



Analyzing The Influence Of Goods And Services Tax (GST) On Consumer Behavior In The Indian Hotel Services Sector.

Authors:

Mr. KOUSHIK D R

Research Scholar

Chirashree Institute of Research and Development (CIRD)

University of Mysore

Dr. S. Gopikrishna

Professor

Chirashree Institute of Research and Development (CIRD)

University of Mysore

ABSTRACT: The study explores the impact of Goods and Services Tax (GST) on consumer behavior in the Indian hotel service sector. With a mainly male focus (70%) and a significant presence of professionals (82%), the study emphasizes the need for targeted strategies. Notably, 50% of respondents rarely stay in hotels, indicating potential sensitivity to GST-related changes. Service quality (66%) and price (64%) are identified as pivotal factors in hotel selection under GST. While GST awareness is high (86%), a notable lack of awareness (60%) exists regarding benefits or discounts offered by hotels.

The study reveals multifaceted implications of GST, prompting adjustments in pricing, operational strategies, and consumer decision-making. Challenges in compliance have led to enhanced operational efficiencies and renewed emphasis on customer-centric approaches. Ongoing adaptation to the evolving GST landscape is crucial for sustained growth, requiring continuous monitoring of consumer behavior and industry trends. This research provides essential insights for industry stakeholders and policymakers to navigate the complexities of the post-GST era in the Indian hotel services sector, facilitating informed decision-making and strategic planning.

KEYWORDS: GST, Consumer Behaviour, Hotel.

I. INTRODUCTION: The advent of Goods and Services Tax (GST) in India has ushered in a transformative era for the country's taxation structure, creating ripples across diverse industries. This research focuses on the specific implications of GST on consumer behavior within the dynamic domain of the Indian hotel services sector, a crucial segment of the service industry that caters to a wide array of consumers.

Implemented in July 2017, GST aimed to simplify the intricate web of indirect taxes, providing a unified framework for the taxation of goods and services. For the hotel services sector, this fiscal reform introduced changes not only in the financial structure but also in operational strategies and consumer dynamics. As consumers play a pivotal role in shaping the demand for hotel services, understanding their responses to the new tax regime is paramount for industry stakeholders and policymakers.

In the post-GST landscape, the hotel services sector experienced shifts in pricing mechanisms, service offerings, and overall market competitiveness. Consequently, consumers navigating choices in accommodations, dining, and related services found themselves in an altered economic environment. This study seeks to unravel the intricate relationship between GST and consumer behavior, aiming to illuminate the ways in which GST influences decision-making processes, spending patterns, and perceptions of value within the Indian hotel services sector.

As consumers make choices regarding their stay, dining preferences, and other related services, their decisions are inevitably intertwined with the changes in taxation policies. By delving into the nuanced interplay between GST and consumer behavior, this research endeavors to offer valuable insights that contribute to a comprehensive understanding of the evolving dynamics in the post-GST era within the realm of Indian hotel services.

II. REVIEW OF LITERATURE:

Diksha Panwar & Sidheswar Patra (2017) Implies that the Hotel business, burdened by multiple taxes from raw material acquisition to final sales, faces challenges like confusion and disputes due to unclear laws. GST's impact on promotional strategy and standardized pricing benefits consumers, providing transparency in bills. However, the wide tax bracket poses challenges for medium-scale hotels. Implementation of GST optimizes working capital, ensuring better quality and services for customers. Hotel businesses must strategize for the future considering the evaluation of GST and its mandatory impact on their operations.

Akshay R. Rakhunde & Dr. Priti Rai (2019) Explains that GST is established to rectify flaws in the indirect tax system and create a unified market in India, the Goods and Services Tax (GST) faced initial resistance from hoteliers. Post the revised rates from November 15, 2017, majority of hoteliers in Nagpur express faith in the system. GST eliminates dual taxation, aiding financial management and cost optimization, garnering strong support from the hotel community.

Aditya P.S. & Dr. Yajnya D N (2021) stated that GST has varying effects on hotels, benefiting food and beverage areas and budget hotels (12% slab) but posing challenges for those under the 18 to 28 percent slab. Post-GST, customer satisfaction links to buying behavior. Customer clarity on GST rates is crucial, impacting how hoteliers handle issues, though financial challenges persist.

Varalakshmi P. & Prof. K. Santha Kumari (2021) Conveys that under GST, customers benefit from reduced payments, pleasing their taste buds, while restaurant owners can easily claim input tax credits. However, hotels with nightly room tariffs above Rs. 7500 may see a decline in tourists due to the high 28% GST. Including liquor in GST is crucial for a uniform tax structure, avoiding double compliance and enhancing transparency. Overall, GST, if streamlined, should positively impact the food and beverage sector.

Sunil Kumar Das (2023) demands transparency in the Goods and Services Tax (GST) system, urging easily understood provisions. Emphasizing consumer education about GST rates is crucial, necessitating a government awareness program. Due to perceived high rates, consumers propose a reduction in GST rates. Additionally, continuous monitoring of restaurants is suggested to ensure accurate GST charges for customers.

III. STATEMENT OF PROBLEM: The Goods and Services Tax (GST) in Indian hotels has changed how things work. We want to figure out how these changes affect people who stay in hotels. With new rules on prices, following tax rules, and changes in how good the services are, we need to understand how people decide where to stay, what they like, and if they are happy with their choices. This study aims to help businesses and those who make rules understand these changes better so that everyone can make good decisions in this new tax system for hotels.

IV. OBJECTIVES:

1. To explore awareness of goods and services act in hotel services.
2. To analyze influencing factors on consumer decisions in hotel services under GST.

V. RESEARCH METHODOLOGY

Primary Data: The primary data was collected by conducting surveys with 50 consumers who had stayed at hotels after the implementation of the GST regime. 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.

VI. GST OVERVIEW AND ITS IMPLICATIONS ON THE INDIAN HOTEL SERVICES SECTOR:

The introduction of Goods and Services Tax (GST) in India has been a watershed moment, significantly impacting various industries, and the hotel services sector is no exception. This section delves into the nuanced implications of GST on the Indian hotel services sector, exploring the multifaceted changes in pricing, consumer behavior, and the overall dynamics of the industry.

1. Pricing Strategies and Cost Structure Adjustments: One of the most immediate and tangible effects of GST on the hotel services sector was the recalibration of pricing strategies and adjustments to the cost structure. The rationalization of tax rates led to a reevaluation of room tariffs, dining charges, and other ancillary services. Hotels, both large chains and smaller establishments, had to navigate the delicate balance between maintaining competitiveness and ensuring compliance with the new tax regulations.

The transition to the GST framework prompted hotels to scrutinize their cost structures comprehensively. The tax reform necessitated changes not only in pricing but also in internal operations, financial reporting, and overall financial planning. Compliance complexities, especially for smaller establishments with limited resources, posed a significant challenge. The adaptation to new invoicing procedures, filing requirements, and other compliance-related aspects required time, effort, and financial investments.

However, the recalibration of pricing strategies was not merely about adjusting to the new tax structure. It presented an opportunity for hotels to reassess their value propositions and enhance operational efficiencies. The competitive landscape within the sector underwent a transformation as establishments aimed to strike a balance between maintaining profitability and offering value to consumers. The challenge, therefore, became an opportunity for hotels to innovate, streamline operations, and differentiate themselves in a more transparent pricing environment.

2. Consumer Behavior and Economic Sensitivity: The impact of GST on the hotel services sector extended beyond the financial realm, influencing the choices and behaviors of consumers. Travelers, tourists, and business professionals, now armed with increased access to information, became more economically conscious in their decision-making processes. The sensitivity of consumers to pricing changes became more pronounced, with GST influencing the overall cost of services.

Consumer behavior within the sector underwent a paradigm shift as individuals began considering not only the quality of services but also the economic implications of the tax regime on their overall expenses. The decision-making process evolved to encompass a broader range of factors, including perceived value for money and the transparency of pricing. As a result, hotels had to adapt their marketing strategies, emphasizing not just the quality of services but also the value proposition in light of the new tax structure.

The increased economic sensitivity among consumers prompted hotels to enhance their communication strategies. Establishments began providing clearer information about pricing structures, incorporating GST details in their communication materials, and emphasizing the overall value offered to consumers. Transparency became a key element in building trust and influencing consumer choices.

3. Challenges and Opportunities for the Hotel Services Sector: While GST presented challenges for the hotel services sector, it also brought forth opportunities for growth and increased competitiveness. Compliance complexities, especially during the initial phases of implementation, posed challenges for hotels, requiring adjustments in operational processes. However, overcoming these challenges facilitated a more streamlined and efficient operational framework, contributing to long-term sustainability.

Moreover, the unified tax structure under GST reduced inter-state variations, creating a more level playing field for hotels across the country. The sector could now focus on enhancing service quality and customer experience, knowing that pricing differentials due to regional tax variations were significantly reduced. This shift in focus towards service quality had the potential to positively influence consumer choices, fostering loyalty and repeat business.

The competitive landscape within the hotel services sector evolved as establishments adapted to the new tax regime. Innovation in pricing models, promotional strategies, and service offerings became crucial elements for staying competitive. Hotels started exploring dynamic pricing strategies, loyalty programs, and collaborations to differentiate themselves in the market. This period of adaptation to the GST framework facilitated a renewed emphasis on customer-centric approaches, driving improvements in service standards and overall customer satisfaction.

4. Long-term Implications and Ongoing Adaptation: As the hotel services sector continues to adapt to the GST framework, the long-term implications remain a subject of ongoing exploration. The initial challenges of compliance have given way to a more mature understanding of the tax structure, but the sector remains dynamic, responding to external factors such as economic trends, changing consumer preferences, and global events.

The adaptability of hotels to the evolving GST landscape will be a key determinant of their success in the coming years. Continuous monitoring of consumer behavior, regulatory changes, and industry trends will be essential for establishments to stay agile and responsive. The ongoing adaptation to GST also underscores the importance of a collaborative approach between the government, industry stakeholders, and consumers to address emerging challenges and capitalize on opportunities for sustained growth.

The implications of Goods and Services Tax on the Indian hotel services sector are multifaceted, touching upon pricing strategies, consumer behavior, and the overall dynamics of the industry. The recalibration of pricing structures prompted hotels to reassess their cost structures and operational efficiencies, presenting both challenges and opportunities. Consumer behavior underwent a significant shift, with economic sensitivity playing a central role in decision-making processes.

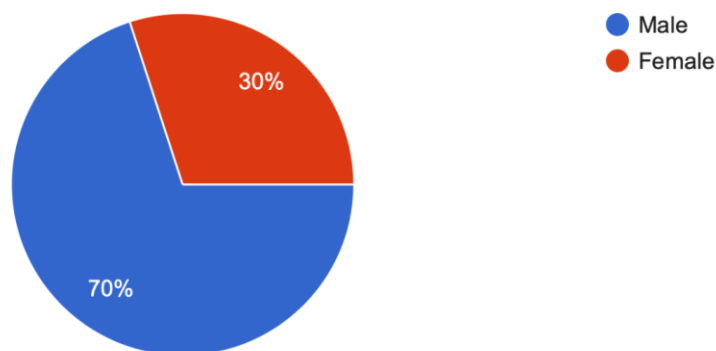
The challenges posed by compliance complexities and the initial adjustments to the new tax framework have given way to a more mature and adaptable industry landscape. The hotel services sector, now more than ever, emphasizes transparency, innovation, and customer-centric approaches. As the industry continues to navigate the evolving GST landscape, ongoing research and analysis will be crucial for understanding the long-term implications and shaping strategies for sustainable growth in this dynamic and competitive sector.

VII. DATA ANALYSIS:

Demographic profile of the respondents

Gender

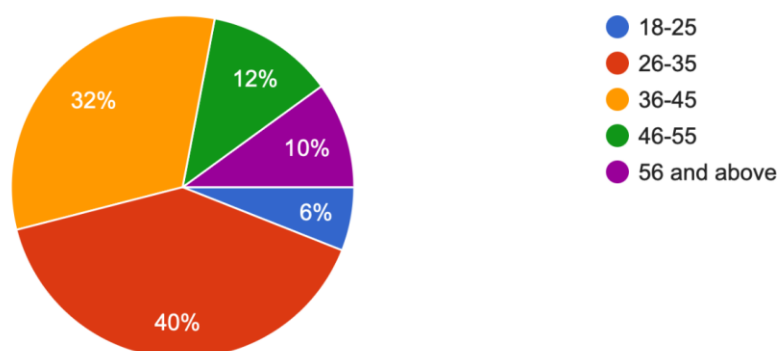
50 responses



The pie chart illustrates a predominant representation of male respondents in the survey, constituting 70%, while female respondents make up the remaining 30%.

Age

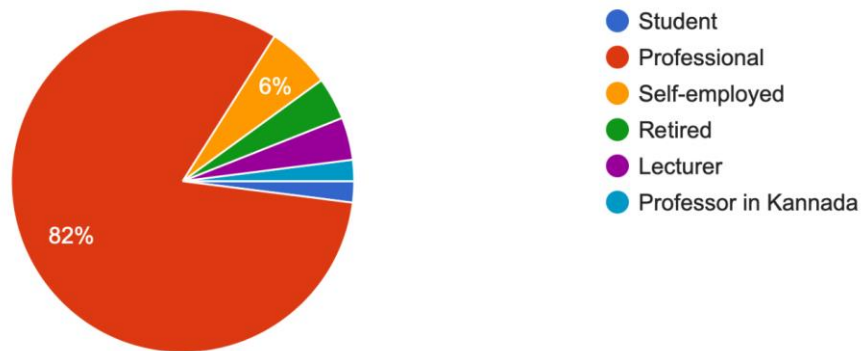
50 responses



The pie chart displays the distribution of respondents across different age groups. Participants aged 18 to 25 constitute 6%, those in the 26 to 35 age range make up 40%, individuals aged 36 to 45 represent 32%, respondents aged 46 to 55 account for 12%, and those aged 56 and above comprise 10%. This demographic breakdown provides a comprehensive view of the age distribution within the surveyed population.

Occupation

50 responses

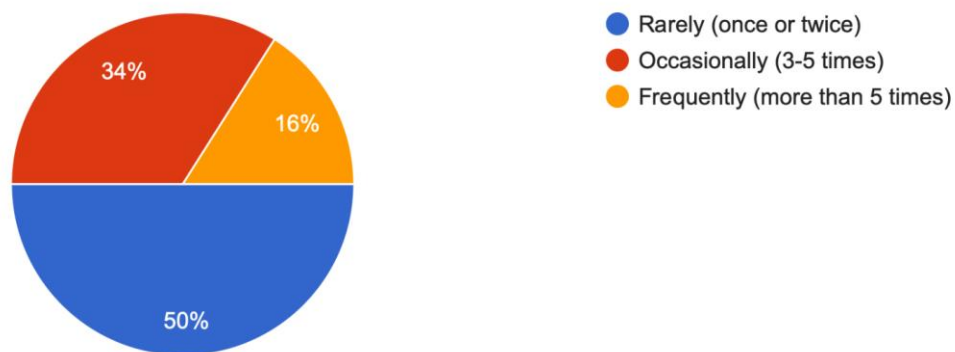


The provided pie chart illustrates the distribution of respondents across various occupational categories. Professionals constitute the majority at 82%, followed by self-employed individuals at 6%, while students, Retired Personnel, and others collectively make up 12%. This breakdown sheds light on the occupational diversity within the surveyed population, offering a foundation for exploring how different groups, particularly professionals, self-employed individuals, and those in varied categories, may be influenced by the Goods and Services Tax (GST) concerning their behavior in the Indian hotel services sector.

Questions on Influence of GST on Consumer Behavior in the Indian Hotel Services Sector

1. How often do you stay in hotels in a year?

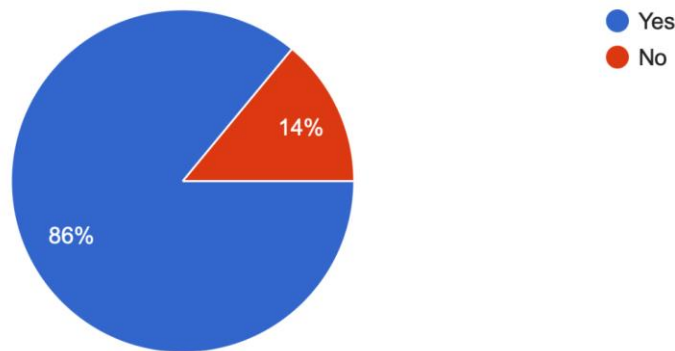
50 responses



The pie chart depicts the frequency of respondents' hotel stays per year. A significant 50% indicate rare hotel stays (once or twice annually), 34% occasionally stay (three to five times a year), and 16% frequently stay (more than five times a year). This distribution provides insights into the varying degrees of engagement with hotel accommodations within the surveyed population. Understanding these patterns is crucial for a comprehensive analysis of how Goods and Services Tax (GST) may impact consumer behavior across different levels of hotel stay frequency in the Indian hospitality sector.

2. Are you aware of the Goods and Services Tax (GST) and its connection towards hotel services?

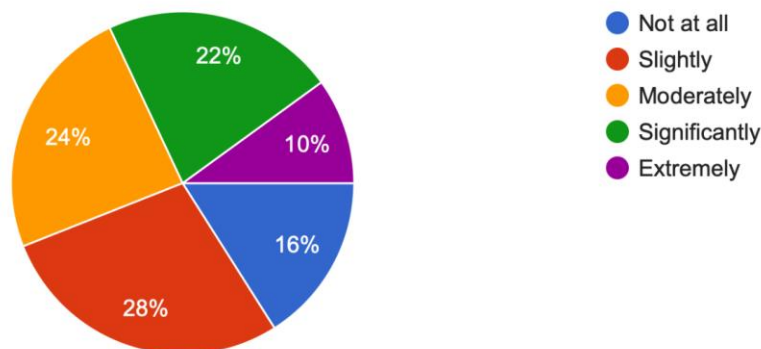
50 responses



In response to the question regarding awareness of the Goods and Services Tax (GST) and its correlation with hotel services, 86% of respondents answered affirmatively, indicating they are aware. Meanwhile, 14% responded negatively, signifying a lack of awareness. This distribution underscores the importance of considering the level of familiarity with GST when analyzing its potential influence on consumer behavior in the context of hotel services among the surveyed individuals.

3. To what extent do you feel the GST has impacted your decision to choose a particular hotel?

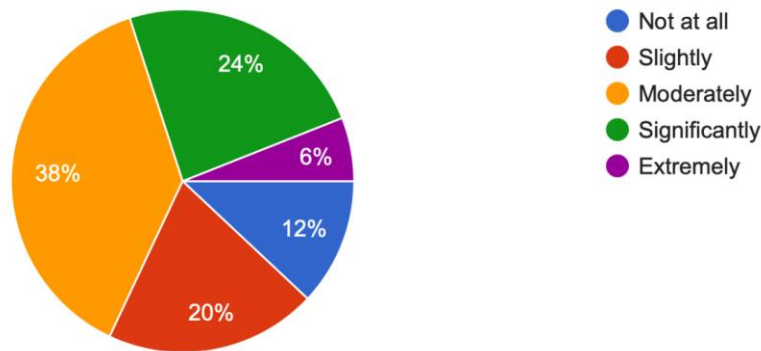
50 responses



The pie chart illustrates the degree to which respondents feel the Goods and Services Tax (GST) has influenced their decision to choose a particular hotel. Results show that 16% feel not impacted, 28% are lightly impacted, 24% are moderately impacted, 22% are significantly impacted, and 10% are extremely impacted. This breakdown provides a nuanced understanding of the varying levels of influence GST exerts on the decision-making process for selecting hotels among the surveyed individuals. Analyzing these perceptions is essential for exploring the multifaceted impact of GST on consumer choices within the Indian hotel services sector.

4. How much does the price affect your decision when picking a hotel with the new GST regime?

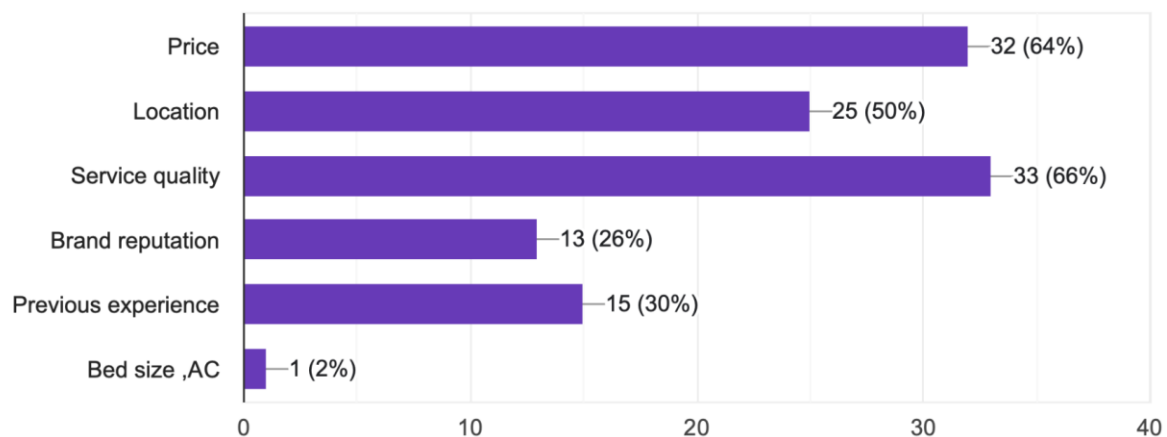
50 responses



The question on how price influences the decision to choose a hotel in the new GST region garnered the following responses: 12% of respondents indicated "not at all," 20% replied "slightly," 38% responded with "moderately," 24% expressed "significant" influence, and 6% reported "extremely" affected decisions. This distribution highlights the varying degrees of impact that price, influenced by the new Goods and Services Tax (GST) region, has on the decision-making process of individuals when selecting a hotel. Understanding these perspectives is crucial for a comprehensive analysis of the pricing dynamics and their implications in the context of the Indian hotel services sector.

5. What factors are most important to you when selecting a hotel under the GST regime? (Select up to three)

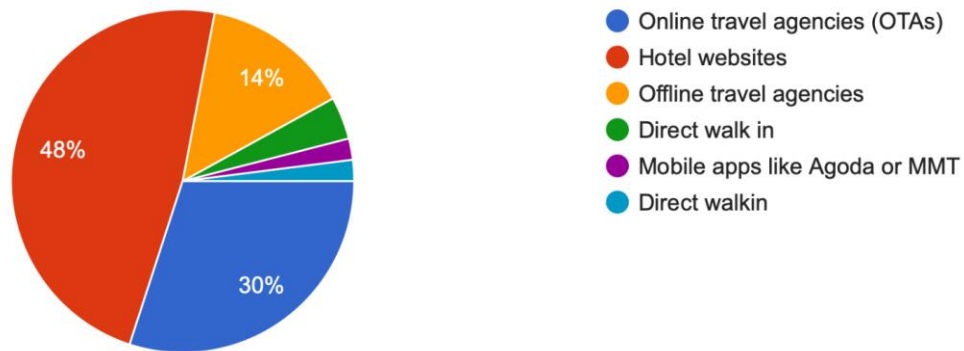
50 responses



In response to the question about the most crucial factors when choosing a hotel under the GST regime, the following preferences emerged: 64% emphasized price, 66% prioritized service quality, 50% considered location paramount, 30% valued previous experiences, and 2% cited other factors. This breakdown underscores the diverse considerations that individuals weigh when making hotel selections within the context of the Goods and Services Tax (GST) framework. Analyzing these predominant factors provides valuable insights into the key drivers shaping consumer choices in the Indian hotel services sector under the influence of GST.

6. Where do you usually book your hotel stays?

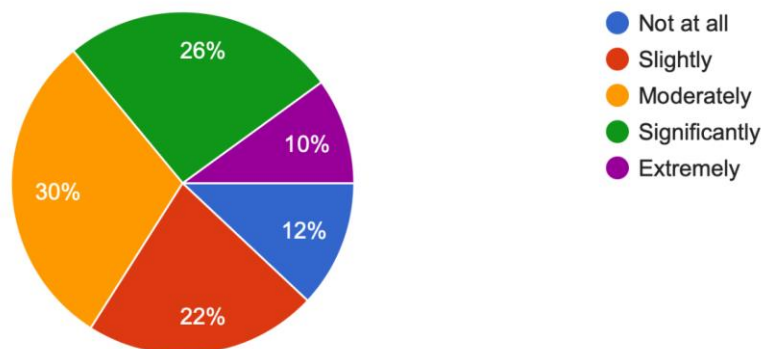
50 responses



Regarding the preferred platforms for booking hotel stays, survey responses indicate that 48% of individuals opt for hotel websites, 30% choose online travel agencies, 14% prefer offline travel agencies, and the remaining respondents select other platforms. This distribution highlights the varied choices people make when it comes to booking accommodations. Understanding these preferences is essential for businesses in the hotel industry and online travel agencies to tailor their marketing strategies to effectively reach their target audience in the dynamic landscape of hotel bookings.

7. How much do online reviews influence your decision to choose a hotel under the GST regime?

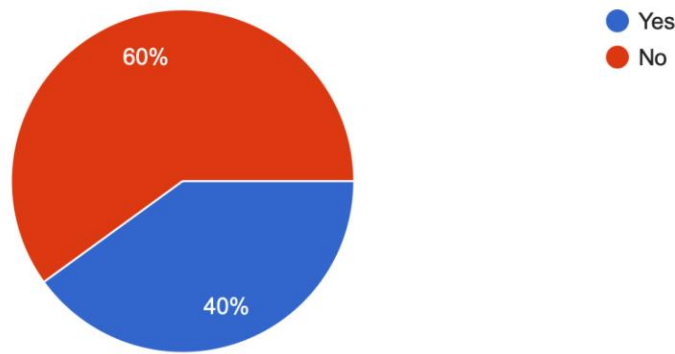
50 responses



In determining the impact of online reviews on hotel selection within the GST region, survey responses indicate that 30% of participants consider it a moderate influence, 26% find it significantly influential, 12% believe it has no influence at all, 22% attribute a slight influence, and 10% perceive an extreme influence. This spectrum of opinions underscores the varied degrees to which online reviews play a role in shaping decisions regarding hotel choices in the context of the Goods and Services Tax (GST) region. Understanding these perspectives is vital for comprehending the dynamics of consumer decision-making in the hospitality sector.

8. Are you aware of any benefits or discounts offered by hotels due to the implementation of GST?

50 responses



In response to the query about awareness of benefits or discounts offered by hotels due to the implementation of GST, 60% of respondents answered negatively, indicating no awareness, while 40% affirmed awareness of such benefits or discounts. This distribution underscores the varying levels of familiarity among individuals regarding the incentives provided by hotels in response to the Goods and Services Tax (GST) implementation. Recognizing this divergence is crucial for further exploration of the factors influencing consumer awareness and the effectiveness of communication strategies in the hotel services sector.

VIII. FINDINGS AND SUGGESTIONS :

- **Demographic Focus** - The survey emphasizes a male-majority (70%) and a prevalent age group of 26-35 (40%), indicating the need for targeted strategies based on these demographics.
- **Occupational Impact** - Professionals (82%) dominate, underscoring the influence of GST on a working demographic in the hotel services sector.
- **Booking Behavior** - A significant portion (50%) rarely stays in hotels, suggesting potential sensitivity to GST-related changes and the need for tailored retention strategies.
- **Decision Influencers** - Service quality (66%) and price (64%) emerge as pivotal factors in hotel selection under the GST regime, highlighting the significance of these aspects in marketing campaigns.
- **Awareness Gaps** - While there is high GST awareness (86%), there's a notable lack of awareness (60%) regarding benefits or discounts offered by hotels, indicating a need for targeted communication on such incentives.

IX. CONCLUSION:

In conclusion, the research on the influence of Goods and Services Tax (GST) on consumer behavior in the Indian hotel services sector reveals crucial insights. The study emphasizes a male-majority (70%) and a prevalent age group of 26-35 (40%), necessitating targeted strategies. Professionals dominate (82%), indicating the occupational impact of GST on the working demographic. Notably, 50% of respondents rarely stay in hotels, signaling potential sensitivity to GST-related changes.

Service quality (66%) and price (64%) emerge as pivotal factors in hotel selection under GST. While awareness of GST is high (86%), a significant lack of awareness (60%) exists regarding benefits or discounts offered by hotels.

The implications of GST on the sector are multifaceted, prompting recalibrations in pricing, operational strategies, and consumer decision-making. Challenges in compliance and adjustments have led to enhanced operational efficiencies and a renewed focus on customer-centric approaches. The ongoing adaptation to the evolving GST landscape is crucial for sustained growth, necessitating continuous monitoring of consumer behavior and industry trends. This research provides essential insights for industry stakeholders and

policymakers to navigate the complexities of the post-GST era in the Indian hotel services sector, facilitating informed decision-making and strategic planning.

X. REFERENCE:

- Diksha Panwar & Sidheswar Patra (2017) Impact of Goods and Services Tax on the Restaurants and Food
- Service Businesses in India. International Journal of Applied Business and Economic Research. ISSN : 0972-7302. www.serialsjournals.com
- Akshay R. Rakhunde & Dr. Priti Rai (2019). Effect of GST in Hotel Industry (Nagpur). International Journal of Scientific Research in Engineering and Management (IJSREM). Volume: 03 Issue: 10 | Oct -2019 ISSN: 2590-1892
- Aditya P.S. & Dr. Yajnya D N (2021). Impact of GST on Hotel Industry- A Study in Bhubaneswar City in Odisha. International Journal of Innovative Research in Engineering & Management (IJIREM) ISSN: 2350-0557, Volume-8, Issue-3, May 2021. <https://doi.org/10.21276/ijirem.2021.8.3.1>
- Varalakshmi P. & Prof. K. Santha Kumari (2021). Impact of Goods and Service Tax (GST) On Hotel Industry in India. International Journal of Research in Humanities & Soc. Science. Vol. 9, Issue: 5, May: 2021. ISSN:(P) 2347-5404 ISSN:(O)2320 771X
- Sunil Kumar Das (2023). Impact of GST on hotel industry and customers' perception. International Journal of multidisciplinary education research. VOLUME:12, ISSUE:7(3), July: 2023
- Dr. G. Suresh Babu (2019), "Consumers perception towards GST rates in India", Research Review International Journal of Multidisciplinary, Jan 2019 | Volume 04 | Issue: 01, ISSN: 2455-3085.
- Gowtham Ramkumar (2017), " Impact of GST on consumer spending ability in Chennai city", Primax International Journal of Commerce and Management Research (PIJCMR), Volume 5, Issue no.3, Dec2017, Print ISSN 2321 – 3604, Online ISSN 2321 – 3612.
- Dr. Manoj Kumar Agarwal(2017), "People's perception about GST – An Empirical Study", Kaav International Journal of Economics, Commerce & Business Management, Jul - Sep 2017 | Volume: 4 | Issue: 3, ISSN No:2348 – 4969.
- Diksha Panwar (2017) "Impact of Goods and Services Tax on the Restaurants and Food Service Businesses in India" International Journal of Applied Business and Economic Research ISSN : 0972-7302, Volume 15 • Number 23 (Part 2), pg No: 203-213
- H.A.Rohan (2022) "Consumer perception towards goods and service tax- A study with special reference to restaurant in Chennai city" European Journal of Molecular & Clinical Medicine ,ISSN 2515-8260 Volume 7, Issue 11, 2020, pg 6475-6481
- Abraham, A., & Dr. Mathew, T. (2019) A Study on the Impact of Goods and Services Tax Reform on Hotels in Kerala. International Journal of Management Studies, 6(1), 54-61.
- Akshay R. Rakhunde, Dr. Priti Rai. (2019) Effect of GST in Hotel Industry (Nagpur). International Journal of Scientific Research in Engineering and Management (IJSREM), 3(10), 1-7.
- Aswathy Krishna & Divya. M.S, Aashish C.I (2018) A study on GST and its effect on hotel industry. IOSR Journal of Business and Management (IOSR-JBM), 4-5.
- Bhat, S. a. (2018). A study on the problems of Goods and Services Tax on Hotel Industry in Mysore District. Journal of Business and Management-IOSR, 49-52.
- Dr. Meenu Baliyan Punjika Rathi (2018) Impact of GST On Different Sectors of Indian Economy, International Journal of Innovative Research and Advanced Studies (IJIRAS) Volume 5 Issue 3, March 2018, ISSN: 2394-4404.
- Japee and Lakhani (2018) Goods and Services Tax in India: Paradigm Change in Taxation, International Journal for Research in Applied Science & Engineering Technology (IJRASET), Volume 6 Issue I, ISSN: 2321-9653.

- Panwar, D & Patra, S. (2019) Impact of Goods and Services Tax on the Restaurants and Food Service Businesses in India. International Journal of Applied Business and Economic Research, 15(23), 203-213.
- Patra, D. P. (2017). Impact of Goods and Services Tax on the Restaurants and Food service Businesses in India. International Journal of Applied Business and Economic Research, 203-213.
- Pandey, Sony. Impact of GST on Hospitality Industry. Retrieved from <https://www.hrblock.in/blog/impact-gst-hospitality-industry>, October 2017.
- Dhanuka, Saloni. (2018, July 23). GST: Hotel Industry Lauds GST Relief but Divided on Impact. Bloomberg Quint.
- <https://blog.saginofotech.com/gst-impact-on-hotel-and-tourism-industry#>
- <https://cleartax.in/s/impact-of-gst-hospitality-industry>
- <https://www.taxmann.com/post/blog/gst-issues-faced-by-the-hotel-industry/>
- https://icmai.in/TaxationPortal/upload/IDT/Article_GST/170.pdf
- <https://taxguru.in/goods-and-service-tax/gst-implications-hotels-restaurant-industry.html>

