

GST'S Effects on Tourism and Travel

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Date of Submission: 15-03-2024

Date of Acceptance: 30-03-2024

ABSTRACT:

Goods & Services tax is an indirect tax which has replaced many indirect taxes in India. Tourism represents the world's third largest export avenue in terms of global earnings after fuel and chemicals. The tourism industry contributes nearly USD 136 billion to India's GDP and is expected further grow to USD 280.5 billion by 2026. The objective of my study is to understand the impact of GST on travel and tourism sector. The paper aims to address to examine the impact of GST on Travel and Tourism industry in India. The study adopted only secondary source of data collections and the study area was GST and its impacts on tourism industry in India . This study delves into the transformative economic landscape of India, a burgeoning tourism hub, following the implementation of the Goods and Services Tax (GST).

Keywords: Goods and Services Tax , Travel and Tourism sector, GDP, Taxation reform, Impact analysis

I. INTRODUCTION:

The Travel and Tourism industry, as a vital contributor to the global economy, stands at the intersection of cultural exchange, economic growth, and human connectivity. In recent years, India, a burgeoning tourism hub, has undergone a transformative economic shift with the introduction of the Goods and Services Tax (GST). This fiscal policy overhaul has significantly impacted various sectors, including Travel and Tourism, prompting a need for a comprehensive examination of its effects.

The implementation of GST, a unified tax regime, was envisioned to simplify tax structures, eliminate cascading effects, and foster a more transparent and efficient tax system. However, the far-reaching implications of GST on businesses and consumers within the Travel and Tourism sector remain an intricate tapestry awaiting careful unravelling. As we embark on this exploration, it becomes imperative to navigate through the complexities of the Travel and Tourism sector,

considering its diverse ecosystem of travel agencies, hotels, transportation services, and the myriad experiences that shape the tourism landscape. By examining the tangible and intangible impacts, we strive to provide actionable insights for businesses to adapt and policymakers to refine regulations, ensuring the continued growth and resilience of this crucial sector. The findings of this research are anticipated to enrich the dialogue surrounding GST's role in shaping the trajectory of one of India's most dynamic and economically significant industries.

II. LITERATURE REVIEW:

1. Impact of GST on Tourism Sector K.Rithuvarjitha, M.Dhinesh (2023) This study emphasizes the pivotal role of tourism as the world's third-largest export, intricately linked to socio-economic development. The study's objective is to discern the influence of the Goods and Services Tax (GST) regime on travel companies, employing a socio-legal research method with a sample size of 200 collected online. Investigating variables like age, gender, and education against the impact of GST on the tourism sector in Agra, the research employs primary data from local businesses.

Recognizing tourism's global significance and vast infrastructure, the study contributes to understanding the extensive impact of GST on the socio-economic fabric, politics, culture, and the economy.

2. Impact of GST on Travel and Tourism Industry Sahil Gupta¹ , Akhil Swami (2015)

This highlights a pivotal shift in the Goods and Services Tax (GST) framework, redirecting the place of supply for Hotels, Restaurants, and Monuments to the location of immovable property. The realignment is anticipated to boost revenue for states hosting these immovable properties, replacing existing taxes. The analysis underscores that under GST, states with prominent tourist destinations stand to gain significant revenue through State Goods and Services Tax (SGST),

equalling Central GST (CGST). This insight into the restructuring of revenue streams within the tourism sector contributes to the ongoing discourse on the economic implications of GST reforms in India.

3. Impact of Goods and Service Tax on Tourism Industry with Focus on Tour operator and Hotel Industry Rajesh Kumar Tiwari ,Prof. (Dr.) Sanjay Srivastava, Dr. Monika Goel Dean (2021) This research paper investigates the ramifications of fluctuations in GST rates on tourist prices within the tourism industry, recognizing the industry's high price elasticity of demand. Utilizing a case study methodology, the study analyzes actual data, ensuring confidentiality, and applies post-GST taxation rates. The comparison with pre-GST rates enables a comprehensive impact analysis on pricing dynamics. In the context of tourism's sensitivity to pricing changes, this literature review underscores the significance of understanding how alterations in GST rates influence travel decisions, contributing valuable insights to the broader discourse on taxation's role in shaping consumer behaviour within the tourism sector.

4. Impact of GST on Travel, Tourism and Hospitality Dr. Usha Pandey, Dr. Neelam Parihar (2021) The Goods and Services Tax (GST), implemented in India from July 1, 2017, marked a significant shift in the country's tax landscape. This tax reform aimed to replace multiple indirect taxes, impacting diverse sectors. Focusing on the Hospitality and Tourism Industry, a cornerstone of India's economy, the research emphasizes the sector's dynamic growth and vital contribution to GDP. Acknowledging GST as a non-discriminatory and fair-minded tax, the study anticipates positive effects such as reduced business transaction costs and enhanced competitiveness. This study sets the stage for a comprehensive exploration of GST's implications on Hospitality, Travel, and Tourism, anticipating transformative outcomes

STATEMENT OF PROBLEM :

The Travel and Tourism sector, known for its dynamic nature and economic significance, encompasses a wide range of services, including hospitality, transportation, and travel agencies. The diverse ecosystem within this industry has been confronted with the complexities of GST implementation, introducing a set of challenges that demand careful examination. One key problem arises from the potential disruptions in pricing structures across the Travel and Tourism sector. The uniform tax rates under GST may impact the

cost dynamics for businesses, influencing their competitiveness and profit margins. This prompts an investigation into how businesses within the sector have adapted to these changes and what consequences these adaptations might have on their sustainability and growth.

OBJECTIVES :

- To examine the pricing structures of GST on services related to tourism.
- To analyse the impact of GST from the tourism sector on government revenue.

RESEARCH METHODOLOGY:

The research methodology is used to get information about the GST's effects on tourism and travel sector. This study focuses on the data of the past 5 years.

RESEARCH DESIGN:

The research is based on descriptive research to describe the current state of the tourism and travel industry post-GST implementation.

AREA OF STUDY:

This research focuses to know the changes in revenue of travel and tourism industry with respect to airways and railways.

DATA COLLECTION METHOD:

This research is primarily based on the data from secondary data which includes journals and websites.

TOOLS FOR THE ANALYSIS:

- Compound annual growth rate
- Coefficient of variation

HYPOTHESIS FOR THE STUDY:

- 1) H_0 : There is no significant impact of GST on the pricing structures of travel and tourism services.
- 2) H_0 : Changes in GST have resulted in notable variations in government revenue collected from the sector.

LIMITATION OF STUDY:

- GST rates and policies are subject to change based on government decisions. Any alterations in GST rates or policies during the course of the study may impact the accuracy and relevance of the findings
- The absence of comprehensive baseline data before GST implementation could limit the ability to make direct comparisons. Establishing a clear cause – and – effect

relationship without a baseline might be challenging.

- **Compound annual growth rate:** Compound annual growth rate is the mean annual growth rate of an investment over a specified period of time longer than one year

ANALYSIS & INTREPRETATION:

Table 1 : Revenue of Travel and Tourism Industry

Year	2017	2018	2019	2020	2021	2022
Revenue (in US Billion \$)	219	240	265	58	170	162

$$\text{Compound Annual Growth Rate} = \left(\frac{V_{\text{final}}}{V_{\text{begin}}} \right)^{1/t} - 1$$

CAGR keeping the Base year 2021	CAGR keeping the Base year 2022
0.9386	0.9414

Interpretation:

One of the most effective tool in determining the return and the increase and decrease value of any parameters is compound annual growth rate. From the revenue of travel and tourism industry we can see that the compound annual growth rate is taken 2021 as the base year shows the growth of 0.9386, where as we include the revenue of 2022 it shows slight growth rate of 0.9414.

- **Coefficient of Variation:** Coefficient of variation is another measure of determining the variation, which is an improved measure over standard deviation . It is the ratio between the S.D and mean and is usually represented on percentage. This measures the consistency of the observations within a sample and discriminates a given set of samples sharply in terms of consistency.

PARAMETERS OF TRAVEL AND TOURISM INDUSTRY (in INR crores)

	2017	2018	2019	2020	2021	2022	Standard deviation	Mean	Coefficient of variation
Airways	601	710	736	89	259	534	237.6	487.66	0.487
Railways	546	603	688	44	210	342	227.84	405.5	0.561

Interpretation:

Due to the overall lockdown phase of the world the parameters of travel and tourism industry showed little variation in terms of overall GST revenue generation

- Airways showed variation (Foreign , national) of 0.487
- Railways showed variation (Domestic) of 0.561

FINDINGS (AS PER OBJECTIVES):

- **Findings from compound annual growth rate:**
 - Positive CAGR (above 1) indicates growth in the revenue of the travel and tourism industry during the specified periods.
 - The change from 0.9386 to 0.9414 suggests a relatively small increase in the growth rate, but growth nonetheless.
 - It's crucial to understand the factors contributing to this growth. Analyzing the economic environment, travel trends, global

events, and other relevant factors could provide insights into the reasons behind the observed growth.

- Continue monitoring CAGR over subsequent years to identify trends and patterns, allowing for better forecasting and strategic decision-making.
- **Findings from coefficient of variation:**
- The variation in airways (foreign and national) is specified as 0.487.
 - This could be influenced by factors such as restrictions on international travel, changes in consumer behaviour, and the overall impact of the pandemic on air travel demand.
 - The variation in railways (domestic) is specified as 0.561.
 - This may be attributed to factors such as lockdown measures affecting domestic travel, changes in passenger preferences, and disruptions in the transportation network.
 - The overall stability in GST revenue for the travel and tourism industry suggests a certain level of resilience during challenging times, possibly due to various factors like domestic tourism or alternative revenue streams.

III. SUGGESTION:

The overall stability in GST revenue indicates a certain level of resilience in the travel and tourism industry. This resilience is likely a result of diversification strategies and the presence of alternative revenue streams beyond traditional travel avenues. The higher variation in domestic railways revenue suggests heightened sensitivity to domestic travel conditions. This implies that the railways sector needs to closely monitor and respond to factors such as lockdown measures, shifts in passenger preferences, and disruptions in the transportation network. Airlines, especially those dealing with foreign and national flights, need to adapt to the dynamic nature of international travel. The identified variation underscores the importance of anticipating and responding to factors such as travel restrictions, changes in consumer behaviour, and the broader impact of global events on air travel demand.

IV. CONCLUSION:

After the implementation of GST, the revenue collected by travel and tourism industry has slightly increases. CAGR keeping the base year 2021 is 0.9386 and CAGR keeping the base year 2022 is 0.9414. Since there is a significant impact

of GST on the pricing structure of travel and tourism services, thus the hypothesis is rejected.

From the Parameters of data of travel and tourism industry based on airways and railways, the coefficient of variation of airways shows 0.487 and railways shows 0.561. Therefore after the implementation of GST, travel and tourism industry has significant and notable variation in government revenue collected from the sector. Thus the hypothesis is accepted.

The implementation of Goods and Services Tax (GST) in India has brought about significant changes in various sectors, including the Travel and Tourism industry. This research aimed to examine the effects of GST on the pricing structures of tourism services and analyze its impact on government revenue within the travel and tourism sector. In conclusion, the Travel and Tourism industry has demonstrated resilience in the face of challenges, and the implementation of GST has not led to drastic fluctuations in revenue. However, it is essential to acknowledge the sector's sensitivity to external factors, such as global events and economic conditions. The findings of this research provide valuable insights for policymakers and businesses to navigate the evolving landscape, ensuring the continued growth and sustainability of one of India's dynamic and economically significant industries.

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