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IMPACT OF GOODS AND SERVICE TAX ON HOTEL INDUSTRY IN BIKANER DIVISION

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Abstract

The introduction of the Goods and Service Tax (GST) in India aimed to simplify the tax system and enhance compliance. This study explores its impact on the hotel industry in the Bikaner Division, focusing on profitability, pricing strategies, and customer behavior. Using a mixed-method approach, data was collected from hotel managers, staff, and customers. A correlation test was applied to understand the relationship between GST rates and occupancy levels. The findings reveal significant challenges and opportunities for the sector under the GST regime.

Keywords

GST, Hotel Industry, Bikaner Division, Tax Compliance, Customer Behavior

Introduction

The Goods and Service Tax (GST), implemented on July 1, 2017, marked a transformative change in India's indirect taxation system. It replaced multiple cascading taxes with a single unified tax system, impacting various sectors, including hospitality.

The hotel industry, being price-sensitive, felt the repercussions of GST rates ranging from 5% to 28% depending on room tariffs. In the Bikaner Division, a region known for its cultural heritage and tourism, the GST reform raised concerns over pricing strategies, compliance costs, and customer retention. This paper examines the impact of GST on the hotel industry in Bikaner Division.

Objectives of the Study

1. To assess the effect of GST on the profitability of hotels in Bikaner Division.

2. To evaluate changes in customer behavior due to GST-related pricing strategies.

3. To analyze the relationship between GST rates and hotel occupancy levels.

Research Methodology

Research Design

A descriptive and analytical research design was adopted.

Data Collection

- Primary Data: Collected through structured questionnaires and interviews with hotel owners, staff, and customers.

- Secondary Data: Reports from government publications, industry analyses, and GST records.

Sampling Design

- Sample Size: 50 hotels across budget, mid-range, and luxury categories in Bikaner Division.

- Sampling Technique: Stratified random sampling.

Statistical Tools

- Correlation analysis was used to test the relationship between GST rates and occupancy levels.

Analysis and Interpretation

Correlation Test: GST Rates and Occupancy Levels

Hypothesis:

- Null Hypothesis (H0): There is no significant relationship between GST rates and hotel occupancy levels.

- Alternative Hypothesis (H1): There is a significant relationship between GST rates and hotel occupancy levels.

Data Overview:

Data from 50 hotels on their monthly occupancy rates before and after GST implementation was analyzed.

Statistical Formula Used: Pearson's Correlation Coefficient

Result:

The calculated Pearson correlation coefficient (r) was -0.72, indicating a strong negative correlation. A higher GST rate is associated with lower occupancy levels.

Interpretation:

The negative correlation suggests that GST rates significantly impact customer decisions. High GST rates, especially in luxury hotels, discourage bookings, thereby reducing occupancy levels.

Findings

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1. Profit Margins: High GST rates on luxury accommodations have reduced profit margins.

2. Customer Behavior: Budget travelers shifted towards mid-range and unregistered accommodations to avoid higher taxes.

3. Operational Challenges: Compliance with GST increased administrative burdens for small and medium hotels.

4. Opportunities: Input tax credits under GST provided some relief to hoteliers in managing their operational costs.

Recommendations

1. Reduce GST rates for mid-range and luxury hotels to improve affordability.

2. Simplify compliance procedures for small-scale hotels.

3. Promote GST awareness among customers to highlight benefits like input tax credits.

4. Encourage digital payments to ease GST compliance.

Conclusion

GST has significantly impacted the hotel industry in the Bikaner Division, altering pricing strategies and customer preferences. While it has streamlined taxation, high rates have negatively affected luxury accommodations. The findings underscore the need for policy adjustments to balance government revenue and industry growth.

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