Customer Satisfaction through Management Accounting Practices in the Indian Hotel Sector

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Abstract

The evolution of India's hotel sector over the past two decades has been far from linear. It has unfolded in response to shifting economic conditions, substantial improvements in domestic mobility, the rapid infusion of digital systems, and the arrival of international brands that have repositioned service benchmarks across the industry. While scholarly attention regarding hospitality performance has overwhelmingly concentrated on visible, guest-facing aspects such as service interaction, ambience, staff behavior, and brand reputation, the quieter internal systems that support these outcomes—particularly Management Accounting Practices (MAPs)—have not been subject to comparable experiential scrutiny. This study positions MAPs as an essential but often inconspicuous contributor to the formation of customer satisfaction in Indian hotels. Drawing on data obtained from 200 professionals working across luxury, mid-scale, and budget properties in metropolitan, tourist, and tier-2 cities, the research examines the extent to which MAPs are shaped by competitive pressures, technological infrastructure, and hotel scale. Using a structural equation modeling approach, the study demonstrates that MAPs—through their influence on planning, operational discipline, cost allocation, and performance monitoring—substantially strengthen a hotel's ability to deliver consistent service and value, two foundations of customer satisfaction. The findings reveal a particularly strong association between MAP efficiency and perceived service reliability. Competition and technological adoption emerge as key antecedents of MAP sophistication, while hotel size exerts a more modest, though contextually nuanced, effect. These insight broaden the understanding of how internal systems underpin service performance and highlight strategic implications for hotel managers, owners, and policymakers seeking evidence-based pathways to elevate guest satisfaction in the Indian hospitality landscape.

Keywords: Management Accounting Practices, Customer Satisfaction, Hotel Sector, India, Performance Management, Hospitality Accounting.

1. Introduction

1.1 Context and Background

The Indian hotel industry has, in recent years, become an ecosystem marked by rapid expansion, differentiation, and hybridized modes of service delivery. The sector's trajectory mirrors broader shifts in India's travel culture: rising domestic tourism, inspirational spending among younger consumers, government emphasis on tourism development, and the emergence of niche travel segments such as spiritual tourism, medical travel, and eco-experiential holidays. Major urban centers—Delhi, Mumbai, Bangalore, Hyderabad, and Chennai—continue to dominate business and MICE travel, while traditional leisure destinations such as Goa, Udaipur, Varanasi, and Kochi have been remained through contemporary tourism narratives. This expansion, however, has also intensified competition, compelling hotels to focus not just on outward service appeal but on strengthening their internal decision-making frameworks.

1.2 Changing Nature of Guest Expectations

The modern hotel guest is sharply different from the pre-pandemic traveler. Expectations have become layered and multi-dimensional: guests now place equal weight on hygiene protocols, seamless engagement through mobile interfaces, personalized services tailored to individual histories, and pricing that reflects worth rather than mere affordability. While hotels often associate superior service with front desk courtesy, room ambience, or food quality, the ability to maintain these attributes time after time over time is rooted in the invisible systems that regulate operations. Budgets, cost assessments, staff scheduling efficiencies, and performance tracking frameworks determine whether a hotel can fulfill the promise it communicates to its guests.

1.3 Relevance of Management Accounting Practices (MAPs)

Management Accounting Practices, as articulated in the broader management accounting literature, encompass a suite of tools that allow organizations to plan, control, evaluate, and strategically align capital. In the hotel industry, their application is particularly consequential because hotels operate under fluctuating demand patterns, high fixed cost burdens, and the constant expectation of uniform service quality. MAPs are not merely bookkeeping instruments; they are structural mechanisms that shape how hotels allocate staff, watch

foodstuff and beverage costs, anticipate occupancy cycles, decide on pricing strategies, and assess departmental performance. Even though these mechanisms are seldom recognized by guests, they underwrite the service experiences that guests ultimately evaluate.

1.4 The Research Gap

Despite their meaning, MAPs have seldom been analyzed from the standpoint of customer satisfaction within the Indian hotel context. Existing hospitality research in India has predominantly revolved around service quality models, human resource practices, consumer perception frameworks, and technology taking on. Studies that explore internal managerial systems tend to focus on financial performance or operational outcomes, rarely connecting them to guest satisfaction. This disconnect presents a practical and theoretical gap that this study seeks to address.

1.5 Objectives and Scope

This research aims to connect the internal architecture of hotel operations—captured through MAP adoption—with externally visible guest outcomes, particularly customer satisfaction. By examining the influences of market struggle, technological capability, and hotel scale, the study situates MAPs within the broader environmental context that shapes managerial decision-making in Indian hotels. The findings are expected to contribute to both academic literature and managerial practice by representative how strengthened accounting systems can influence guest experience, even if indirectly.

2. Review of Literature

2.1 Management Accounting Methodologies

Management Accounting Practices are instrument intended to furnish managers with pertinent in sequence for decision-making and oversight. Drury (2015) categorizes MAPs into:

Traditional MAPs

- Budgeting
- Standard costing
- Variance analysis
- Cost–volume–profit analysis

Modern/Strategic MAPs

- Activity-Based Costing

- Balanced Scorecard
- Strategic cost management
- Customer profitability analysis
- Value chain analysis

Given the high fixed costs, fluctuating demand, and labor-intensive operations in hotels, MAPs are essential for optimizing efficiency and minimizing service inconsistencies (Pavlatos & Paggios, 2009).

2.2 Shift from Traditional to Strategic MAPs

Kaplan and Johnson (1987) highlighted boundaries in traditional systems, leading to the evolution of strategic MAPs. Later, Kaplan and Norton (1996) introduced the Balanced Scorecard, incorporating financial and non-financial measures such as customer satisfaction.

For hotels, strategic MAPs:

- Improve department-level profitability
- Strengthen forecasting for occupancy and demand
- Support benchmarking and performance tracking
- Enable real-time insights through dashboard analytics

2.3 Global Perspective on MAPs in Hospitality

International studies show a strong occurrence of MAPs in hotel operations:

- Hotels extensively use budgeting and performance measurement (Guilding et al., 2000).
- MAPs help reduce costs, improve service quality, and support better decision-making (Pavlatos, 2014).
- Real-time analytics strengthen operational responsiveness.

2.4 MAP Adoption in Indian Hotels

Adoption varies significantly:

Large and Chain Hotels

- Have well-trained accounting professionals
- Utilize advanced technologies
- Operate under structured corporate systems

Small and Independent Hotels

- Face skill shortages
- Perceive MAPs as complex or expensive
- Often rely on informal accounting practices

2.5 Customer Satisfaction in the Hotel Sector

Parasuraman et al. (1988) proposed SERVQUAL, which includes reliability, tangibility, responsiveness, assurance, and empathy. Key satisfaction drivers in hotels include:

- Accuracy and speed of service
- Cleanliness and comfort
- Personalized attention
- Food quality
- Perceived value for money

2.6 Linking MAPs to Customer Satisfaction

Although the relationship is indirect, MAPs influence guest satisfaction by enhancing:

- reserve allocation → faster service
- Budgeting ⬜ consistent quality
- Cost management ⬜ affordable pricing
- Performance measurement ⬜ motivated employees
- Maintenance planning ⬜ fewer service failures

This study empirically examines these connections.

3. Objectives of the Study

1. To measure the extent of MAP adoption in Indian hotels.
2. To analyze the influence of competition, skill, and hotel size on MAP utilization.
3. To examine the effect of MAPs on customer satisfaction.
4. To recommend improvements for internal hotel management systems.
5. To develop Indian-context insights for researchers and practitioners.

4. Research Methodology

4.1 Research Design

The study adopts a quantitative, descriptive, and analytical approach using cross-sectional data.

4.2 Population and Sample

Participants were accounting staff and managers representing:

- Metro cities: Delhi, Mumbai, Bengaluru, Chennai
- Tourist hubs: Goa, Udaipur, Jaipur, Kochi
- Tier-2 cities: Agra, Amritsar, Varanasi

Out of 217 distributed questionnaires, 200 valid responses were included.

4.3 Data Collection

A structured questionnaire with a 5-point Likert scale captured information on:

- MAP usage
- Technological adoption
- Market competition
- Hotel size
- Customer satisfaction

Responses were obtained online and in person.

4.4 Data Analysis

- SPSS: reliability and descriptive analysis
- PLS-SEM: hypothesis testing and path modeling
- Structural path analysis assessed direct and indirect relationships

5. Measurement Model: Reliability and Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
MAPs	0.92	0.97	0.71
Customer Satisfaction	0.94	0.97	0.95
IMC	0.91	0.93	0.70
Technology	0.71	0.82	0.54
Hotel Size	—	1.00	1.00

According to Hair et al. (2019), values above 0.70 indicate adequate reliability. AVE values surpassing 0.50 (Fornell & Larcker, 1981) confirm convergent validity. These results demonstrate strong internal consistency and measurement accuracy.

One of the first tasks in analyzing the measurement model is to confirm that each construct is measured accurately and that the items taken together accurately convey the underlying idea. Cronbach's Alpha and Composite Reliability (CR) were the main methods utilized in this study to evaluate reliability, and Average Variance Extracted (AVE) was used to evaluate convergent validity.

Beginning with Management Accounting Practices (MAPs), the construct has a Composite Reliability of 0.97 and a Cronbach's Alpha of 0.92, both of which are significantly higher than the generally recognized cutoff of 0.70. These results show that the MAP-measuring items are internally consistent and work well together. physically powerful convergent validity is suggested by the AVE of 0.71, which further demonstrates that the construct accounts for a sizable amount of the variance in its indicators.

The dependability of customer satisfaction is even better, as seen by its Cronbach's Alpha of 0.94 and CR of 0.97. The very high AVE value of 0.95 suggests that a significant amount of variance is shared by the items used to gauge satisfaction. nearly speaking, this indicates that the scale is accurately measuring the idea, which is in line with earlier studies in the hospitality industry that found that measurement items tend to heavily load on guest satisfaction. The dependability values (Alpha = 0.91, CR = 0.93) for IMC (Market Competition) once more exceed the suggested limits. Strong convergent validity is demonstrated by the AVE of 0.70, which indicates that the construct is accounting for more than two-thirds of the variance in its indicators. Such dependability is essential to provide steady measurement in sectors like hospitality, where managerial decisions are frequently influenced by competitive forces. Although the numbers for the Technology construct are somewhat lower (Alpha = 0.71, CR = 0.82, AVE = 0.54), they are all still within reasonable bounds. In sectors where respondents may be considering a variety of technologies, such as multiple PMS systems, accounting platforms, or digital tools, which can unavoidably result in more diversity in perceptions, the somewhat lower reliability is not unusual. Nevertheless, the build successfully captures over half of the variation of its elements when the AVE value crosses 0.50, meeting the requirements

for convergent validity.

The circumstances with hotel size is distinct. Since hotel size is only one item in the model, Cronbach's Alpha cannot be used to determine internal consistency because it needs many elements. But by definition, a single needle with perfect loadings produces an AVE of 1.00 and a Composite Reliability of 1.00. This basically means that when the construct is objective and unidimensional, it is methodologically permissible to presume that the indicator accurately represents the construct.

All construction, taken together, surpass accepted standards for validity and reliability. As a result, the measurement model offers a burly basis for further structural analysis, ensuring that measurement error has not corrupted the observed correlation among constructs.

6. Analysis and Interpretation

6.1 Market Competition → MAP Adoption

Hotels operating in highly competitive regions—especially metros and tourist hotspots—tend to adopt sophisticated MAPs to maintain efficiency, manage pricing, and enhance service quality.

6.2 Technology → MAP Adoption

Hotels by means of cloud-based accounting systems, PMS tools, ERPs, and digital dashboards show much higher MAP adoption. Technology enables reporting accuracy and ease of decision-making.

6.3 Hotel Size → MAP Adoption

In contrast to findings from Western contexts, hotel size in India is a weak predictor. Many small and mid-scale hotels now use formal accounting practices due to:

- Growing professionalism
- OTA (Online Travel Agency) reporting requirements
- GST compliance and digital invoicing norms

6.4 MAPs → Customer Satisfaction

MAPs contribute to:

- Timely service through better forecasting and staffing
- Consistent cleanliness due to structured planning

- Enhanced F&B quality through cost and waste control
- Improved guest value via optimized pricing
- Greater reliability, leading to repeat business

Thus, MAPs have a direct and positive impact on customer satisfaction.

7. Discussion

The respond highlight MAPs as an important internal mechanism for ensuring high service quality in Indian hotels. As competitive pressure rises, financial sophistication becomes essential for maintaining profitability and client loyalty.

Technological adoption significantly influences MAP uptake, reinforcing the need for digital transformation. Different many international studies, hotel size has less relevance in India, as even smaller hotels increasingly adopt structured systems due to regulatory and marketplace pressures.

By civilizing efficiency, reliability, and value, MAPs enhance customer satisfaction, illustrating that internal accounting systems play a crucial role in shaping external service experiences.

8. Conclusion

The study shows that Management Accounting Practices have a important and positive influence on customer satisfaction in Indian hotels. As guest expectations continue to evolve, hotels must treat MAPs as strategic tools rather than administrative tasks. Effective MAP adoption can:

- Strengthen planning and forecasting
- Improve operational efficiency
- Ensure optimal use of resources
- Enhance service consistency
- Boost customer satisfaction and loyalty

9. Recommendations

For Hotel Managers

- Integrate MAP tools with PMS and ERP systems
- Provide regular staff training on cost control and budgeting
- Adopt customer profitability analysis

For Hotel Owners

- Invest in digital accounting systems
- Encourage data-based decision-making

For Policymakers

- Offer training programs for small hotels
- Promote digital transformation incentives

10. Limitations and Future Scope

- The study relies on self-reported data, which may introduce response bias.
- Only selected cities were covered.

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