



# AN ANALYSIS OF DINERS' PERCEPTION TOWARDS GST AT RESTAURANTS

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## ABSTRACT

India uses the Goods and Services Tax (GST) as an indirect tax on the supply of goods and services. It is an all-encompassing, multistage, destination-based tax. It is all-encompassing since it includes nearly all indirect taxes, with the exception of a few state taxes. In India, the industry with the fastest growth is food service and restaurants. As a result, the development of the firm is being impacted by changes in the framework for tax collection. Every state in India has its own distinctive cuisine, and the nation is known for its love of food. The middleclass sector is a major driver of the expansion of restaurants, food enterprises, and service industries in India. The majority of the nation's enterprises are growing as a result of a small number of society's upgrading segments, such as those focused on lifestyle, the growing feminist movement, high consumable income, and portable system accessibility. The restaurant industry in India has transformed as a result of the advent of an international fast-food company. The rapid growth of the Quick Service Restaurant (QSR) sector in India paved the way for the emergence of international fast food chains, which have since opened locations across the nation. Examples of these international fast food chains include Domino's, Pizza Hut, KFC, and others. The dining habits of consumers were changing at the same time that the quick service restaurant concept was flourishing. 120 respondents from the study area provided the data, which has been compiled. When choosing the samples, convenience sampling is employed. The goal of this paper is to examine how customers view the GST in relation to restaurants.

**KEYWORDS:** GST, Indirect tax, Industry, Restaurant, Consumer.

## INTRODUCTION

The Goods and Services Tax (GST) is a comprehensive, multistage, destination-based tax. It is comprehensive because it subsumes nearly all indirect taxes, with the exception of a few state taxes. Restaurants and food service enterprises are the fastest-growing industry in India. Consumers derived great enjoyment from dining out and were also willing to spend copious amounts of money. As interest in the cuisines of various countries grew, so did their desire for an elevated dining experience, which drove them to upscale restaurants. Not only has the restaurant industry undergone changes in taste and eating patterns over the past few years, but also in the use of technology, where the concept of online food ordering services has developed. After demonetization, the restaurant industry has been routinely scrutinized. The Goods and Services Tax (GST) has a significant impact on this industry's development in India, where it is currently experiencing continuous expansion.

## STATEMENT OF THE PROBLEM

Although difficult to comprehend, the introduction of goods and services tax is intended to help the nation achieve a developed status. However, it is beneficial in the long run. Almost all economic sectors are currently experiencing the effects of the goods and services tax. After five and a half years of the largest tax reform in Indian history, the GST regime undergoes daily modifications by the council. From the purchase of raw materials to the sale of finished products, the restaurant industry is heavily taxed at virtually every stage. As a result of the implementation of GST, consumers in this industry are also confronted with numerous difficulties. This research will analyze the customer's perception of restaurants' GST rates. Because each person has their own perspective. Moreover, the study emphasizes on the advantages of the GST for restaurants.



## REVIEW OF LITERATURE

**A.N.HANSARI (2022)** “Consumer perception towards goods and service tax- A study with special reference to restaurant in Kochi city”. The conclusion of the study is based on consumer perceptions of the goods and services tax in restaurants. In order to prevent consumers from being exploited, he stated that regular awareness programs regarding the GST rates in restaurants are a necessity. In addition, the rates of the Goods and Services Tax (GST) should be reduced, or the rates should be paid by the proprietors and not passed on to consumers.

**K.L.SHAH (2021)** “The impact of GST (Goods and service tax) in India- A Special reference to Restaurants business in India”. The study concludes, based on the literature, that GST's impact will have both positive and negative effects on the food sector, i.e. higher tariff restaurants (where room tariff exceeds 7,500) have 18% tax, which is regressive in nature and reduces the frequency with which people visit restaurants, whereas lower tariff hotels with 5% GST have benefited.

## OBJECTIVES OF THE STUDY

1. To examine how customers view the Goods and Services Tax (GST) on Restaurants.
2. To determine the customer benefits of the newly implemented taxation system.

## RESEARCH METHODOLOGY

### Primary Data

The primary data was collected by personally interviewing 120 consumers who dined at hotels and restaurants in the city of Cuttack, Odisha. The data was gathered using a meticulously crafted Questionnaire.

### Secondary Data

The secondary data was gathered from literature and websites pertaining to the GST and restaurant businesses. After collecting sufficient primary and secondary data for analytic purposes, efforts were made to process and tabulate them.

## SAMPLING TECHNIQUE

When selecting samples, the method of convenience sampling is employed.

## ANALYSIS OF DATA

### DEMOGRAPHIC PROFILE OF THE CUSTOMERS

Demographic factors are personal characteristics used to evaluate data about individuals in a population. In social science research, the personal characteristics of respondents play an important role in articulating and providing responses regarding customers' perceptions of the Goods and Services Tax (GST) in relation to restaurants. In this study, a set of 120 respondents' personal characteristics, including age, gender, marital status, residential area, and family type, are presented in this table.

Category	Options	No of Respondents	Percentage
Age	20-25	73	14
	26-30	17	61
	30-35	10	8
	35-40	10	8
	Above 40	10	8
	<b>Total</b>	<b>120</b>	<b>100</b>
Gender	Male	85	71
	Female	35	29
	<b>Total</b>	<b>120</b>	<b>100</b>
Marital status	Married	42	35
	Unmarried	78	65
	<b>Total</b>	<b>120</b>	<b>100</b>
Monthly Income	Below 10000	13	11
	10000-30000	59	49
	30000-50000	31	26
	Above 50000	17	14
	<b>Total</b>	<b>120</b>	<b>100</b>



Residential area	Rural	34	28
	Urban	86	72
	Total	<b>120</b>	<b>100</b>

Source: Primary Data

According to the data presented in the table above, 61 percent of respondents between the ages of 26 and 30 prefer to dine out in order to escape the hassle of grocery shopping, cooking, and dishwashing. 71 percent of the consumers who have a negative view of the GST are male, based on their perceptions. This is because men consume more calories than women, and men and women have distinct eating styles, indicating that women have been socialized to consume food in a more feminine manner. 65 percent of the total number of respondents were unmarried. People who labour away from home prefer restaurants close to their workplace. The majority of respondents (49 percent) have monthly incomes between 10,000 - 30,000. Since the majority of respondents are employed by private companies, they are able to receive this salary. 72 percent of respondents reside in an urban setting. Compared to rural areas, urban areas have a greater number of restaurants. So, urban individuals visit restaurants more frequently.

### PERCEPTION OF GST ON RESTAURANTS

The following table illustrates how customers perceive the Goods and Services Tax (GST). In the same way that every individual has their own perspective, the following table outlines some consumers' perspectives on the application of GST to restaurants. Using the t-test, the following table summarizes the outcome of a gender-based analysis of respondents' attitudes toward GST on restaurants.

#### CLASSIFICATION BASED ON THE PERCEPTION OF GST ON RESTAURANTS

S.NO	PRECEPTION	MEAN SCORE		T- STATISTICS	P-VALUE
		MALE	FEMALE		
1	GSTRates in restaurant shouldchange	4.82	3.29	13.982*	.000
2	Affected restaurant business	4.97	3.00	11.192*	.000
3	Increased tax burden	4.94	3.40	16.813*	.000
4	Brings friendly environment	4.28	2.94	14.173*	.000
5	Will not affect my spending habit	3.22	2.74	11.108*	.000

\*Significant at the 5% level

It can be seen from the data that, among male customers, the variables "Affected restaurants business", "Increased tax burden", and "GST rates in restaurants should change" have the highest mean scores of 4.97, 4.94, and 4.82, respectively. Since the variable "Will not affect my spending habits" has the lowest mean score of 3.22, it corresponds to the lowest perception of restaurants being subject to GST.

Female consumers have the highest mean scores for the variables "Increased tax burden" and "GST rates in restaurants should change" They have the lowest perception of "Will not affect my spending habit" and "Brings a friendly environment" because their respective mean scores are the lowest: 2.74 and 2.94.

Regarding the perceptions of customers by gender, a significant difference has been identified for all five variables, namely "GST rates in restaurants should be changed," "Affected restaurant business," "Increased tax burden," "Brings a friendly environment," and "Won't affect my spending habits," since their respective t-statistics are significant at 0.05 percent.

**ASSOCIATION BETWEEN CUSTOMER PERCEPTION AND AGE**

S. No	Perception	Mean score						F-Statistics	Sig.
		20-25	26-30	30-35	35-40	Above 40	Total		
1	GST rates in restaurants should change	4.96	4.06	2.91	2.00	1.00	4.08	1521.239*	.000
2	Affected restaurant business	4.98	4.83	3.55	3.00	1.70	4.42	386.405*	.000
3	Increased tax burden	4.99	4.17	3.00	2.78	1.10	4.20	349.002*	.000
4	Brings friendly environment	4.47	3.17	2.64	1.56	1.00	3.60	209.653*	.000
5	Will not affect my spending habit	3.40	2.17	2.00	2.00	1.10	2.79	34.946*	.000

\*Significant at the 5% confidence level

Regarding the relationship between age and customer perceptions of the Goods and Services Tax (GST), a significant age difference has been identified in all five cases, namely "GST rates in restaurants should change," "Affected restaurant business," "Increased tax burden," and "Brings a friendly environment," since their respective 'F' statistics are significant at the 5% level.

**CLASSIFICATION ON THE BASIS OF BENEFITS OF GST ON RESTAURANTS**

S.NO	BENEFITS	GARETT MEAN SCORE	RANK
1	Good tax reform	50.44	III
2	Simplified tax system	63.18	I
3	Decrease in tax rate slab	50.56	II
4	Easy online procedure	47.26	V
5	Save part of Income	48.62	IV

The majority of respondents believe there is a simplified tax system, as its score of 63.18 points places it at the top of the list. The majority of taxes have been superseded by the GST. These include VAT, ST, Additional Customs Duties, Additional Excise Duties, etc. No taxes other than the GST will be imposed on purchases of products going forward. "Decrease in tax rate slab" ranks second with a score of 50.56. It aids in reducing the high logistics and storage costs. The introduction of the GST has also increased consumption and indirect tax revenues. As a result of the cascading effect of taxes under the previous administration, the prices of products in India were higher than those on international markets. 50.44 percent of respondents believe that the Goods and Services Tax (GST) is a decent tax reform because the GST is beneficial for the long term and helps to develop the economy. With a score of 48.62, "Save Part of Income" is ranked fourth. The money you save on GST can be utilized profitably. With a score of 47.26, very few respondents believe the online procedure is simpler. The reason for this is that the elderly do not understand how to order meals online for home delivery. Only the younger generation understands how to order and receive cuisine at home. In addition, network issues make it difficult to place an order for sustenance. Therefore, Online procedure receives the lowest ranking of 47.26.

**FINDINGS**

- The majority of respondents are between the ages of 26 and 30.
- The majority of respondents were male.
- Sixty-five percent of the respondents were single.
- The majority of respondents have an annual income between \$10,000 and \$30,000.
- Respondents believe the tax burden on the average citizen has increased.
- The majority of respondents are pleased with the reduction in tax rate slabs and the simplification of the tax system.
- The null hypothesis is refuted because the p-value is less than 0.05, indicating a significant difference between gender and customer perception.
- There is a relationship between respondent age and consumer perception. As a result, the p-value is less than 0.5%. The null hypothesis is therefore refuted.



### **SUGGESTIONS**

- Customers believe that the GST system is too difficult for the average person, so there should be a readily understandable transparency provision.
- Special emphasis should be placed on educating consumers about the Goods and Services Tax (GST), as some do not know the tax rates applicable to the products they purchase. The government should therefore implement a program to raise awareness about the GST.
- Since the majority of consumers believe that the current GST rates are excessive, it is recommended that these rates be lowered.
- It is suggested that restaurants should be continually monitored to ensure that they are charging their customers the correct amount of GST.

### **CONCLUSION**

The implementation of GST rates in hotels was faced with opposition from hoteliers. The frequent changes in tax rates and the policy of regressive taxation discourage new entrants into the restaurant industry. Companies that concentrate on food and beverages are the most significant beneficiaries in the hospitality sector (budget hotels benefited), while hotels with tariffs between 18 and 28% are severely affected. On the other hand, the new GST rate structure will benefit small restaurants and have a positive impact on the cloud kitchen and food delivery industries, as these businesses will be able to charge substantially less than AC food establishments and high-end restaurants. People will only visit restaurants if the government reduces restaurant tax rates; only then will they appreciate the food. The government should exert more effort to ensure that consumers have a clear understanding of the Goods and Services Tax (GST) and cultivate a positive perception of it, thereby fostering its acceptance. It is vital that consumers have a solid grasp of the taxation policy in order to generate a favourable impression of it.