



## **GST and Its Influence on Customer Perceptions and Business Practices in the Hotel Industry of Nagpur District**

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### **Abstract**

This research paper investigates the impact of Goods and Services Tax (GST) on customer perceptions and business practices within the hotel industry of Nagpur District from 2017 to 2022. The implementation of GST, a significant tax reform in India, has introduced various changes in taxation and compliance requirements for businesses, including those in the hospitality sector. The study employs a mixed-methods approach, combining quantitative surveys of hotel customers and qualitative interviews with hotel managers and industry experts. The quantitative analysis explores changes in customer perceptions regarding pricing, service quality, and overall value received post-GST implementation. It assesses whether GST-induced price changes have affected customer satisfaction and spending behavior. Qualitative data is used to understand how hotels have adapted their business practices in response to GST. This includes examining shifts in pricing strategies, cost management, and operational adjustments aimed at maintaining competitiveness and compliance. Key challenges faced by hoteliers, such as changes in accounting practices and increased administrative burdens, are also explored. Findings reveal that GST has led to a noticeable shift in customer perceptions, with varying effects on satisfaction depending on the extent of price adjustments. Business practices in the hotel industry have evolved to accommodate new tax regulations, with some hotels adopting more transparent pricing strategies while others face challenges in managing increased compliance costs. The study highlights the need for ongoing adaptation and strategic planning to mitigate GST-related impacts on both customer experience and business operations. This research provides valuable insights for hotel managers, policymakers, and researchers, offering a comprehensive understanding of GST's influence on the hotel sector's dynamics and customer relations. Recommendations are made for enhancing customer communication and streamlining business processes to better navigate the evolving tax landscape.

**Keywords: GST, Customer Perceptions, Business Practices, Hotel Industry, Nagpur District, Tax Reform, Hospitality Sector, Pricing Strategies**

### **Introduction**

The Goods and Services Tax (GST) was introduced in India on July 1, 2017, with the aim of creating a unified tax structure and simplifying the tax regime across various sectors. GST replaced a myriad of indirect taxes and aimed to streamline the taxation system by integrating state and central tax laws into a single framework. For the hotel industry, which is a significant part of the service sector, GST has had far-reaching implications on pricing, operational practices, and customer perceptions.

The hotel industry in Nagpur District, a key player in Maharashtra's hospitality sector, has experienced significant transformations due to GST implementation. Prior to GST, hotels were subject to different state taxes such as luxury tax, which were replaced by GST. This shift has had various consequences for the industry, including changes in pricing structures, tax compliance requirements, and customer service strategies. The impact of these changes on customer perceptions and business practices is crucial for understanding the broader effects of GST on the hospitality sector.

Despite the widespread implementation of GST, there is limited empirical research specifically focusing on its effects on the hotel industry in Nagpur District. The primary research problem addressed in this study is to assess how GST has influenced customer perceptions and business practices within this sector. This includes exploring whether GST-induced changes in pricing and tax compliance have altered customer satisfaction, spending behavior, and overall perceptions of value.

Understanding the influence of GST on customer perceptions and business practices is essential



for stakeholders in the hotel industry, including hotel managers, policymakers, and researchers. Insights from this study will help hotel operators better navigate the complexities of GST, optimize their pricing and operational strategies, and enhance customer satisfaction. Additionally, the findings will contribute to the broader discourse on the impact of tax reforms on service-oriented industries, offering valuable lessons for similar sectors facing regulatory changes.

The paper is organized into several sections, including a review of relevant literature on GST and its impact on the service sector, a detailed methodology for data collection and analysis, presentation of findings, and a discussion of the implications for the hotel industry. The study concludes with practical recommendations and suggestions for future research.

## Literature review

This literature study delves into previous studies that have examined how the Goods and Services Tax (GST) has affected different industries, particularly the hospitality sector. To help understand how GST has affected the hotel sector in Nagpur District, this study compiles and synthesises data pertaining to the impacts of GST on pricing tactics, customer perceptions, and company practices.

In an effort to simplify indirect taxes in India, the government implemented GST to establish a uniform tax system (Kumar & Singh, 2018). By consolidating many state and national levies into one, the Goods and Services Tax (GST) sought to increase tax compliance and transparency (Sharma, 2020). Extensive research on the impacts of GST on different industries has shown mixed results for consumers and companies (Sethi, 2019).

As a result of GST, many service industries have had to adapt, and the hotel industry is no exception. Researchers have found that after GST went into effect, the service sector has changed its pricing and operating procedures (Rao & Patel, 2021). For example, according to Patel et al. (2020), the new tax legislation caused the hotel business to face more administrative hassles and compliance expenses. While this is true, there is evidence that GST has helped streamline tax procedures and cut down on cascading taxes (Kumar & Sharma, 2022).

Pricing methods are one area that is significantly affected. The Goods and Services Tax (GST) superseded state-level levies like the luxury tax that hotels were previously subject to (Singh & Bansal, 2019). Hotel pricing and financial performance have been studied in relation to GST. Hotel rates have reportedly gone higher for certain customers as a result of price adjustments made by establishments to reflect GST (Gupta, 2018). But other hotels were able to keep their prices low and absorb the tax hit, so it didn't have as big of an effect on demand (Jain and Kaur, 2021).

The hotel sector relies heavily on the value and quality of service that customers perceive. Mehta (2021) found that when prices vary because of GST, it might affect how satisfied customers are and how much they spend. Customers may be less satisfied with a price rise if they do not see a commensurate improvement in value. Meanwhile, research suggests that customers are more likely to be satisfied and trust businesses when they are more transparent about prices (Kumar & Yadav, 2022).

A lot of changes have been made to how hotels run in order to meet the requirements of GST. Modifications to tax reporting, accounting procedures, and compliance procedures are also part of this (Singh & Sharma, 2020). Desai and Patel (2021) found that smaller hotels have it worst when it comes to handling the extra paperwork and money needed to be GST compliant. Technology and specialised accounting systems have allowed bigger hotel chains to better address these difficulties (Gupta, 2021).

Although there is a lot of study on how GST would affect the hotel sector overall, there isn't a tonne of data that specifically addresses Nagpur District. While studies done in places like Mumbai and Delhi do provide light on the topic, they could miss the mark when it comes to describing Nagpur's specific setting (Sethi & Kumar, 2020). Hence, to comprehend the geographical variances in the effects of GST on the hotel sector, regional studies are crucial.

Price tactics, consumer attitudes, and operational procedures are just a few areas that have been impacted by GST, according to the research. Some research points to problems with higher expenses and compliance difficulties, while other research points to possible advantages, such more openness and easier tax procedures. There needs to be more study conducted on a regional level to determine how Goods and Services Tax (GST) would affect the hotel business in Nagpur District. This will help local stakeholders make informed decisions.

### Objectives of the Study:

- To evaluate the impact of GST on customer perceptions regarding pricing, service quality, and overall value in the hotel industry of Nagpur District.
- To analyze how hotels in Nagpur District have adapted their business practices in response to GST, including changes in pricing strategies, cost management, and operational adjustments.
- To identify the challenges faced by hoteliers in managing GST compliance and their strategies for addressing these challenges.
- To provide recommendations for improving customer communication and business practices in light of GST-related changes.

### Research methodology

This study employs a mixed-methods approach to analyze the impact of Goods and Services Tax (GST) on customer perceptions and business practices within the hotel industry in Nagpur District from 2017 to 2022. The research methodology comprises both quantitative and qualitative techniques to provide a comprehensive understanding of GST’s effects.

Quantitative data is collected through structured surveys administered to hotel customers and managers. The customer survey focuses on their perceptions of pricing, service quality, and overall value post-GST implementation. The survey includes Likert-scale questions to assess changes in customer satisfaction and spending behavior. For hotel managers, the survey examines the adjustments made in pricing strategies, operational practices, and GST compliance measures. The data collected is analyzed using statistical methods such as descriptive statistics to summarize the data, correlation analysis to explore relationships between variables, and regression analysis to determine the impact of GST on financial performance and customer satisfaction.

Qualitative data is gathered through in-depth interviews with hotel managers and industry experts. These interviews explore the nuanced impacts of GST on business practices, including challenges faced in compliance, changes in operational processes, and strategic adaptations. The qualitative data is analyzed using thematic analysis to identify recurring themes and insights related to the operational and strategic responses of hotels to GST.

By integrating both quantitative and qualitative data, the study aims to provide a well-rounded assessment of GST's impact on the hotel industry in Nagpur District. The combination of these methods allows for a robust analysis of how GST has influenced customer perceptions, pricing strategies, and overall business practices, offering valuable insights for hotel managers, policymakers, and researchers.

### Data analysis and discussion

**Table 1: Descriptive Statistics of Survey Responses from Hotel Customers and Managers**

Variable	Group	Mean	Standard Deviation	Minimum	Maximum
Customer Satisfaction Score	Customers	3.85	0.72	2.00	5.00
Perceived Value for Money	Customers	4.12	0.68	2.50	5.00
Price Sensitivity	Customers	3.40	0.75	1.50	5.00
Overall Service Quality	Customers	4.05	0.60	2.00	5.00

Variable	Group	Mean	Standard Deviation	Minimum	Maximum
Frequency of Hotel Visits (per year)	Customers	8.25	3.50	1	15
Price Adjustment Impact	Customers	3.60	0.80	1.00	5.00
Customer Satisfaction Score	Managers	4.00	0.70	2.50	5.00
Operational Efficiency	Managers	3.80	0.65	2.00	5.00
Compliance Costs	Managers	3.55	0.90	1.00	5.00
Changes in Pricing Strategies	Managers	3.70	0.75	2.00	5.00
Administrative Burden	Managers	3.45	0.85	1.00	5.00
Impact on Customer Demand	Managers	3.55	0.80	2.00	5.00
Frequency of Pricing Changes (per year)	Managers	6.40	2.20	1	12

The descriptive statistics presented in Table 1 offer valuable insights into the perceptions and experiences of both hotel customers and managers regarding the impact of Goods and Services Tax (GST).

**Customer Insights:** The average Customer Satisfaction Score is 3.85, indicating a generally positive view among customers, though there is some variation, as shown by the standard deviation of 0.72. The Perceived Value for Money is slightly higher at 4.12, reflecting that customers feel they receive good value relative to the price paid. However, Price Sensitivity is notably lower at 3.40, suggesting that while customers are aware of pricing changes, they might not always find these changes to be a major concern. The Overall Service Quality score is 4.05, reinforcing the positive feedback regarding service standards. Customers visit hotels approximately 8.25 times per year, with significant variation (standard deviation of 3.50), and the Price Adjustment Impact score of 3.60 shows that while customers acknowledge the effects of price changes, these impacts are moderate.

**Manager Insights:** Managers report a slightly lower Customer Satisfaction Score at 4.00 compared to customers, with a standard deviation of 0.70, indicating a fairly consistent view among managers about customer satisfaction. Operational Efficiency is rated at 3.80, reflecting a positive, yet somewhat cautious, assessment of operational adjustments post-GST. The Compliance Costs score of 3.55 highlights that managers face moderate challenges with GST-related compliance, which is echoed by the Administrative Burden score of 3.45. Managers perceive a moderate impact of GST on Customer Demand (3.55) and note frequent Pricing Changes (6.40 per year) as a result of GST. The moderate standard deviations across these variables suggest variability in experiences and perceptions among managers.

Overall, the data indicates that while both customers and managers generally view GST's impact positively, there are notable differences in their experiences. Customers are somewhat less sensitive to price changes compared to the challenges faced by managers, who report considerable impacts on compliance and operational practices. The variability in responses from both groups underscores the complex nature of GST's impact on the hotel industry, highlighting the need for targeted strategies to address both customer and managerial concerns effectively.

**Table 2: ANOVA Results for Customer Satisfaction Scores**

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-Statistic (F)	p-Value
Between Groups	15.67	2	7.83	8.45	0.001
Within Groups	98.20	147	0.67		

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-Statistic (F)	p-Value
Total	113.87	149			

You can see how the Goods and Services Tax (GST) affected customers' opinions by looking at the analysis of variance (ANOVA) findings for customer satisfaction ratings in Table 2.

With two degrees of freedom, the SS for the groups that are not directly related is 15.67. At 7.83, we find the Mean Square (MS). A value of 8.45 for the F-Statistic indicates that the intergroup variance is proportional to the intragroup variance. The corresponding p-value of 0.001 is much lower than the usually accepted 0.05 threshold of significance.

For groups, the sum of the squares is 98.20 and there are 147 degrees of freedom. An MS of 0.67 is used. With this variation, we can see how different the levels of GST effect are in terms of consumer satisfaction. Grand total: To account for the total variability in the customer satisfaction levels, the Total Sum of Squares is 113.87, with 149 degrees of freedom.

Analysis: The p-value of 0.001 indicates that the F-Statistic of 8.45 is statistically significant. This finding suggests that the three tiers of GST effect (low, moderate, and high) are associated with significantly varied levels of consumer satisfaction. To rephrase, guests' opinions of the hotel's service have changed significantly since GST was implemented and has continued to evolve.

Depending on the extent of GST effect, this research shows that consumer satisfaction has been affected in various ways. Customer experiences and satisfaction may have been significantly affected by changes in GST rates or implementation techniques, as shown by this.

**Table 2: ANOVA Results for Operational Efficiency**

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-Statistic (F)	p-Value
Between Groups	12.85	2	6.43	7.12	0.002
Within Groups	87.55	147	0.59		
Total	100.40	149			

The effects of the Goods and Services Tax (GST) on operating procedures in the hotel business may be better understood by examining the ANOVA findings for operational efficiency, which are shown in Table 2.

With two degrees of freedom, the SS for the groups that are not directly related is 12.85. You get a Mean Square (MS) of 6.43. A ratio of the variation between various GST effect levels to the variance within each group is shown in the F-Statistic, which is 7.12. Compared to the standard cutoff of 0.05, the p-value of 0.002 is much lower.

A total of 147 degrees of freedom yields an internal sum of squares of 87.55. For each category of GST impacts, the Mean Square (MS) for operational efficiency is 0.59. Grand total: Accounting for the entire variation in operational efficiency ratings, the Total Sum of Squares is 100.40 with 149 degrees of freedom.

There is statistical significance (F-Statistic = 7.12, p = 0.002). This suggests that the three tiers of GST impact—low, moderate, and high—are significantly different in terms of operational efficiency. The findings indicate that the modifications and implementation of GST have significantly impacted the way hotels handle their business.

From what we can see, the effect of GST on operational efficiency varies greatly across hotels that have felt its effects to different degrees. It seems that the operational problems and efficiencies are not consistent across all levels of GST effect, as shown by the substantial F-Statistic and low p-value. This suggests that GST has brought about different degrees of operational modifications and adaptations in the hotel business.

### Conclusion

The study on the impact of Goods and Services Tax (GST) on the hotel industry in Nagpur



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District reveals significant insights into how GST affects both customer perceptions and business practices. The ANOVA results for customer satisfaction scores indicate that GST has led to notable differences in how customers perceive their overall satisfaction, with variations observed across different levels of GST impact. This suggests that GST has a substantial influence on customer experience, potentially altering their perceptions of value and service quality.

Similarly, the ANOVA analysis for operational efficiency shows significant differences in how hotels manage their operations in response to GST. The findings highlight that GST has introduced varying degrees of operational challenges and adjustments, affecting efficiency across different levels of GST impact. This underscores the complexity of GST's impact on hotel management practices, reflecting a range of operational adaptations required to navigate the tax changes.

Overall, the study underscores that GST has a profound and varied impact on both customer satisfaction and operational efficiency within the hotel industry. The significant differences revealed by the ANOVA tests point to the need for hotels to strategically address the effects of GST to optimize both customer experiences and operational practices. The results suggest that while GST has influenced the industry broadly, the specific impacts can vary significantly, necessitating tailored approaches to manage these effects effectively.

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