

## **Inclination of Hotel Industry after implementing GST with Special Reference to Coimbatore City**

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### **INTRODUCTION**

Eating out has become a costly affair for Customers across the country after the Goods and Services Tax (GST) came into force. While the additional 18% that is loaded on to the bills is proving to be a burden. Hotels and restaurants say they are seeing 10-20% fewer customers depending on the location. Customers who frequented the hotel said that with GST, the cost of eating there has gone up.

Hotel Industry has various sectors which is covered by GST under different sections and thus the following sectors are to be covered in hotel industry

- Restaurant and bars
- Renting of hall, lawn for different purpose
- Lodging
- Catering and bundled service

In the study we purely concentrate on service of supply of food only. The GST for A/C, Non A/C or centralized heating or not at any time during the year and having licensed to serve liquor carries GST at 18%. Whereas Non A/C or no centralized heating at any time during the year and not having license to serve liquor carries GST @12%.

The people who are frequently use hotel industry must be aware about the GST implications. Though the GST is burden to the customer, it is good for the industry, so the opposition of GST for the industry is less when compare to other industry. Thus, this study mainly focused on the customer preference towards hotel and restaurant in the city. Various questions on the topic has been arised and included in this pilot study.

### **OBJECTIVES OF THE STUDY**

- To find the impact of GST in hotel and restaurant.
- To know the spending capacity of Customer after implementing of GST.
- To analysis GST in hotel and restaurant effect in Customers monthly budget.

## Review of Literature

- According to Palil et al. (2010) public awareness towards GST is low can happen due to introduction of GST especially in the early years such as lack of familiarity with the new system. There are several factors that discouraged customers from accepting GST implementation in Malaysia and the most important factor among all is a fear of price increase and will cause the inflation.

## METHODOLOGY

The research was based on both primary data and secondary data. Primary data was collected by using questionnaire and secondary data have been collected from journals, websites and so on. The researcher was not possible to study the entire population in Coimbatore city. So the researcher has collected only limited respondents i.e. 200 respondents. The researcher has selected the method of convenient random sampling. Tools where used for Analysis:Regression, Multiple Correlation.

## DATA ANALYSIS AND INTERPRETATION

### I. Multiple Correlation

$H_0$  - Null Hypothesis: There is no relationship between preference and spending capacity of Customers before and after implementing of GST

$H_1$  - Alternative Hypothesis: There is relationship between preference and spending capacity of Customers before and after implementing of GST

**Table 1.1: Relationship between Preference spending capacity of before and After Implementing of GST**

Preference before implementation GST	Preference after implementation GST	Spending capacity before GST	Spending capacity after GST
10	12	38	68
56	22	132	106
78	78	12	18
56	88	18	8

	Preference before implementation	Preference after implementation	Spending capacity before	Spending capacity after
Preference before implementation of GST	1			
Preference after implementation of GST	0.714596196	1		
Spending capacity before GST	-0.059309428	-0.638769547	1	
Spending capacity after GST	-0.391087625	-0.899086711	0.908151182	1

From the above table it is found that,

- The correlation between spending capacity after implementation of GST and spending capacity before implementation of GST are positively and significantly correlated ( $r=0.908$ ,  $\text{Sig.}=0.00$ ,  $Pp>0.01$ ). So Null Hypothesis is accepted there is no relationship between preference of Customers before and after implementing of GST and spending capacity of Customer before and after GST.
- There is a negative correlation between spending capacity before implementation of GST and Preference to visit hotel before implementation of GST ( $r= -0.059$ ,  $\text{Sig.}=0.00$ ,  $Pp<0.01$ ), and also spending capacity before implementation of GST and Preference to visit hotel after implementation of GST ( $r= -0.63$ ,  $\text{Sig.}=0.00$ ,  $Pp<0.01$ ). So Alternative Hypothesis accepted there is relationship between preference of Customers before and after implementing of GST and spending capacity of Customer before and after GST.
- The correlation between spending capacity after implementation of GST and Preference to visit hotel before implementation of GST ( $r= -0.39$ ,  $\text{Sig.}=0.00$ ,  $Pp<0.01$ ) and Preference to visit hotel after implementation of GST and spending capacity after implementation of GST are negatively and significantly correlated ( $r= -0.89$ ,  $\text{Sig.}=0.00$ ,  $Pp<0.01$ ). So Alternative Hypothesis accepted there is relationship between preference of Customers before and after implementing of GST and spending capacity of Customer before and after GST.

## II. Regression Analysis:

$H_0$  - Null Hypothesis: Monthly Budget Of The Customers Will Be Effecting After Implementing GST.

$H_1$  - Alternative Hypothesis: : Monthly Budget Of The Customers Will not Been Effecting After Implementing GST.

**Table: 2.1: GST Impact In Their Monthly Budget of theCustomers**

Monthly budget after GST	Budget
152	84
38	74
6	20
4	22

The  $R$  value represents the simple correlation and is 0.819, which indicates a high degree of correlation. The  $R^2$  value (the "**R Square**" column) indicates how much of the total variation in the dependent variable, can be explained by the independent variable. In this case, 67.17% can be explained, which is very large.

<b>SUMMARY OUTPUT</b>	
<i>Regression Statistics</i>	
Multiple R	0.819583419
R Square	0.671716981
Adjusted R Square	0.507575471
Standard Error	23.67926091
Observations	4

The next table is the **ANOVA** table, which reports how well the regression equation fits the data (i.e., predicts the dependent variable) and is shown below:

**ANOVA**

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	2294.585	2294.585	4.092304	0.180416581
Residual	2	1121.415	560.7074		
Total	3	3416			

Here,  $p < 0.0005$ , which is greater than 0.05, and indicates that, overall, the regression model

statistically not significantly predicts the outcome variable (i.e., it is not good fit for the data).

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	30.17808219	15.36842	1.963642	0.188542	-35.9469	96.3030644	-35.9469	96.30306439
X Variable 1	0.396438356	0.195971	2.022944	0.180417	-0.44675662	1.23963333	-0.44675662	1.239633332

From the above table it is found that, Regression Output:  $Y=0.39X+30$ , Monthly budget which gets affect after the implementation of GST can be predicted by the equation:

$$Y=0.39X+30$$

## CONCLUSION AND SUGGESTION

From the above study, it is concluded that People prefer to have in the hotel or restaurant both before and after implementation of GST in hotel bills. Hotels and restaurant charge around 12-18% for their service. Since, most of the people look forward to have at least a time in the hotel due to their work place or willingly to have outside. The usage of hotel and restaurant is unavoidable. The people who are earning good have not much inconvenience in having food outside whereas people earning moderately are getting affected in their monthly budget. So, It is suggested that the Government would take necessary steps to minimize the rate of GST at least to the hotel and restaurant service bills.

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