

EXAMINING HOTEL MANAGEMENT'S PERCEPTION OF ACTIVITY-BASED COSTING IN GUJARAT'S HOSPITALITY SECTOR

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Abstract

This research investigates the intricate dynamics surrounding the adoption of Activity-Based Costing (ABC) within the hospitality sector in Gujarat, India. ABC, as a strategic cost allocation method, seeks to provide a more precise understanding of costs associated with specific activities in an organization, making it particularly relevant for the nuanced operations of the hospitality industry. The primary aim of this study is two-fold: firstly, to conduct a comprehensive analysis of the perception of hotel managers towards Activity-Based Costing in Gujarat, and secondly, to explore potential associations between the demographic profiles of hotel managers and their perspectives on ABC. The research methodology involves in-depth interviews with a sample size of 80 hotel managers currently working in Gujarat. Through structured interviews, the study seeks to unveil the hotel managers' perceptions, challenges, and potential benefits associated with the implementation of Activity-Based Costing. Demographic factors, including age, experience, and educational background, will be considered to discern any patterns or trends influencing the attitudes of hotel managers towards ABC. The significance of this research lies in its contribution to the understanding of how Activity-Based Costing is perceived and adopted within the unique context of Gujarat's hospitality sector. The findings are expected to offer valuable insights for industry practitioners, policymakers, and academic researchers, shedding light on the practical considerations and benefits of integrating ABC into the financial practices of hotels in Gujarat.

Keywords: Activity-Based Costing, Hotel Management, Hospitality Sector, Cost Allocation

INTRODUCTION

The global hospitality industry is a dynamic and diverse sector encompassing a wide range of services, including accommodation, food and beverage, travel, and entertainment. It plays a crucial role in the global economy, contributing significantly to employment, tourism, and economic growth. The industry has experienced notable shifts in recent years due to technological advancements, changing consumer preferences, and global events impacting travel patterns. With the rise of online platforms, the booking process, customer reviews, and marketing strategies have been revolutionized, making the industry more accessible and competitive on a global scale.

In terms of trends, sustainability and experiential travel have gained prominence, with travellers seeking eco-friendly accommodations and unique, immersive experiences. The ongoing impact of the COVID-19 pandemic has also prompted adaptations, including enhanced hygiene measures, contactless services, and a renewed focus on flexibility in booking arrangements.

Hospitality Industry in India:

In India, the hospitality sector holds immense cultural and economic significance, contributing substantially to the country's GDP and employment. The industry in India is diverse, ranging from luxury hotels and resorts to budget accommodations and heritage stays. India's rich cultural heritage and diverse landscapes make it an attractive destination for both domestic and international travellers, further boosting the hospitality sector's importance.

Similar to global trends, the Indian hospitality industry has witnessed technological advancements, with increased online bookings and the adoption of digital services. The emergence of budget accommodation

providers and the growth of the sharing economy have added a new dimension to the market, catering to a broader spectrum of travellers.

The COVID-19 pandemic has posed significant challenges to the industry in India, with disruptions in travel patterns and the implementation of safety protocols. However, the sector has shown resilience, adapting to new norms, and exploring innovative ways to deliver services safely. The Indian government's initiatives to promote tourism and hospitality, coupled with a renewed focus on domestic travel, are expected to play a crucial role in the sector's recovery.

Overall, both globally and in India, the hospitality industry remains a vital component of economic growth, cultural exchange, and employment generation. While facing challenges, the industry continues to evolve, embracing technological advancements and adapting to changing consumer preferences and global events. The resilience and adaptability demonstrated by the hospitality sector position it for continued growth and recovery.

Hospitality Industry in Gujarat:

The hospitality industry in Gujarat, India, reflects the state's rich cultural heritage, diverse landscapes, and growing economic significance. As a major player in the country's tourism sector, Gujarat's hospitality industry encompasses a range of accommodations, dining establishments, and tourism-related services.

- **Tourist Attractions:** Gujarat boasts a myriad of tourist attractions, including historical sites like the Sabarmati Ashram, architectural marvels such as the Rani ki Vav (Queen's Stepwell), and vibrant festivals like the Navratri celebrations. These attractions contribute to the steady flow of domestic and international tourists, creating a demand for diverse hospitality offerings.
- **Accommodations:** The state features a diverse array of accommodations, ranging from luxurious hotels and resorts to budget-friendly options. Cities like Ahmedabad, Vadodara, and Surat are home to numerous hotels catering to both business and leisure travelers. Additionally, Gujarat has witnessed the rise of boutique hotels, eco-friendly resorts, and heritage stays, offering unique experiences to visitors.
- **Culinary Tourism:** Gujarat's culinary scene is renowned for its delectable vegetarian cuisine, including iconic dishes like dhokla, khandvi, and theplas. The hospitality industry plays a crucial role in showcasing and promoting these culinary delights, with hotels and restaurants incorporating traditional flavors into their offerings, contributing to the state's reputation as a gastronomic hub.
- **Business and MICE Tourism:** Gujarat's growing industrial and business landscape has led to an increased influx of business travelers. The hospitality industry in the state caters to this segment with well-equipped conference facilities, business hotels, and convention centers. Cities like Gandhinagar, the capital of Gujarat, host numerous conferences and events, further boosting the demand for hospitality services.
- **Challenges and Opportunities:** While the hospitality industry in Gujarat has seen considerable growth, it faces challenges such as competition, infrastructure development, and the need for skilled workforce management. However, the state's proactive tourism policies, investment-friendly environment, and promotion of cultural and heritage tourism present opportunities for further expansion.
- **Government Initiatives:** The Government of Gujarat has taken several initiatives to promote tourism and hospitality. These include the development of tourist circuits, infrastructure improvement, and the organization of events to showcase the state's cultural heritage. Such measures contribute to the overall growth and sustainability of the hospitality sector in Gujarat.

IMPORTANCE OF THE STUDY

The investigation into Examining Hotel Management's Perception of Activity-Based Costing in Gujarat's Hospitality Sector holds paramount significance as it delves into the strategic decision-making processes of hotel management in the region. By exploring their perception of Activity-Based Costing (ABC), the study aims to unravel insights crucial for effective decision-making in pricing strategies, resource allocation, and overall financial management. The application of ABC in the hospitality sector, particularly in Gujarat, carries implications for cost efficiency, as this method accurately identifies and allocates costs based on specific activities and processes. The research endeavors to shed light on whether hotel management views ABC as a valuable tool for enhancing operational efficiency and resource allocation. Furthermore, the study's findings may uncover the potential competitive advantage gained by hotels adopting ABC, influencing industry standards and best practices. Beyond individual establishments, the research has implications for policymakers, informing potential policy changes related to financial reporting and cost management practices in the hospitality sector. In the academic realm, the study contributes empirical evidence, offering a valuable reference for future researchers and students exploring the intersection of hospitality management and cost accounting. In essence, this research has far-reaching implications for the competitiveness and financial

performance of hotels in Gujarat, shaping industry practices and contributing to the broader discourse on effective cost management.

LITERATURE REVIEW

Meijboom et al. (2016), the study aimed to compare the implementation of ABC and Time-Driven ABC (TDABC) in the pathology department of a Dutch university hospital. The findings revealed that ABC and TDABC provided valuable insights into the cost structure of pathology examinations, leading to improved cost management and resource allocation. The study demonstrated the usefulness of ABC in identifying cost drivers and optimizing resource utilization within the pathology department.

Abdi et al. (2017), the research examined the implementation of ABC in Iranian hospitals and its impact on cost efficiency and quality improvement. The findings indicated that ABC implementation led to improved cost efficiency by identifying and reducing unnecessary costs. Additionally, ABC facilitated quality improvement efforts by providing insights into the costs associated with different quality indicators. The study highlighted the role of ABC in enhancing cost management and quality improvement in hospital settings.

Yasin et al. (2018), the study aimed to provide an overview of the application of ABC in healthcare organizations. The review highlighted the potential benefits of ABC in hospital management, including improved cost allocation, resource optimization, pricing accuracy, and decision-making. The findings emphasized the importance of accurately identifying cost drivers and allocating costs to specific activities to enhance hospital management effectiveness.

Ruiz-Benítez et al. (2020), the research aimed to analyse the implementation and impact of ABC in hospitals worldwide. The review identified several studies that reported positive outcomes of ABC implementation, including cost reduction, enhanced pricing strategies, improved resource allocation, and better decision-making. The study highlighted the value of ABC in supporting hospital management effectiveness by providing accurate cost information and enabling informed decision-making processes.

RESEARCH OBJECTIVES

- To analyse the perception of hotel managers towards Activity-Based Costing in Gujarat.
- To explore potential associations between the demographic profiles of hotel managers and their perspectives on ABC.

SAMPLE SIZE

In this study, the sample size comprises 80 hotel managers from various establishments in Gujarat who have been interviewed to gather valuable insights into the perception of Activity-Based Costing (ABC) within the hospitality sector of the region.

DATA ANALYSIS

A

- H₀ : Respondents do not believe better cost control information as the benefits of the ABC system.

One-Sample Test						
	Test Value = 3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
better cost control information	-7.037	399	.000	-.415	-.53	-.30

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that respondents believe better cost control information as the benefits of the ABC system.

- H₀ : Respondents do not believe improvement in product cost/ profitability information as the benefits of the ABC system.

One-Sample Test						
	Test Value = 3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
improvement in product cost/ profitability information	-9.314	399	.000	-.588	-.71	-.46

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that Respondents believe improvement in product cost/ profitability information as the benefits of the ABC system.

3. H₀ : Respondents do not believe more accurate service cost as the benefits of the ABC system.

One-Sample Test						
	Test Value = 3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
More accurate service cost	-13.022	399	.000	-.798	-.92	-.68

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that Respondents believe more accurate service cost as the benefits of the ABC system.

B. Potential associations between the years of work experience of hotel managers and their perspectives on ABC

STATEMENT	Most Extreme Differences			Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
	Absolute	Positive	Negative		
Improved Insight into cost causation and behaviour	0.025	0.002	-0.025	0.236	1.000
Promotion of resource efficiency	0.031	0.028	-0.031	0.293	1.000
More accurate service cost	0.045	0.012	-0.045	0.431	0.992
Assistance in cost reduction efforts	0.047	0.013	-0.047	0.448	0.988
Improvement in product cost/ profitability information	0.050	0.050	-0.032	0.477	0.977

There is no significant difference between the distribution of perception of respondents that ABC improved insight into cost causation and behaviour for years of work experience of hotel managers. There is no significant difference between the distribution of perception of respondents that ABC helping promotion of resource efficiency for years of work experience of hotel managers. There is no significant difference between the distribution of perception of respondents that ABC gives more accurate service cost for years of work experience of hotel managers. There is no significant difference between the distribution of perception of respondents that ABC helps to assist in cost reduction efforts for years of work experience of hotel managers. There is no significant difference between the distribution of perception of respondents that ABC helps in improvement in product cost/ profitability information for years of work experience of hotel managers.

CONCLUSION

The findings of this study, based on interviews with 80 hotel managers in Gujarat, shed light on their perceptions of Activity-Based Costing (ABC) within the hospitality sector. The consensus among these managers is that the implementation of ABC brings about several benefits, with a unanimous belief in the system's ability to provide better cost control information. The respondents also express a shared conviction that ABC leads to improvements in product cost/profitability information and facilitates more accurate service cost calculations.

Furthermore, the study explores potential variations in perception based on the years of work experience of hotel managers. Interestingly, no significant differences were found in the distribution of responses across

various aspects. This includes the perception that ABC enhances insight into cost causation and behaviour, aids in the promotion of resource efficiency, contributes to more accurate service cost estimations, and assists in cost reduction efforts. Moreover, the belief in the improvement of product cost/profitability information through ABC remains consistent regardless of the hotel managers' years of work experience.

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