

A STUDY ON CUSTOMER PERCEPTION TOWARDS GST WITH REFERENCE TO RESTAURANTS

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ABSTRACT

Goods and Services Tax is an indirect tax used in India on the supply of goods and services. It is a comprehensive, multistage, destination-based tax: comprehensive because subsumed almost all the indirect taxes except a few state taxes. Restaurants and Food service businesses in India, is the fastest growing business. Therefore, due to the changes in tax collection framework the development of the business is being affected. India is known as a food loving country where each and every state has its own unique cuisine. The key contributors of the growth of restaurants and food and service businesses in India are the middleclass sector. As the few sections of the society are upgrading such as lifestyle, rising agenda of women empowerment, high consumable income and reliable portable system accessibility, these upgrading sections are contributing in the development of most of the businesses in the country. The entry of multinational fast-food chain in India has changed the restaurant market. Immense rise of the Quick Service Restaurant (QSR) industry in India gave a clear way to the multinational fast-food chains and in the past few years we have seen the establishment of number of multinational fast-food chains in different regions of the country, for example, Dominos, Pizza Hut, KFC, and so forth. As the concept of quick service restaurant was booming on the other hand the eating style of consumer was also changing. Data has been collected from 120 respondents from the study area. Convenience sampling method is used while selecting the samples. The purpose of this paper is to study the customer perception towards GST with reference to restaurants.

Keywords: GST, Indirect tax, Business, Restaurant, Consumer.

1.1 INTRODUCTION

GST is a comprehensive, multistage, destination-based tax: comprehensive because subsumed almost all the indirect taxes except a few state taxes. Restaurants and Food service businesses in India, is the fastest growing business. Eating out was giving consumers immense pleasure and consumers were also ready to spend copious amount of money. As the cuisines of different countries is becoming of more interest and the chase for an uplifted eating knowledge drove them to high - end restaurants.[1] Not just the change in taste or eating habits but in the past few years the restaurants industry has undergone many changes and among them one change was in the use of technology where the concept of online food ordering services was evolved. After demonetization the restaurants industry has regularly been under the scanner. In India, this industry is on constant growth and is now impacted with GST- Goods and Services Tax.

1.2 STATEMENT OF THE PROBLEM

The introduction of goods and services tax is to help the nation to be in a developed state, though it is tough to understand. But it is beneficial for long term. Almost all the sectors of the economy is now experiencing the effects of goods and services tax. After three and a half years of the biggest reform in Indian tax history, many changes are done day to day in GST regime by the council. The Restaurant Industries are facing very much burdened with a lot of taxes at almost each and every point – ranging right from purchase of raw materials to the sale of finished goods. Here customers also face many problems after the implementation of GST. This study is to analyze the customer's perception regarding GST on restaurants. Because every individual has their own perception. And also the study focuses on benefit of GST on restaurants.

1.3 REVIEW OF LITERATURE

- **N.O. Ameen (2020)** “Consumer perception towards goods and service tax- A study with special reference to restaurant in Chennai city” The study concludes on the basis of consumer perception towards goods and service tax about GST in restaurants. He stated that, it is the need of the hour to conduct regular awareness programs regarding the GST rates in restaurants in order to prevent the consumers from being exploited. And also the rates of GST should be reduced or the rates should be paid by the owners and should not pass on the consumers.
- **B. Mahammad Rafee1, Arunjyothi (2020)** “The impact of GST (Goods and service tax) in India- A Special reference to Restaurants business in India”. The study concludes on the basis of the literature that GST's impact will be having both positive and negative implications on food sector i.e. higher tariff restaurants (where room tariff more than 7500) have 18% tax which is regressive in nature which reduces the frequency of people visiting to restaurants and the lower tariff hotels with 5% GST have benefited .

1.4 OBJECTIVES OF THE STUDY

- To analyze customer's perception regarding Goods and Services Tax (GST) on Restaurants.
- To find out the benefits of customers on new implemented taxation system.

1.5 RESEARCH METHODOLOGY

1.5.1 COLLECTION OF DATA

In special science there are two outstanding research methods.

i. Primary Data

The primary data was collected personally by approaching 120 customers who have dined at Hotels and Restaurants in Nagercoil town. The data were collected with carefully prepared Questionnaire.

ii. Secondary Data

The secondary data has been collected from the books or websites which deal with GST on restaurant businesses. Having collected enough primary and secondary data, efforts were made to process and tabulate them for analytical purpose.

1.5.2 SAMPLING TECHNIQUE

Convenience sampling method is used while selecting the samples.

1.6 ANALYSIS OF DATA

1.6.1 DEMOGRAPHIC PROFILE OF THE CUSTOMERS

Demographic factors are personal characteristics which are used to evaluate the data on people in a given population. In social science research, personal characteristics of respondents have significant role to play in expressing and giving responses about the customer perception towards GST with reference to Restaurants. In this study, a set of personal characteristics namely age, gender, marital status, residential area and type of family of 120 respondents have been presented in this table.

TABLE 1

DEMOGRAPHIC PROFILE OF THE CUSTOMERS

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
	Total	120	100
Gender	Male	85	71
	Female	35	29
	Total	120	100
Marital status	Married	42	35
	Unmarried	78	65
	Total	120	100
Monthly Income	Below 10000	13	11
	10000-30000	59	49
	30000-50000	31	26
	Above 50000	17	14
	Total	120	100
	Rural	34	28

Residential area	Urban	86	72
	Total	120	100

Source: Primary Data

From the above table, it shows that, 61 percent respondents from the age group 26-30 years, this is because they wish to avoid the hassle of shopping for groceries to cook food and clean the dishes so, they prefer to go to a restaurant. Gender of the customers perception towards GST indicates that 71 percent are males. This is because men consume more calories than women, and the genders have different eating styles, which indicate that women have been socialized to eat in a more feminine manner. Majority of the respondents were unmarried which constitute 65 percent of its total. People, who work away of home, prefer to eat at a restaurant near their work place. The income of the majority (49 percent) of the respondents range between 10000-30000 per month. The reason for this is most of the respondents are working in private company so, they get to have this type of salary. 72 percent of the respondents belongs to urban area. When compared to rural areas, urban area has many restaurants. So, urban people visit restaurants more frequently.

1.6.2 PERCEPTION OF GST ON RESTAURANTS

The below table indicates the customer perception towards Goods and services Tax (GST)". Every individual has their own perception likewise, here some of the customers perception of GST on restaurants are given below. The result of the gender-wise analysis of the respondent’s perception about GST on restaurants is presented in the following table using ‘t’ test.

TABLE 2

CLASSIFICATION BASED ON THE PERCEPTION OF GST ON RESTAURANTS

S.NO	PRECEPTION	MEAN SCORE		T-STATISTICS	P-VALUE
		MALE	FEMALE		
1	GST rates in restaurant should change	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

Source : Primary Data

***Significant at five percent level**

From the table, it is seen that among male customer, perception of GST on restaurants is high for the variables, “Affected restaurants business”, “Increased tax burden” and “GST rates in restaurant should change”, since they have the highest mean scores of 4.97, 4.94 and 4.82 respectively. They have the lowest perception of GST on restaurants for the variable, “Will not affect my spending habit”, since it has the lowest mean scores of 3.22 respectively.

It is observed that, female customers perception of GST on restaurants have the highest for the variables, “Increased tax burden” and “GST rates in restaurant should change”, since they have the highest mean scores of 3.40 and 3.29 respectively. They have the lowest perception in “Will not affect my spending habit” and “Brings friendly environment” since they have the lowest mean scores of 2.74 and 2.94 respectively.

Regarding the customers perception in gender a significant difference have been identified in the case of all the five variables, viz “GST rates in restaurant should change”, “Affected restaurant business”, “Increased tax burden”, “Brings friendly environment”, “Will not affect my spending habit”, since their respective ‘t’ statistics are significant at 0.05 per cent.

TABLE 3**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 restaurant 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

Source: Computed Data

***Significant at five percent level**

Regarding the customer perceptions of GST with age level, the significant difference in the age level have been identified in all the five cases viz “GST rates in restaurant should change”, “Affected restaurant business”, “Increased tax burden”, “Brings friendly environment” and “will not affect my spending habit”, since their respective ‘F’ statistics are significant at five percent level.

1.6.3 BENEFIT- WISE DISTRIBUTION

In this section, benefit of GST on restaurants for the consumer have been selected with help of this Garrett ranking and is used to find out the foremost and least rank given by the consumers.

TABLE 4

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

Source: primary Data

It could be observed that majority of the respondents feel there is a “Simplified tax system” since its score is 63.18 points which is ranked first. Most of the taxes have been replaced by GST. They are VAT, ST, Additional duties of customs, Additional Duties of Excise etc. From now on, no tax other than GST will be levied on purchase of goods. “Decrease in tax rate slab” ranks score of second 50.56. It helps in cutting down the high logistics and warehousing costs. Introducing GST has also led to an increase in consumption and indirect tax revenues. Due to the cascading effect of taxes under the previous regime, the prices of goods in India were higher than in global markets. Third rank is for “GST is a good tax reform” which constitute 50.44 points from the total respondents, because the GST, is beneficial for long term & develop the economy. Fourth rank is for “Save part of Income” as its score is 48.62. The money you save due to GST can be put to lucrative use. At last, very few respondents feel the online procedure is easier as its score is 47.26. The reason for this is old aged do not know the online procedure to get the food at home. Only younger generation know to place the order and get food at home. At the same time, network issues also make it difficult to order the food. So, for this reason Online procedure goes for the least rank of 47.26.

1.7 FINDINGS

- Majority of the respondents belongs to the age group of 26-30 years.
- Most of the respondents were males.
- 65 per cent of the respondents were unmarried.
- Most of the respondents have an income level between 10000-30000.
- Respondents feel there is an Increased tax burden on common man.

- Majority of respondents feel it is a simplified tax system and are happy with the decrease in tax rate slab.
- There is a significant difference between gender and customer perception because p-value is less than 0.05, hence the null hypothesis is rejected.
- There is an association between age of the respondents and customer perception. Since, the p-value is less than 0.05 per cent. Hence, the null hypothesis is rejected.

1.8 SUGGESTIONS

- The customers feel that the GST system is too hard on common man so there should be a transparency provision which is easily understandable.
- Special focus on consumer awareness regarding GST, because some people do not know the tax slabs for the product which they buy. For this, government should conduct awareness program regarding to GST.
- Majority of the consumers are of the feeling that the GST rates charged are high and hence it is suggested that the GST rates should be reduced.
- It is opined and suggested that the restaurants must be continuously monitored in order to make sure that the restaurants are actually charging the correct rate of GST from their consumers.

1.9 CONCLUSION

Introduction of GST rates in hotels met with resistance from the hoteliers. The frequent change in tax rates and regressive taxation policy discourages the new entrants within the restaurant business. Companies which focuses on food and beverages are found to be the most important beneficiaries within the hospitality sector (budget hotels benefited), the hotels with the tariff range of 18-28% hit badly. On the opposite hand, the new GST rate structure will help the tiny restaurants and would have a positive impact on cloud kitchen and food delivery business as they might charge significantly less than AC food establishments and High-end restaurants. Government should reduce the tax slabs related to restaurants, then only people will come and enjoy the food. The Government to put in more effort to ensure that consumers have a clear understanding and develop a positive perception towards GST, leading to its acceptance. Good understanding among customers is important as it can generate a positive perception towards the taxation policy.

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