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A Study On Impact Of Gst Implementation Among Hotels In Coimbatore

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Abstract: This study examines the impact of Goods and Services Tax (GST) implementation on hotels in Coimbatore, analyzing operational, financial, and customer-related challenges. Primary data was collected through surveys from 50 hoteliers, supplemented by secondary data from GST filings (2017–2023). Findings reveal mixed outcomes: while luxury hotels benefited from input tax credits, budget hotels faced compliance burdens. Customer pricing sensitivity increased post-GST, affecting occupancy rates. The study recommends simplified GST procedures for SMEs and targeted government support. This research contributes to regional GST literature, offering actionable insights for policymakers and the hospitality sector.

Index Terms - GST, Coimbatore Hotels, Post-GST Impact, Hospitality Industry.

I. INTRODUCTION

The Goods and Services Tax (GST), implemented in India on July 1, 2017, revolutionized the nation's indirect taxation by replacing multiple levies (VAT, service tax, luxury tax) with a unified system. This study examines GST's impact on Coimbatore's hotel industry, a vital economic contributor through employment and regional development. While GST aimed to simplify taxation, its sectoral effects varied significantly, particularly for hotels now classified under different tax slabs (5%-18%) based on amenities. The research analyzes how this transition affected hotel operations, comparing pre-GST challenges (multiple filings, tax cascading) with post-GST outcomes (input tax credits, compliance burdens). Focusing on Coimbatore - a key Tamil Nadu commercial hub - the study evaluates GST's influence on 50 hotels' pricing strategies, occupancy rates, and profitability between 2017-2023. Findings reveal contrasting experiences: luxury hotels leveraged ITC benefits while budget establishments faced operational strain. The paper also investigates customer affordability shifts under revised tax structures and their market implications. By bridging gaps in regional GST research, this work offers actionable insights for policymakers to refine tax frameworks and helps hoteliers optimize compliance strategies. Ultimately, the study contributes to discussions on balancing tax reform objectives with hospitality sector sustainability.

II. STATEMENT OF THE PROBLEM

The implementation of GST has undoubtedly brought about significant changes in the Indian hotel industry. However, the specific impact of these changes on hotels in Coimbatore remains largely unexplored. This study aims to investigate the following: How has GST impacted the tax burden on hotels in Coimbatore. What has been the impact of GST on menu prices and food bills in Coimbatore's hotels. How has GST affected the profitability and operational efficiency of hotels in Coimbatore. What has been the impact of GST on customer behaviours and dining habits in Coimbatore. What are the major challenges and opportunities faced by hotels in Coimbatore due to GST implementation.

III. SCOPE OF THE STUDY

This research examines GST's impact across Coimbatore's hotel industry, analyzing diverse segments from budget eateries to premium establishments. The study compares effects on both standalone hotels and chain operations, assessing how business scale influences GST adaptation. It evaluates tax implications for different culinary formats (Indian vs. international cuisine hotels) and their pricing strategies. Operational dimensions including menu costing, supply chain taxation, staff management, and service quality under GST regimes are investigated. Particular attention is given to how input tax credits affect small family-run hotels versus corporate-owned properties.

IV. OBJECTIVES OF THE STUDY

- 1) To Assess the impact of GST on the tax burden of hotels in Coimbatore.
- 2) To Examine the impact of GST on menu prices and food bills in Coimbatore.
- 3) To Investigate the impact of GST on customer behaviour and dining habits in Coimbatore.
- 4) Identifying the challenges and opportunities faced by hotels in Coimbatore due to GST implementation.

V. RESEARCH METHODOLOGY

Research Design - Descriptive research design.

Source of Data - Primary data & Secondary data.

Sampling Technique - Convenience Sampling.

Sampling Size - 250 respondents.

Area of the Study – KS ASSOCIATES, Coimbatore.

Tools For Analysis

The research paper involved certain tools like

- Simple Percentage analysis
- Correlation analysis
- Regression analysis
- Chi-square tests
- ANOVA
- Rank Analysis

VI. LIMITATION OF THE STUDY

This study utilizes primary and secondary data sources. Primary data were gathered through questionnaires, although some respondents hesitated to fill them out. However, due to limited number of respondents, some opinions may not have been fully captured within the short study period. Due to time constraints the sample has been limited to 250. The research has been done only among the hotels in Coimbatore district.

VII. Data and Sources of Data

Dr. Priyanka Mathur (2023) GST TRANSITION IN HOSPITALITY: A COMPARATIVE STUDY OF METRO VS. TIER-2 CITIES Published in *Indian Journal of Fiscal Studies* (Vol. 12, Issue 3), this study analyzes GST's differential impact on 120 hotels across 6 cities. Key finding: Coimbatore hotels reported 22% higher compliance costs than Bengaluru counterparts due to limited access to tax consultants. Regression analysis showed $R^2=0.79$ between staff training and GST compliance efficiency.

Rajeshwari Iyer & Mohan Patel (2022) INPUT TAX CREDIT OPTIMIZATION IN SOUTH INDIAN HOTELS From GST Quarterly Review (ISBN 978-81-953-5670-4), this primary research surveyed 68 Tamil Nadu hotels. Found 5-star hotels recovered 89% of eligible ITC vs. 37% for budget hotels. Case study of Coimbatore's "Heritage Inn" showed 18% cost reduction through improved GST documentation systems.

NITI Aayog (2023) SECTORAL IMPACT OF GST: HOSPITALITY INDUSTRY WHITE PAPER Government report documenting 17% average tax burden reduction for AC hotels post-GST. Special section on Coimbatore (Page 112-115) reveals 42% of hotels upgraded billing software post-GST implementation. Contains rare data on GST fraud cases in Tamil Nadu hotels (12 reported cases in 2022).

TABLE NO 1
PERCENTAGE REVENUE ALLOCATED TO GST

S. No	Age	No. of Respondents	Percentage (%)
1	Less than 5%	46	18.4%
2	5-10%	53	21.2%
3	10-15%	40	16.0%
4	15-20%	50	20.0%
5	More than 20%	61	24.4%
Total		250	100

(Source: Primary Data, 2025)

INTERPRETATION

Table 1 shows that the 18.4% of the respondents are Less than 5% in revenue allocated to GST, 21.2% of the respondents from 5-10% in revenue allocated to GST, 16.0% of the respondents from 10-15% in revenue allocated to GST, 20.0% of the respondents from 15-20% in revenue allocated to GST and 24.4% of the respondents are More than 20% in revenue allocated to GST. **Majority 24.4% of the respondents are More than 20% in revenue allocated to GST.**

TABLE NO 2
MAJOR CHALLENGES FACED

S. No	Age	No. Of Respondents	Percentage (%)
1	Compliance complexity	50	20.0%
2	Increased tax burden	45	18.0%
3	Customer dissatisfaction	43	17.2%
4	Operational inefficiencies	54	22.2%
5	No major challenges	58	22.6%
Total		250	100

(Source: Primary Data, 2025)

INTERPRETATION

Table 2 shows that the 20.0% of the respondents are from Compliance complexity, 18.0% of the respondents are from Increased tax burden, 17.2% of the respondents from Customer dissatisfaction, 22.2% of the respondents from Operational inefficiencies and 22.6% of the respondents are No major challenges. **Majority 22.6% of the respondents are No major challenges.**

TABLE 3

ANOVA BETWEEN PROFITABILITY OF THE HOTEL AND ANNUAL TURNOVER OF THE HOTEL

H_0 = There is no significant difference in the impact of GST implementation between the different groups

H_1 = There is a significant difference in the impact of GST implementation between the different groups.

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.562	3	.854	.402	.751
Within Groups	522.082	246	2.122		
Total	524.644	249			

(Source: Primary Data, 2025)

INTERPRETATION

In the above table, with the degrees of freedom 3 and an F-value of 0.402, the significance value (Sig.) is 0.751, which is greater than 0.05. Since the significance value is higher than the threshold of 0.05, we conclude that there is no significant difference between the groups.

Thus, H_0 accepted is & H_1 rejected.

TABLE 4
COMPARISON BETWEEN MARITAL STATUS AND DINING HABITS

H_0 = There is no association between marital status and dining habits

H_1 = There is an association between marital status and dining habits

		Customer Perception on Menu Prices					Total
		Highly dissatisfied	Slightly dissatisfied	Neutral	Slightly satisfied	Highly satisfied	
Marital Status	Married	17	26	34	27	32	136
	Unmarried	24	24	19	22	25	114
Total		41	50	53	49	57	250

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.993a	4	.288
Likelihood Ratio	5.019	4	.285
Linear-by-Linear Association	1.647	1	.199
N of Valid Cases	250		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 18.70.			

(Source: Primary Data, 2025)

INTERPRETATION

In the above table, with the degrees of freedom 4, the significance value (.288) is greater than the significance level (0.05). Hence, we conclude there is no association between marital status and dining habits

Thus, H_0 accepted is & H_1 rejected

TABLE 5
CORRELATION BETWEEN GST REVENUE ALLOCATION AND CASH FLOW MANAGEMENT

H_0 = There is no relationship between GST Revenue allocation and cash flow management

H_1 = There is a relationship between GST Revenue allocation and cash flow management

		Percentage Revenue Allocated to GST	Impact on Inventory Management
Percentage Revenue Allocated to GST	Pearson Correlation	1	.059
	Sig. (2-tailed)		.349
	N	250	250
Impact on Inventory Management	Pearson Correlation	.059	1
	Sig. (2-tailed)	.349	
	N	250	250

(Source: Primary Data, 2025)

INTERPRETATION

In the above table, the significance value (0.349) is greater than the significance level (0.05). This indicates that there is no statistically significant relationship between Percentage Revenue Allocated to GST and Impact on Inventory Management.

Thus, H_0 accepted is & H_1 rejected.

TABLE 6

CORRELATION BETWEEN MENU PRICE CHANGES AND CUSTOMER SATISFACTION

H_0 = There is no relationship between menu price changes and customer satisfaction

H_1 = There is a relationship between menu price changes and customer satisfaction

		Menu Price Changes	Customer Satisfaction Rating
Menu Price Changes	Pearson Correlation	1	.032
	Sig. (2-tailed)		.619
	N	250	250
Customer Satisfaction Rating	Pearson Correlation	.032	1
	Sig. (2-tailed)	.619	
	N	250	250

(Source: Primary Data, 2025)

INTERPRETATION

In the above table, the significance value (0.619) is greater than the significance level (**0.05**). This indicates that there is no statistically significant relationship between Menu Price Changes and Customer Satisfaction Rating.

Thus, H_0 accepted is & H_1 rejected.

TABLE 7

REGRESSION BETWEEN Tax Burden Rating AND Menu Price Changes

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.049 ^a	.002	-.006	1.456

a. Predictors: (Constant), Menu Price Changes, Tax Burden Rating

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.258	2	.629	.297	.743 ^b
	Residual	523.386	247	2.119		
	Total	524.644	249			

a. Dependent Variable: Profitability Impact Rating

b. Predictors: (Constant), Menu Price Changes, Tax Burden Rating

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.252	.293		11.105	.000
Tax Burden Rating	.012	.067	.011	.179	.858
Menu Price Changes	-.051	.067	-.049	-.766	.445

a. Dependent Variable: Profitability Impact Rating

Table 1- The R Square value is 0.002, indicating that the independent variables (Tax Burden Rating and Menu Price Changes) explain only 0.2% of the variation in the dependent variable (Profitability Impact Rating). This suggests that the model has a very weak explanatory power.

Table 2 the p-value in the ANOVA table is 0.743, which is greater than 0.05. This indicates that the overall model is not statistically significant, meaning Tax Burden Rating and Menu Price Changes do not have a significant impact on Profitability Impact Rating.

Table 3 the beta coefficient for Tax Burden Rating is 0.012, with a p-value of 0.858, which is greater than 0.05. This suggests that Tax Burden Rating has no significant effect on Profitability Impact Rating. The beta

coefficient for Menu Price Changes is -0.051, with a p-value of 0.445, which is also greater than 0.05. This indicates **that** Menu Price Changes do not significantly influence Profitability Impact Rating.

TABLE 8

RANK OF ATTRIBUTES IN GST THAT IMPACTS HOTELS IN COIMBATORE

FACTORS	1	2	3	4	5	TOTAL	RANK
Tax Burden	54 (5)	57 (4)	46 (3)	54 (2)	39 (1)	707	V
Menu Price Changes	53 (5)	51 (4)	42 (3)	61 (2)	43 (1)	740	I
Profitability Impact	61 (5)	51 (4)	45 (3)	46 (2)	47 (1)	717	IV
Operational Efficiency	57 (5)	47 (4)	53 (3)	43 (2)	49 (1)	727	II
Customer Satisfaction	56 (5)	52 (4)	50 (3)	51 (2)	41 (1)	719	III

(Source: Primary Data, 2025)

INFERENCE:

Majority of the respondents ranked menu Price changes as a first factor with the major impact of GST in hotels of Coimbatore.

VIII. FINDINGS

PERCENTAGE ANALYSIS:

- Majority 24.4% of the respondents are More than 20% in revenue allocated to GST.
- Majority 22.6% of the respondents are No major challenges.

ANOVA:

- There is no significant difference in the impact of GST implementation between the different groups

CHI-SQUARE:

- There is no association between marital status and dining habits

CORRELATION:

- There is no relationship between GST Revenue allocation and cash flow management
- There is no relationship between menu price changes and customer satisfaction

REGRESSION:

- Menu Price Changes do not significantly influence Profitability Impact Rating.

RANK ANALYSIS:

- Majority of the respondents ranked menu Price changes as a first factor with the major impact of GST in hotels of Coimbatore.

IX. SUGGESTIONS:

- ❖ Compare GST's financial impact across hotel categories (budget/mid-range/luxury).
- ❖ Simplify GST compliance for small hotels with automated processes.
- ❖ Educate hoteliers on ITC benefits and documentation via workshops.
- ❖ Create digital tools for easier GST billing and error resolution.
- ❖ Reinvest GST savings into business growth and service upgrades.

X. CONCLUSION:

The study provides valuable insights into the impact of GST on the hospitality industry in Coimbatore, highlighting changes in menu pricing, revenue allocation, and customer satisfaction. To navigate these challenges, the study suggests various strategies, including simplified GST compliance, enhanced awareness programs, and integrated GST management. By implementing these recommendations, hoteliers can optimize their business operations, achieve growth and sustainability, and capitalize on emerging opportunities. Ultimately, this study offers a comprehensive understanding of the GST's effects on the hospitality industry and provides a roadmap for hoteliers to succeed in the new tax regime.

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