researchgate.net/publication/327412982_GST_and_SME_performance_in_India)

3. **Bose, S., & Das, S. (2020).** This study focuses on the operational challenges faced by small and medium-sized hotels under the GST regime. The authors identify issues such as the complexity of compliance and the need for frequent updates to accounting practices. However, they also highlight the potential for long-term benefits through improved tax credits and transparency. (<https://www.ijcrt.org/papers/IJCRT2005215.pdf>)

4. **Patel, A., & Chauhan, J. (2019).** Patel and Chauhan's research examines the impact of GST on the pricing strategies of small hotels. The study finds that while GST initially led to increased prices, many hotels have adapted by adjusting their pricing models and utilizing input tax credits. The authors suggest that small hotels can improve their competitiveness by optimizing their pricing strategies under the GST framework. (<https://www.indianjournals.com/ijor.aspx?target=ijor:ijmss&volume=6&issue=5&article=020>)

5. **Singh, P., & Kaur, G. (2021).** This article explores customer perceptions of GST's impact on service quality in small hotels. The authors find that while customers initially viewed GST as a reason for price increases, over time, they have recognized the benefits of standardized taxes and better service quality. The study suggests that hotels can improve customer satisfaction by effectively communicating the advantages of GST. ([https://www.ijbmi.org/papers/Vol10\(3\)/C100301012.pdf](https://www.ijbmi.org/papers/Vol10(3)/C100301012.pdf))

6. **Verma, N., & Gupta, R. (2017).** Verma and Gupta analyze the challenges faced by SMEs in the hospitality sector during the transition to GST. The study highlights issues such as lack of awareness, increased compliance burden, and the need for investment in technology. However, the authors also point out that GST offers opportunities for growth through better tax management and transparency. (https://www.researchgate.net/publication/319234298_Impact_of_GST_on_Small_and_Medium_Enterprises)

7. **Choudhary, V., & Mehta, P. (2018).** This research focuses on the impact of GST on cash flow management in small hotels. The authors find that while GST has introduced challenges in cash flow due to delayed input tax credits, it has also encouraged better financial planning and management practices among hotel owners. The study suggests that with proper financial strategies, small hotels can mitigate cash flow

issues under GST. (<https://www.abacademies.org/articles/impact-of-gst-on-financial-performance-of-smes-7272.html>)

8. **Jain, R., & Narang, S. (2019).** Jain and Narang examine the role of technology in helping small hotels comply with GST regulations. The study finds that hotels that invest in digital tools and software for tax management are better equipped to handle GST-related challenges. The authors recommend that small hotels adopt technology solutions to improve compliance and efficiency. (https://www.researchgate.net/publication/331191497_Impact_of_GST_on_the_Hospitality_Sector)

9. **Desai, K., & Shah, N. (2020).** This article explores the long-term impact of GST on small and medium-sized hotels in India. The authors argue that while the initial implementation of GST posed challenges, over time, it has led to greater transparency and efficiency in tax management. The study suggests that with continued adaptation, small hotels can benefit from the streamlined tax system. (<https://www.ijrte.org/wp-content/uploads/papers/v8i1/A1805068119.pdf>)

10. **Saxena, M., & Goyal, A. (2021).** Saxena and Goyal analyze the impact of GST on the competitiveness of small hotels. The study finds that while GST has increased the compliance burden, it has also created opportunities for small hotels to compete with larger chains through better pricing strategies and tax management. The authors recommend that small hotels focus on optimizing their tax credits and improving financial literacy. (https://www.journalpressindia.com/journals/apjrbm/pdf/2017/Vol_7_5_and_6/Impact_of_GST_on_the_Competitiveness_of_Hotel_Sector.pdf)

11. **Rao, S., & Iyer, V. (2018).** This research explores the challenges of GST compliance for small hotels in rural and semi-urban areas. The authors find that these hotels face additional difficulties due to lack of access to technology and professional tax advice. The study suggests that government support and training programs are essential to help these hotels comply with GST regulations. ([https://www.ijhssi.org/papers/vol7\(6\)/Version-1/A0706010211.pdf](https://www.ijhssi.org/papers/vol7(6)/Version-1/A0706010211.pdf))

12. **Agarwal, S., & Tiwari, R. (2019).** Agarwal and Tiwari examine the impact of GST on employment and profitability in small hotels. The study finds that while GST has led to an initial decline in profitability, it has also encouraged better financial management and efficiency. The authors suggest that small hotels can improve their profitability by leveraging input tax credits and optimizing their operational strategies. (<https://www.abacademies.org/articles/impact-of-gst-on-smes-in-the-indian-hospitality-sector-7196.html>)

III. STATEMENT OF PROBLEM :

Small and medium-sized hotels (SMHs) in Bengaluru have been greatly affected by the introduction of GST, which has created a number of severe issues. Even while the Goods and Services Tax (GST) seeks to provide input tax credits and streamline taxation, the difficulties it places on smaller businesses frequently outweigh these advantages. The requirement for specialist software, consulting services, and personnel training puts a strain on SMHs' financial resources and raises compliance expenses. For people without tax management experience, the intricate process of filing GST taxes, which includes keeping correct records and abiding by regular regulation changes, can be too much to handle. GST may also interfere with pricing strategy, sometimes resulting in price adjustments that impact customer demand and competitiveness. Modifications to the tax code may also impact consumer expectations and spending patterns, which could lead to unpredictability in revenue management.

IV. RESEARCH QUESTIONS

- What are the significant challenges small and medium-sized hotels in Bengaluru face under the GST regime?
- How has the GST regime impacted the profitability and operational strategies of these hotels?
- What opportunities does the GST regime provide for small and medium-sized hotels to enhance their competitiveness and growth?
- How do hotel owners and managers perceive the overall impact of GST on their businesses?

V. OBJECTIVES:

The primary objectives of this study are:

- To identify the key challenges faced by small and medium-sized hotels in Bengaluru under the GST regime.
- To explore the opportunities presented by the GST regime for these hotels.
- To assess the overall impact of GST on the financial performance and operational strategies of small and medium-sized hotels in Bengaluru.

VI. RESEARCH METHODOLOGY

Primary Data: The primary data was collected by conducting surveys with 56 Managers. Using a carefully constructed questionnaire, the data was collected.

Secondary Data: The data is derived from secondary sources, including reference books, national and international journals, government reports, and websites, which specifically address various aspects of the impact of Goods and Services Tax (GST) on the hotel industry in India. Literature and relevant websites related to GST and Hotel businesses were explored for secondary data. After gathering an ample amount of primary and secondary data for analytical purposes, efforts were undertaken for processing and tabulating the information.

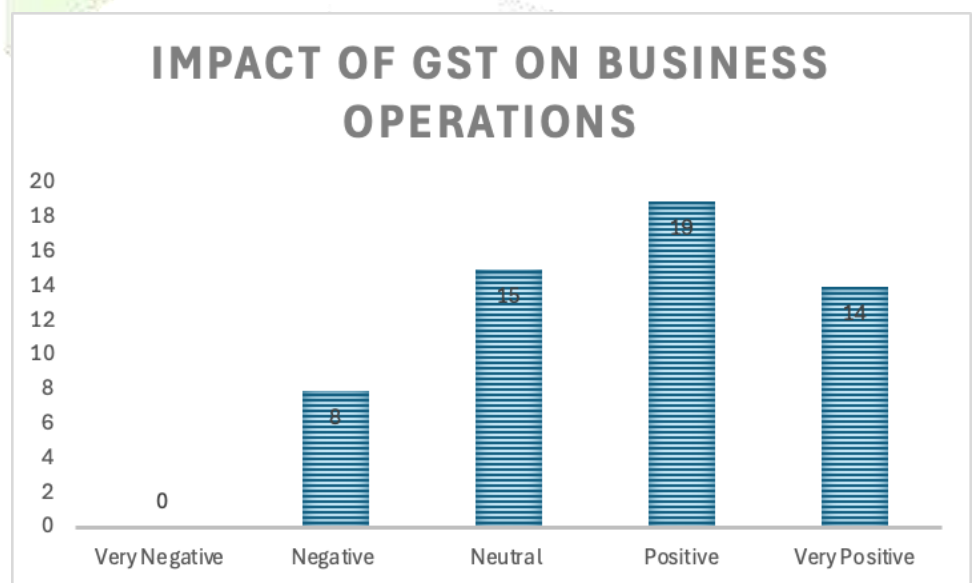
Sampling Technique: The method of convenience sampling is employed when selecting samples.

VII. DATA ANALYSIS:

1. Impact of GST on Business Operations:

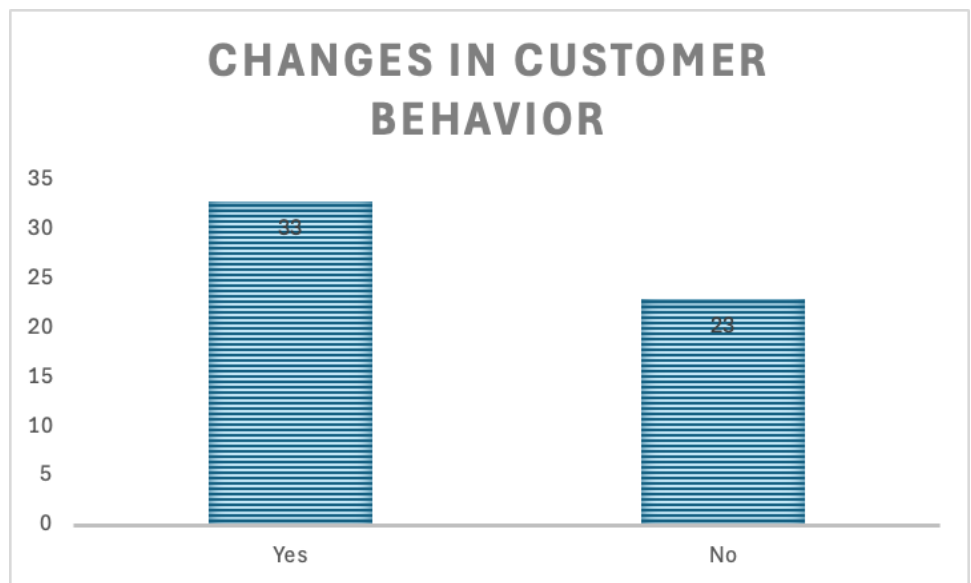
a) How has the introduction of GST affected your overall business operations?

The survey responses indicate a generally positive impact of GST on business operations. Out of the participants, 14 responded very positively, 19 positively, 15 were neutral, and only 8 were negative. This suggests that most businesses view GST as beneficial or at least not harmful, with only a small portion experiencing a negative impact.



b) Have you experienced any changes in customer behavior due to GST?

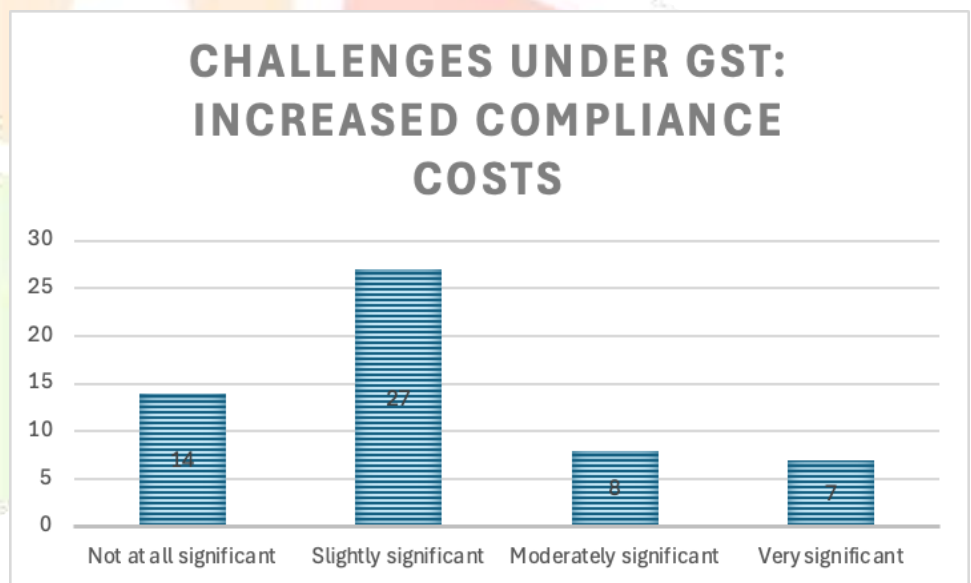
The survey results reveal a slight change in customer behavior due to GST. Of the respondents, 33 observed changes, while 23 did not. This suggests that while some businesses have noticed shifts in customer behavior, the overall impact of GST on customer behavior has been modest.

**2. Challenges Under GST:**

Which of the following challenges affect your hotel under the GST regime

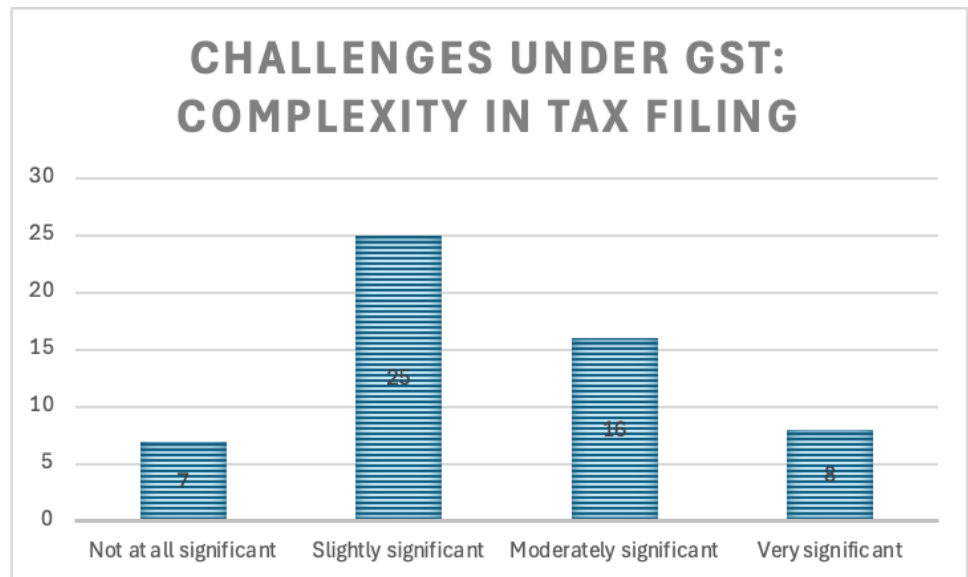
a) Increased Compliance Costs:

The survey results highlight varied perceptions regarding the impact of GST on compliance costs. Seven respondents view the increase in compliance costs as highly significant, while eight see it as moderately significant. Meanwhile, 27 respondents consider the impact slightly significant, and 14 believe it is not significant at all. This suggests that while some businesses feel a substantial burden from increased compliance costs under GST, the majority perceive the impact as either minor or negligible.

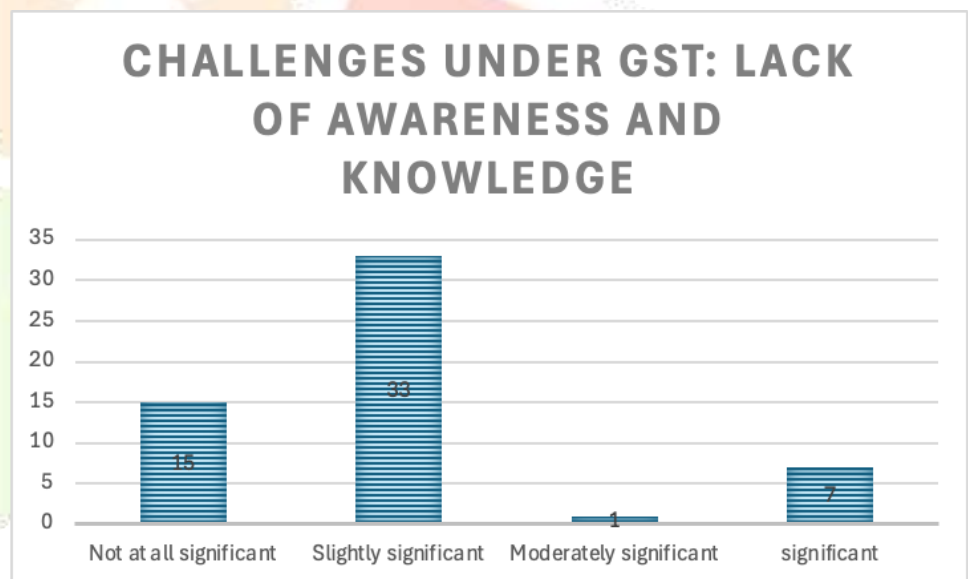


b) Complexity in Tax Filing:

The survey responses indicate mixed views on the complexity of GST tax filing. Eight respondents find it very significantly complex, 16 consider it moderately complex, 25 see it as slightly complex, and seven believe it is not complex at all. This suggests that while a portion of businesses experience substantial difficulty with GST tax filing, the majority perceive the complexity as manageable or minimal.

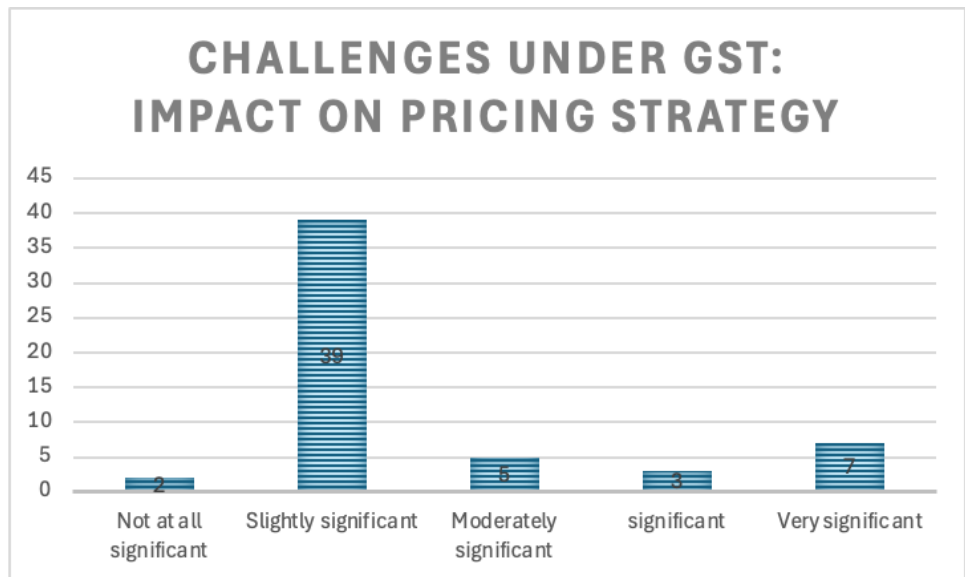
**c) Lack of Awareness and Knowledge:**

The survey results show that lack of awareness and knowledge about GST is generally not seen as a major challenge. Only seven respondents view this issue as highly significant, and just one considers it moderately significant. In contrast, 33 respondents find it only slightly significant, and 15 believe it is not significant at all. This suggests that while some businesses do face challenges due to limited GST knowledge, most consider it a minor or negligible concern.



d) Impact on Pricing Strategy:

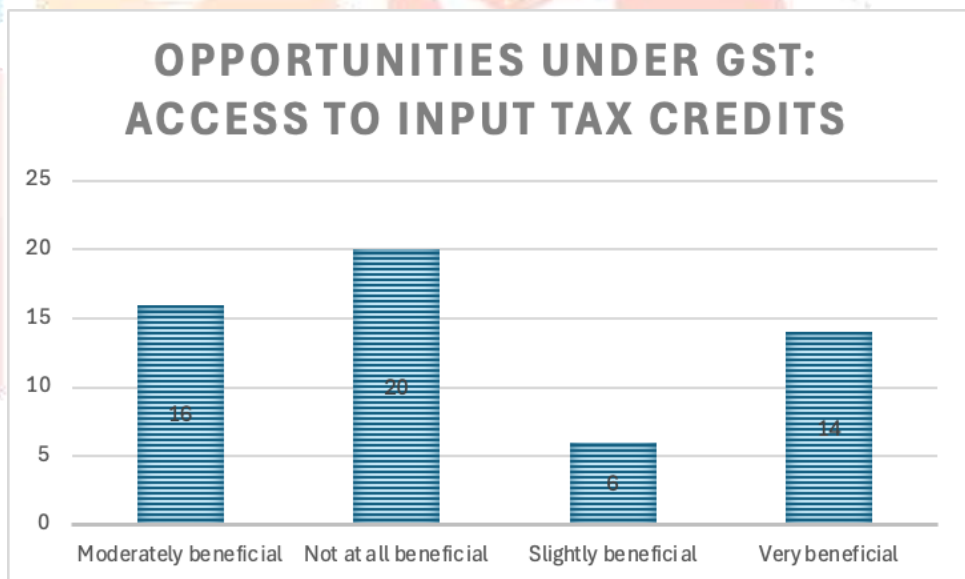
The survey responses reveal that the impact of GST on pricing strategy varies among businesses. Only two respondents see it as not significant, while 39 find it slightly significant. Five respondents consider it moderately significant, three view it as significant, and seven believe it is very significant. This indicates that while the majority perceive some effect on pricing strategy, the degree of impact differs, with a smaller group feeling a substantial influence.



3. Which of the following opportunities have benefited your hotel under the GST regime:

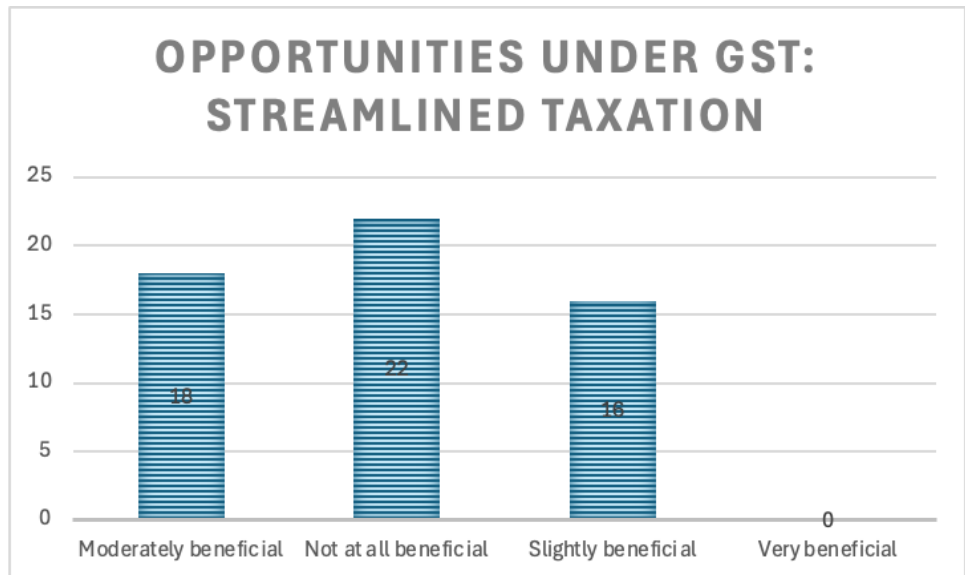
a) Access to Input Tax Credits:

The survey results show mixed perceptions regarding the benefits of the GST regime related to access to input credit in the hotel industry. Sixteen respondents find it moderately beneficial, while 20 believe it is not beneficial at all. Six respondents consider it slightly beneficial, and 14 view it as very beneficial. This suggests that opinions are divided, with a notable portion finding significant benefits, but a larger group either sees limited or no advantages.

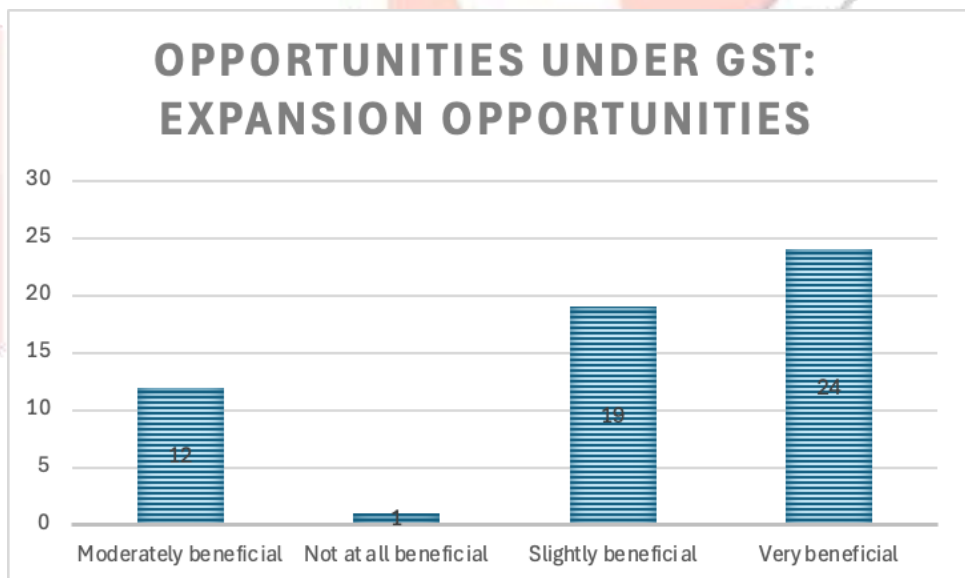


b) Streamlined Taxation:

The survey responses indicate that the perceived opportunities for streamlined taxation under GST are somewhat limited. Sixteen respondents find it slightly significant, 22 consider it not significant at all, and 10 view it as moderately significant. This suggests that while some see potential benefits in streamlined taxation, a significant portion of respondents do not view it as a major opportunity.

**c) Expansion Opportunities:**

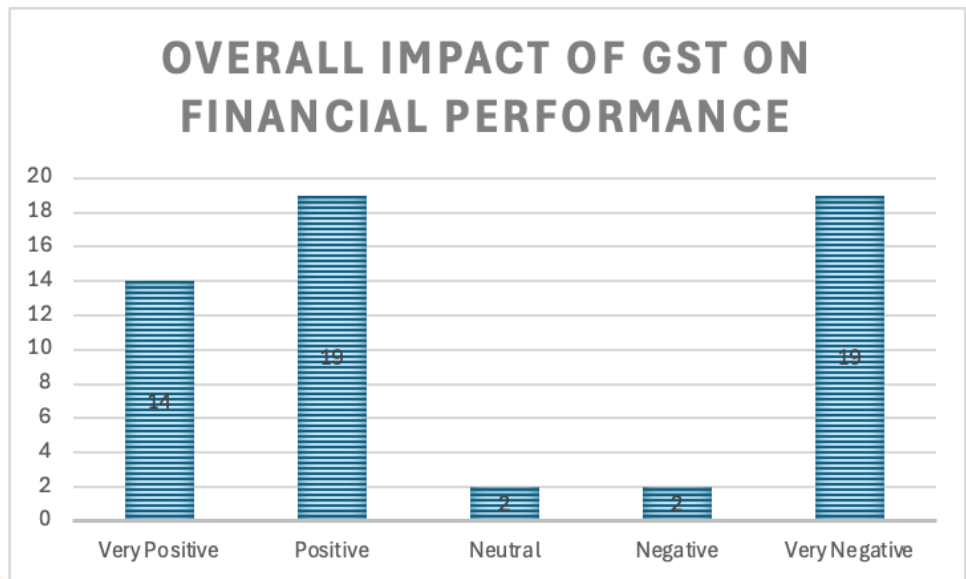
The survey reveals that respondents generally see significant expansion opportunities under GST. Twenty-four respondents view these opportunities as highly or very beneficial, while 19 find them significantly beneficial. Twelve respondents consider the opportunities moderately beneficial, and only one sees them as not beneficial at all. This indicates that the majority of respondents perceive substantial or high benefits in terms of expansion opportunities due to GST.



4. Overall Perception of GST:

a) How would you rate the overall impact of GST on your hotel's financial performance?

The survey reveals a mixed perception of GST's impact on the financial performance of hotels. Nineteen respondents view the impact as very negative, and two find it negative. Two respondents are neutral, while 19 and 14 respondents perceive it as positive and very positive, respectively. This indicates a divide in opinions, with a substantial portion of respondents seeing GST as detrimental, but a significant number also viewing it favorably.



VIII. FINDINGS AND SUGGESTIONS :

Findings

- Majority view GST positively, with 33 out of 56 perceiving it as either positive or very positive.
- 15 respondents are neutral, and 8 view GST negatively, indicating some adverse effects.
- Slight change in customer behavior observed by 33 respondents, with 23 seeing no impact, suggesting a modest overall effect.
- Mixed opinions on compliance costs: Seven find the increase highly significant, 27 consider it slightly significant, and 14 see it as not significant at all.
- Complexity in tax filing varies: Eight find it very complex, but the majority (25) see it as slightly complex.
- Lack of GST knowledge is generally seen as a minor issue, with most finding it either slightly significant or not significant.
- Impact on pricing strategy varies: 39 respondents find it slightly significant, while a smaller group (7) views it as very significant.
- Opinions on the benefits of input credit access are divided: Sixteen find it moderately beneficial, 20 see it as not beneficial, with some perceiving significant benefits.
- Perception of streamlined taxation opportunities is limited: Sixteen find it slightly significant, 22 see it as not significant.
- Generally positive outlook on expansion opportunities: 24 view it as highly or very beneficial, and 19 find it significantly beneficial.
- Mixed perceptions of GST's impact on financial performance: Nineteen see it as very negative, while 33 view it as positive or very positive.

Suggestions

- Developing targeted strategies or support programs to manage and reduce compliance costs would be beneficial. Addressing these costs effectively could ease the financial burden on businesses, particularly those facing significant challenges.
- Providing additional resources or tools to simplify the GST tax filing process could greatly help businesses. Streamlining this process would make compliance more manageable, especially for those struggling with its complexity.
- Implementing educational initiatives to enhance GST knowledge and awareness would be valuable. Improving understanding of GST could help address the minor challenges currently faced by businesses and ensure they are well-informed.
- Conducting further research into how GST impacts pricing strategies could be advantageous. Understanding these effects in greater detail would allow for targeted support to mitigate any negative impacts on pricing.
- Reviewing and adjusting the benefits of input credit access could make a significant difference. By aligning these benefits more closely with business needs, the government can ensure that businesses see greater value and utility.
- Promoting and communicating the advantages of streamlined taxation effectively would be beneficial. Clear communication about these benefits could help businesses better appreciate and utilize streamlined processes.
- Supporting businesses in capitalizing on expansion opportunities under GST by providing relevant resources and guidance would be highly advantageous. This support can help businesses take full advantage of growth prospects.
- Addressing concerns related to GST's impact on financial performance with targeted measures could be helpful. By reinforcing the positive aspects and addressing negative perceptions, the government can help businesses navigate and benefit from GST more effectively.

IX. CONCLUSION:

The implementation of the Goods and Services Tax (GST) has been a significant development in India's tax structure, particularly impacting the small and medium-sized hotel sector in Bengaluru. This study explored the challenges and opportunities faced by these hotels under the GST regime, based on both qualitative and quantitative data gathered through surveys and interviews with hotel managers and owners.

The findings reveal a mixed impact of GST on small and medium-sized hotels. On the one hand, the introduction of GST has streamlined the tax process by unifying various indirect taxes, which many respondents believe has simplified operations and reduced the burden of tax compliance in the long term. Hotels that have been able to effectively manage the transition to GST report benefiting from input tax credits and a more transparent taxation system. These benefits have contributed to improved financial management, better pricing strategies, and, in some cases, expanded business opportunities.

On the other hand, the study also highlights significant challenges. Many hotel operators expressed concerns over increased compliance costs, the complexity of the GST filing process, and the initial lack of awareness and understanding of the new tax system. Smaller hotels, in particular, have struggled with these issues, which have, at times, overshadowed the potential benefits of GST. The complexity of tax filing and the costs associated with maintaining compliance have been particularly burdensome for these establishments. Additionally, some hotels have observed changes in customer behavior, with price sensitivity becoming more pronounced, leading to potential impacts on their competitive positioning in the market.

Despite these challenges, the overall perception among respondents is that GST, in the long run, has the potential to be beneficial for the hotel industry. Many believe that as the system becomes more entrenched

and businesses adapt, the initial hurdles will be overcome, leading to a more efficient and equitable tax structure.

In conclusion, while the GST regime has brought about both challenges and opportunities for small and medium-sized hotels in Bengaluru, its long-term success will largely depend on how well these establishments can adapt to the new system. Continued education and support for hotel operators, particularly smaller businesses, will be crucial in ensuring that they can fully leverage the benefits of GST and mitigate its challenges. As the industry continues to evolve under this tax regime, ongoing monitoring and adjustments will be essential to ensure that GST contributes positively to the growth and sustainability of small and medium-sized hotels in Bengaluru.

X. REFERENCE:

Government Reports and Official Publications:

- Ministry of Finance, Government of India. (2017). *GST: A game changer for India*. Retrieved from <https://gst.gov.in/>
- Central Board of Indirect Taxes and Customs (CBIC). (2018). *GST compliance for small and medium enterprises*. Retrieved from <https://www.cbic.gov.in/resources/htdocs-cbec/gst/index.html>

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