IMPACT SPECTRUM OF GST ON INDIAN QUICK SERVICE RESTAURANTS

Harshdeep Chhikara
Research Scholar
IMSAR, Maharshi Dayanand University, Rohtak
Email: harshkishore100@gmail.com

Pardeep K. Ahlawat
Professor
IMSAR, Maharshi Dayanand University, Rohtak
Email: p_ahlawat@yahoo.com

ABSTRACT

The Food Service and Restaurant industry, one of the fastest-growing businesses in India, has been affected substantially by the changes in tax collection patterns due to the GST introduction, which twisted some bewilderment among restaurant owners. The concept of GST was employed to abrogate all superfluous money-charging schemes that were prior to embracing by the retailer to earn money. The GST's aim was to significantly decrease the cost for the taxpayers by harmonizing the tax structure and changing it into a uniform entity across the states. This study analyses the perception of managers and owners regarding the impact of GST on Restaurants and Food Service businesses in Delhi NCR. A sample of 70 respondents was selected using the purposive cum convenient sampling technique, and primary data were collected on a 5-point Likert scale with the help of a questionnaire. Exploratory Factor analysis, ANOVA, T-test, and descriptive statistics were used to analyze the collected data and draw inferences. The study found a significant impact of GST on customer satisfaction levels, business expansion, and cost of production.

Keywords: Goods and Services Tax, QSRs, Managers, Restaurants, Indirect Tax

INTRODUCTION

India is a food-loving country in which all areas have their unique gastronomy. For the last few decades, the Indian restaurant and food services sector has been developing at a speedy pace as its market size, which was Rs 4.1 trillion in 2019, grew roughly by 10.5 percent year over year and at a 9 percent compound annual growth rate (CAGR) from FY14 to FY19 (careratings.com). The middle-class sector is the main contributor to the rise of these restaurants and businesses in India through improving its lifestyle, increasing consumable income, steadfast system accessibility, etc. The mammoth rise of the QSRs industry also attracts MNCs, and the same is evident through the increasing number of MNCs in diverse sections of the economy in the form of burger king, Dominos, Pizza Hut, KFC, etc. With the growth of QSRs, customers' eating habits are also shifting as they are ready to spend amply on food. Besides the changes in eating habits, the QSRs industry has gone through many other changes, like using technology to order food, pay bills online, etc. In the organized market of the Indian restaurant and food service

industry, QSRs held the highest share of around 47% in the fiscal year 2020 (statista.com).

Goods and Services Tax is an integrated tax on the supply or sale of goods and services. Basically, it is a value-added tax because the provider sets off his tax against the tax paid on his purchase of materials (Dash, 2017). The thought of introducing GST was the hobbyhorse of the Kelkar Committee. The Kelkar Committee believed that the GST system should improve revenue collection, have a broader tax base market, and have a practical approach to proficient resource allocation (Deshani, 2017). The implementation of GST is a world-shattering improvement in the area of Indirect Tax from 1st July 2017 by the GOI through convening a midnight session of both houses of parliament (30th June–1st July) at the Central Hall of the Parliament where 17 taxes were clubbed together (gstcouncil.gov.in). Given the involvement of a sizable workforce and the millions of Indian consumers who depend on Quick Service Restaurants to meet their food needs, the implementation of the GST Act may significantly impact various economic sectors, including the Quick Service Restaurant industry.

REVIEW OF LITERATURE

Vasanthagopal (2011) attempted to define the effects of the GST on employment, agriculture, price level, generating businesses, MSME, factors of production, housing, export-import, GDP, eradicating poverty, and government revenue. The study suggested that replacing India's current indirect tax structure with GST would be an unprecedented move in boosting the country's economy. The acceptance of GST in over 130 countries is evidence of its successful implication worldwide. Ranjan and Kirubagaran (2018) stated the impact of GST using primary data collected from 305 respondents with the help of a survey on the Indian Automobile Industry and established a positive impact of GST on the Automobile Industry of India. Besides that, the study suggested that consumers and producers will be benefited from this tax regime.

Garg (2014) investigated the various difficulties faced by the industries in implementing the GST law regarding the types of taxes, the tax threshold, the tax rates, the range of legislation passed, and the infrastructure and management of taxes. At the same time, there are some opportunities–growth of

States and Union revenue, end to cascading impact, fewer transaction costs and preventable wastages, avoidance of multiplicity of taxes, one point single tax, reduced average tax burden, and reduced corruption. The whole economy ought to abide bang of the GST. All sectors of the Indian economy, viz., big, medium, and small-scale units, intermediaries, importers, exporters, traders, professionals, and customers, should be affected by GST. Poddar (2015) underlined that the HRAEI was unhappy with the speculated GST rates of 16-20 percent. For the Hospitality sector, it would be much more costly and have an awful drive for hotels and restaurants, which would badly suffer. The study also emphasized that because labour makes up the majority of a hotel's input costs, the GST would not assist the hospitality sector because its tax would be higher than its input credit.

Prasad et al., (2015) described that after the implementation of GST, the GDP would increase from 1.5 percent to 2 percent due to a reduction in cost and other changes in the tax system. The author also stated that it would restrict the transactions of black money, which are now being routed through legal ways.

Chouhan et al. (2017) assessed the level of awareness of GST among small business owners regarding GST with the help of primary data collected from Rajasthan State from 148 small business owners and further analyzed using ANOVA and Multiple Regression. The study depicted the lack of awareness regarding GST among small business owners of the State. Still, they wanted to be proverbial with the same, and the result of the study further elaborated that GST would also assist in increasing the revenues Economy of India. Enz (2004) surveyed 448 U.S. restaurant owners and operators using an open-ended survey to know their top concerns. The poll was distributed to NRA members through the National Restaurant Association's newsletter and Cornell University's website. Three steps were taken in the data analysis process. All written responses were first reviewed to get a sense of the topic. After the written comments, keywords were organized into common categories and subcategories, and the comments' similarities and differences were compared. It was discovered that the most problematic issue is still human resources,

closely followed by a slew of worries about governmental regulation, taxes, and legal liability.

Saira et al. (2010) gathered primary data by using a questionnaire. The questionnaire was split into two portions to extract information about Malaysian residents' knowledge of GST. The first part included questions about Malaysian citizen consciousness of goods and services tax (GST). Meanwhile, part two featured descriptive statistics on the samples. The study concluded that Malaysians' level of knowledge and awareness regarding GST was still quite low, and the government should think about ways to improve individuals' understanding of GST.

Chakraborty (2018) analyzed the impact of "Goods and Services Tax" (GST) on the Indian textile sector using a descriptive research design and is based on information acquired from different sources such as "newspapers, websites, and journals." The study claimed that GST could improve India's industrial textile exports. This new method has also prevented revenue leakage that existed in the previous tax system. The findings revealed that the GST had decreased the overall amount of taxes taxpayers must pay, removed the cascading effect, and made it possible for input tax credits to flow smoothly, all of which were impossible under the old tax system. Ramkumar (2018) surveyed a sample of 150 FMCG product users from Chennai to know their preferences towards the implementation of GST. The data used in the study was quantitative and compiled from both primary and secondary sources. The study's findings revealed that customers were delighted with items brought within the zero percent tax bracket. Consumers did not see a higher personal income after implementing the goods and services tax. On the other hand, consumers are divided on the effect of the goods and services tax on their disposable income and purchasing power.

Kumar and Alemu (2019) found the majority of the respondents had a favorable impression of the unethical marketing techniques used on packaged food and beverage products, yet most of them were not deemed to be ethically conscious when purchasing the aforementioned items. The respondents' educational attainment was shown to be significantly positively correlated with their ethical sensitivity. In light of the study's findings, it was suggested not to consume these goods in excess for ethical and health concerns. Kaur (2019)

surveyed a sample of 100 respondents to analyze their level of awareness, knowledge, and understanding of GST. The association between demographic profile and level of GST awareness and knowledge was examined using a one-way ANOVA. The results indicate that respondents' perceptions of the consequences of GST introduction were primarily negative. The study suggested that meticulous planning, rigorous preparation, community engagement, and an extensive public education campaign are essential for the efficient administration of GST.

Das (2020) analyzed the impact of GST on different industrial sectors of the Indian economy. The study is descriptive, and information is gathered from numerous academic publications on goods and services tax, including journals, annual reports, newspapers, and magazines. The study's findings showed that even if the indirect taxation system is transparent thanks to the GST, some economic sectors are nevertheless negatively impacted. At first, the GST increased the tax burden on regular people and small business owners. It also caused various goods and services to increase in price.

Kundu and Meenakshi (2021) strived to check the impact of GST on the Indian economy through the perspective of chartered accountants, revealed that the tax reform resulted in an increased burden of filing tax returns, more employment opportunities, an increase in legal disputes, a rise in government exchequer, the creation of a single national market, an increase in service prices, and an increase in tax burden. The study recommended that to address difficulties linked to variations, the return structure should be improved, the law should be made simpler, taxpayers should be educated, and the GST council should include specialists from many disciplines.

OBJECTIVES

To study the perception of the managers of Quick Service Restaurants regarding the impact of GST on various aspects of business; and to explore the important factors affecting their point of view in this regard.

HYPOTHESIS

H0: There is no significant difference among the perception of respondents based on gender, age, qualifications, and income.

RESEARCH METHODOLOGY

The current research is descriptive cum analytical and uses primary sources for data collection. The research began with a thorough literature analysis to better understand the GST and Quick Service Restaurants. The analysis will serve as a foundation for the development of measurement variables. The managers working in Quick Service Restaurants in Delhi NCR were treated as the population of the study. Through convenience and purposive sampling, the data were collected from 70 respondents. A customized questionnaire was designed and administered to collect primary data. The questionnaire was divided into two parts: In part – A of the questionnaire, respondents were asked to provide socio-demographic information such as their age, gender, occupation, income per year, and Part – B of the questionnaire includes constructs to measure the perception of the managers of Quick Service Restaurants in Delhi NCR. All these constructs were measured on a 5-point Likert scale (1 "Strongly disagree" to 5 "Strongly agree"). The collected data were analyzed with the help of statistical techniques, i.e., percentage, mean, S.D., t-test, ANOVA, and EFA (Exploratory Factor Analysis).

Demographic Profile of the Managers of QSRs

Table 1: Gender-Wise Profile of Managers

Gender	Number	Share (in percent)
Male	50	71.4
Female	20	28.6
Total	70	100.0

Source: Researchers' Calculations

Table 1 depicts the gender-wise classification of the respondents included in the current study. Data were collected from a total of 70 managers of Quick Service Restaurants of Delhi NCR. The sample includes 50 (71.4%) male and 20 (28.6%) female respondents.

Table 2: Qualification-Wise Profile of Managers

Qualification	Frequency	Percent
Graduation	16	22.9
Post-Graduation	32	45.7
Professional Qualification	22	31.4
Total	70	100.0

Source: Researchers' Calculations

The respondents were categorized based on qualifications are exposed in table 2, which further shows that out of the total sample (N=70) of

owners, 22.9 percent, 45.7 percent, and 31.4 percent were graduates, postgraduates, and having professional qualifications, respectively.

Table 3: Income-Wise Profile of Managers

Income	Frequency	Percent
Up to Rs. 10 Lac	22	31.4
10 to Rs. 20 Lac	37	52.9
More than Rs. 20 Lac	11	15.7
Total	70	100.0

Source: Researchers' Calculations

The income-wise categorization of the respondents is exhibited in table 3, which shows that 22 (31.4 percent), 37 (52.9 percent), and 11 (15.7 percent) of respondents were from the income category of up to Rs.10 Lac, 10-20 Lac, and More than 20 Lac, respectively.

Table 4: Age-Wise Profile of Managers

Age	Frequency	Percent
up to 35 years	37	52.9
36 to 50 years	23	32.9
51 years and above	10	14.3
Total	70	100.0

Source: Researchers' Calculations

Table 4 exhibits that out of the total respondents, 37 (52.9%) are below the age of 35 years, 23 (32.9%) belong to the age group of 36-50 years, and only 10 (14.3%) are above 51 years of age.

ANALYSIS OF DATA

Table 5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.759
Bartlett's Test of Sphericity	Approx. Chi-Square	392.897
	Df	55
	Sig.	0.000

Source: Researchers' Calculations

In the study, exploratory factor analysis was performed on the measurement scale of the variables that were observed. The Kaiser- Meyer-Olkin (KMO) test was initially used to gauge the effectiveness of the sample. For adequate sampling, the KMO value must be more than 0.70. The sample size is suitable for the investigation based on the KMO test value of 0.759. Further, Bartlett's Test of Sphericity was conducted to test if sufficient correlations exist in the data set. The

degree of freedom at 55 and the Chi-square value of 392.897 indicate that there is a sufficient correlation among the observed variables, indicating that the data set is suitable for factor analysis.

Table 6: Communalities

Statements	Initial	Extraction
GST has increased the overall cost of living of the society.	1.000	.682
GST has resulted into more costs/expenses.	1.000	.722
The increased cost of production forces you to increase the supply prices of your goods and services.	1.000	.514
The customers prefer a QSR whose rates are lower in comparison to others.	1.000	.789
It has helped to win the confidence of the customers through fair dealing.	1.000	.750
The GST has no impact on the visits of their regular customers.	1.000	.646
GST will help in further improvement of the food and service quality of QSRs in the economy.	1.000	.839
The customers a Non-AC restaurants in comparison to QSRs due to low rate of GST.	1.000	.655
GST has helped the QSRs to generate more employment opportunities.	1.000	.445
GST has helped the QSRs to expand their business.	1.000	.795
It has become easier to run the business more efficiently after the implementation of GST.	1.000	.760

Extraction Method: Principal Component Analysis
Source: Researchers' Calculations

Table 6 exposed the amount of variation in the variables used in the study, which can be explained by the set of factors used in the study. According to

(Zillmer and Vuz, 1995) value should be more than 0.30, and in this table, all the values are more than 0.30.

Table 7: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.363	39.664	39.664	4.363	39.664	39.664	3.599	32.719	32.719
2	1.772	16.114	55.777	1.772	16.114	55.777	2.024	18.403	51.122
3	1.462	13.288	69.065	1.462	13.288	69.065	1.974	17.943	69.065
4	.895	8.139	77.204						
5	.678	6.166	83.370						
6	.625	5.680	89.051						
7	.355	3.227	92.277						
8	.307	2.788	95.066						
9	.269	2.441	97.507						
10	.165	1.497	99.004						
11	.110	.996	100.000						

Extraction Method: Principal Component Analysis.
Source: Researchers' Calculations

The factor loadings, Eigen values, and variance explained by the extracted factors are displayed in Table 7. To obtain a thorough understanding of the structure of the observed variables, factor loadings only greater than 0.50 were taken into consideration. In factor analysis, no unfavourable cross-loadings were found. Three components were created from eleven statements. 69.065 percent of the variation in the latent construct was fully explained by the components that were recovered.

Table 8: Rotated Component Matrix

Rotated Component Matrix[a]			
	Component		
	1	2	3
GST will help in further improvement of the food and service quality of QSRs in the economy.	.907		
The customers prefer a QSR whose rates are lower in comparison to others.	.863		
It has helped to win the confidence of the customers through fair dealing.	.858		
The customers prefer Non-AC restaurants in comparison to QSRs due to low rate of GST.	.753		
The GST has no impact on the visits of their regular customers.	.737		
GST has resulted into more costs/expenses.		.812	
GST has increased the overall cost of living of the society.		.811	
The increased cost of production forces you to increase the supply prices of your goods and services.		.707	
GST has helped the QSRs to expand their business.			.886
It has become easier to run the business more efficiently after the implementation of GST.			.871
GST has helped the QSRs to generate more employment opportunities.			.556

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.
Source: Researchers' Calculations

Table 8 shows that Rotated Component Matrix is a fundamental matrix that particularly categorizes the observations or the statements of the used data set into different components also; the matrix shows which statement is grouped or is lying in which component based on the above table, the eleven parameters used to collect data are segregated into three components. The criteria taken for segregation was that the parameter showing the highest factor loading for a particular factor would be grouped under that factor. Hence, for the study, five statements are grouped under Component 1, three statements are grouped under Component 2, and three statements are grouped under Component 3. Further, hypotheses were generated on the basis of three grouped components derived using Principal Component Analysis.

Table 9: Factor Formation

Component 1 (Customer Satisfaction)	Component 2 (Cost)	Component 3 (Expansion of Business)
GST will help in further improvement of the food and service quality of QSRs in the economy.	GST has resulted in more costs/expenses.	GST has helped the QSRs to expand their business.
The customers prefer a QSR whose rates are lower in comparison to others.	GST has increased the overall cost of living of the society.	It has become easier to run the business more efficiently after the implementation of the GST.
It has helped to win the confidence of the customers through fair dealing.	The increased cost of production forces you to increase the supply prices of your goods and services.	GST has helped the QSRs to generate more employment opportunities.
The customers prefer Non-AC restaurants in comparison to QSRs due to the low rate of GST.	-	-
The GST has no impact on the visits of their regular customers.	-	-

Source: Researchers' Calculations

Table 10: Hypothesis Testing

Grouping Variables	Test	Factor 1 (p-Value)	Factor 2 (p-Value)	Factor 3 (p-Value)
Gender	Independent t Test	0.303	0.605	0.465
Qualification	One Way ANOVA	0.751	0.891	0.178
Age	One Way ANOVA	0.696	0.613	0.344
Income	One Way ANOVA	0.947	0.295	0.652

Source: Researchers' Calculations

Table 10 exposed that at a 5% significance level, the Independent Samples T-test turned out to be significant. Consequently, it can be said that there is no significant difference in the gender-wise perceptions of the respondents towards factor1 (customer satisfaction level of GST), factor 2 (cost), and Factor 3 (Expansion of Business). Also, the one-way ANOVA turned out to be significant. Consequently, it can be said that there is no significant difference in the qualification-wise, age-wise, habit-wise, and income-wise perceptions of the respondents.

Table 11: Descriptive Statistics

Statements	N	Mean	Std. Deviation
GST has increased the overall cost of living of the society.	70	3.7286	.88336
GST has resulted in more costs/expenses.	70	3.2857	1.00927
The increased cost of production forces you to increase the supply prices of your goods and services.	70	3.8143	.92145
The customers prefer a QSR whose rates are lower in comparison to others.	70	2.9571	1.05550
It has helped to win the confidence of the customers through fair dealing.	70	3.0143	.99990
The GST has no impact on the visits of their regular customers.	70	3.3857	.92145
GST will help in further improvement of the food and service quality of QSRs in the economy.	70	3.4286	.97165
The customers prefer Non-AC restaurants in comparison to QSRs due to the low rate of GST.	70	3.3429	.99106
GST has helped the QSRs to generate more employment opportunities.	70	3.5571	.86201
GST has helped the QSRs to expand their business.	70	3.7286	.91559
It has become easier to run the business more efficiently after the implementation of the GST.	70	3.8429	.73496
Valid N (listwise)	70		

Source: Researchers' Calculations

Table 11 illustrates how firmly most of the managers believed GST had increased the overall cost (3.76); also, a little more than average (3.78) thought that the GST increased the production cost. The majority of the people agreed that GST has helped to win the confidence of the customers through fair dealing, GST will help in further improvement of the food and service quality of QSRs in the economy, and GST has no impact on the visits of their regular customers having a mean score of 3.0, 3.4, and 3.3, respectively. Managers felt that GST also helped to expand their business and to generate more employment opportunities, and it has become easier to run the business more efficiently after the implementation of GST, with mean scores of 3.5, 3.7, and 3.8, respectively.

CONCLUSION

For the restaurant business, managers' and owners' perceptions are as crucial as the consumers' perceptions. Knowing exactly what customers want and then addressing it, can significantly change how the restaurant industry operates. However, a thorough grasp is necessary to comprehend consumer attitudes and address their issues; here comes the role of restaurant managers and owners. The study analysed the factors impacting the growth of QSR industry in post GST period by gathering insights from quick-service restaurants' owners and managers to navigate opportunities and challenges brought about by the GST implementation. Both sound and adverse effects of GST have been felt in the quick-service restaurant sector. Customers have a mix response to changes in QSR industry. While they are discouraged by rising ingredient costs and additional expenses like air conditioning, they appreciate to improved tax transparency and higher food quality and service standards. The rise in consumer demand results in job creation and business expansion, promoting economic development.

REFERENCES

Chakraborty, S. (2018). A study on impact of Goods and Services Tax on Indian textile industry. *Research Review International Journal of Multidisciplinary*, *3*(11), 86-91.

Chouhan, V., Shakdwipee, P. & Khan, S. (2017). Measuring Awareness about Implementation of GST: A Survey of Small Business Owners of Rajasthan. *Pacific Business Review International,* 9(8), 116-125.

Das, Gourab. (2020, December). Post-GST Impact on different Industrial Sectors. In Perspectives on Business Management & Economics, 3, 137-146. Retrieved from http://www.pbme.in/papers/94.pdf

Dash, A. (2017). Positive and negative impact of GST on Indian economy. *International Journal of Management and Applied Science*, *3*(5), 158-160.

Deshani, P. V. (2017). Consequences of Goods and Service Tax (GST) on Restaurant Industry. *International Research Journal of Commerce Arts and Science*, 8(9), 372-378

Durga Prasad, A.S., & Atul Mehta, April 5th, 2015 Indore The Financial Express retrieved from http://www.freepressjournal.in/gst-will-change-scenario-of-doing-business-in-2016/

Enz, C. A. (2004). Issues of concern for restaurant owners and managers. *Cornell Hotel and Restaurant Administration Quarterly*, *45*(4), 315–332. https://doi.org/10.1177/0010880404270065

Girish Garg (2014). Basic Concepts and Features of Goods and Service Tax in India. *International Journal of scientific research and management* (IJSRM). 2 (2), ISSN (e): 2321-3418

Kumar, S. and Alemu, W. (2019), Perception of Consumers regarding Unethical Marketing Practices: A case study of packaged food and beverage, HSB Research Review, 14(1&2), 46-56.

Kaur, H. (2019). Public awareness, knowledge and understanding of GST in India. *BULMIM Journal of Management and Research*, *4*(1), 6-10.

Kundu, S.S., and Meenakshi, (2021), Implications of Goods and Services Tax Act, 2017 on Indian economy: a perceptual analysis, HSB Research Review, 16(1), 80-91.

Poddar, S. (2015, june). Retrieved from http://nrai.org/news/hraei-calls-for-10-cap-on gst.

Ramkumar, G. (2018). Consumer perceptions towards Goods and Services Tax Implementation-An Economic Approach. *ELK Asia Pacific Journal of Marketing*, 9(2), 21-35.

Ranjan, S. & Kirubagaran, K. (2018). A Study on GST (Goods and Services Tax) and its impact on Automobile Industry in India. *International Journal of Pure and Applied Mathematics,* 120(5), 3643-3648.

Saira, L., Zariyawati, M. A., & Yoke-May, L. (2010). An exploratory study of goods and services tax awareness in Malaysia. *Political Managements and Policies in Malaysia. Universiti Utara Malaysia Sintok*, 265-276.

Vasanthagopal, R. (2011). GST in India: A big leap in the indirect taxation system. *International Journal of Trade, Economics and Finance* 2(2), 144-146.

Zillmer, E. A., & Vuz, J. K. (1995). Factor analysis with Rorschach data. In J. E. Exner, Jr. (Ed.), *Issues and methods in Rorschach research*, 251–306.

Internet Sources

Care Ratings (2020), Indian Restaurant & Food Service Industry Update, available at: https://www.careratings.com/uploads/newsfiles/Restaurants%20%20QSRs_Mar2020.pdf (accessed 12 April 2022)

ClearTax (2022), Impact of GST on Banks and NBFCs, available at: https://cleartax.in/s/impact-gst-banks-nbfcs (accessed 15 October 2022)

Ministry of Finance (2022), Brief History of GST, available at: http://gstcouncil.gov.in/brief-history-gst (accessed 25 March 2022)

Sandhya, K. (2022), Food service market distribution India FY 2020, available at: https://www.statista.com/statistics/1113022/india-food-service-market-distribution/ (accessed 12 July 2022)

Wikipedia (2022), Goods and Services Tax (India), available at: https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India) (accessed 18 April 2022)