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CONSUMER AWARENESS AND PERCEPTION OF SERVICE CHARGES IN RESTAURANTS: AN EMPIRICAL STUDY

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Abstract: Service charges imposed by restaurants have become an important consumer protection issue in India, particularly following the guidelines issued by the Central Consumer Protection Authority (CCPA). Despite increasing public debate, empirical evidence on consumer awareness and perception of service charges remains limited. This study examines consumer awareness and perception regarding service charges in restaurants using primary data collected from **107 valid respondents** through a structured questionnaire. The data were analysed using descriptive statistical tools, namely frequency and percentage analysis.

The findings reveal that while consumers are generally aware of service charges, awareness of consumer rights and the CCPA Guidelines remains relatively low. Respondents strongly favoured transparent billing practices, prior disclosure of service charges, and voluntary payment based on informed consent. The study further found that consumers support clearer differentiation between GST and service charges and favour stronger regulatory oversight to ensure fair billing practices. The study concludes that consumer acceptance of service charges depends primarily on transparency, informed consent, and effective consumer awareness. The findings provide useful insights for policymakers, consumer protection authorities, and restaurant operators in promoting fair and transparent service charge practices.

Key words: Consumer Awareness, Consumer Perception, Service Charges, Restaurants, Consumer Protection, CCPA Guidelines, GST, Restaurant Billing.

1. Introduction

The restaurant industry has experienced remarkable growth over the past few decades, emerging as one of the most dynamic segments of the hospitality sector. Rapid urbanization, changing lifestyles, rising disposable incomes, and increasing consumer preference for dining outside the home have significantly expanded the demand for restaurant services. In today's highly competitive environment, restaurants compete not only on the quality of food but also on service quality, ambience, customer experience, and pricing practices. Consequently, transparency and fairness in restaurant billing have become important determinants of consumer satisfaction and trust. While restaurant bills generally comprise the price of food, beverages, and statutory taxes, they may also include service charges, which have increasingly attracted the attention of consumers and researchers alike.

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Service charges have become one of the most discussed aspects of restaurant billing because consumers often differ in their understanding of their nature and applicability. Unlike statutory taxes, service charges are associated with the services provided by restaurants and have generated considerable debate regarding their transparency, fairness, and voluntary character. Many consumers find it difficult to distinguish service charges from statutory levies such as the Goods and Services Tax (GST), resulting in uncertainty about their rights and obligations while settling restaurant bills. Such lack of clarity may influence consumers' overall dining experience, satisfaction, and trust in restaurant billing practices. As consumer awareness increases and expectations regarding fair business practices continue to evolve, understanding how consumers perceive service charges has become increasingly relevant for both researchers and practitioners.

Consumer awareness is a fundamental prerequisite for informed decision-making and effective consumer protection. In the context of restaurant services, awareness extends beyond knowledge of food quality and service standards to an understanding of various billing components and their implications. At the same time, consumers' perceptions regarding the fairness, transparency, and acceptability of service charges influence their attitudes towards restaurants, satisfaction with the dining experience, and future behavioural intentions. Despite increasing public attention to service charge practices, empirical studies specifically examining consumers' awareness and perception of service charges in the Indian restaurant sector remain limited. This highlights the need for systematic research that can provide evidence on consumers' understanding of service charges and their perceptions towards such billing practices.

Against this backdrop, the present study examines consumers' awareness and perception of service charges in restaurants. Specifically, the study investigates consumers' understanding of the nature and voluntary character of service charges, evaluates their perceptions regarding the fairness and transparency of such charges, and examines the influence of demographic characteristics on consumers' awareness and perception. The study is based on primary data collected through a structured questionnaire administered to restaurant consumers and employs appropriate statistical techniques for data analysis. The findings are expected to contribute to the growing literature on consumer behaviour and consumer protection while providing useful insights for restaurant operators, policymakers, and consumer organisations in promoting transparent, fair, and consumer-friendly restaurant billing practices.

2. Review of Literature

Zeithaml (1988) developed a conceptual framework explaining how consumers evaluate prices based on perceived value rather than actual monetary cost. The study argued that price fairness and value perception significantly influence customer satisfaction and purchase decisions. Although the framework provides a strong theoretical basis for understanding pricing behaviour, it does not specifically address restaurant billing practices or consumers' perception of service charges. Nevertheless, the study remains fundamental in explaining how customers interpret additional charges in service settings.

Xia, Monroe and Cox (2004) comprehensively reviewed the literature on price fairness and concluded that consumers evaluate prices not only on economic grounds but also on perceptions of justice and transparency. The authors reported that unexpected or poorly explained charges reduce customer satisfaction and create perceptions of unfairness. However, the review primarily focused on general pricing decisions and did not examine restaurant service charges as a distinct component of customer billing.

Joung, Choi and Choi (2025) compared consumer perceptions of restaurant surcharges with menu price increases to understand customer responses to different pricing strategies. The study found that customers considered direct menu price increases to be fairer than separate surcharges. Although transparent disclosure improved customer acceptance, it did not completely eliminate negative perceptions towards additional charges. These findings emphasise the importance of transparency in restaurant pricing.

Lee et al. (2026) investigated consumer reactions to unexpected restaurant surcharges and observed that even relatively small surcharges reduced perceived fairness and customers' intention to revisit restaurants. The study suggested that consumers interpret unexpected charges as violations of fair pricing practices. However, it did not examine whether customers understood the legal distinction between statutory taxes and service charges.

Competition and Consumer Protection Commission (2026) examined consumer experiences relating to tipping and additional restaurant charges. The report found that many consumers perceived tipping as gradually becoming compulsory rather than voluntary and recommended clearer disclosure mechanisms and easier options for refusing additional charges. These findings reinforce the need for greater consumer awareness regarding optional service-related payments.

Nguyen et al. (2021) investigated the influence of information transparency on restaurant consumers' willingness to pay. The study concluded that customers were willing to pay higher prices when restaurants clearly communicated pricing information. Transparent billing enhanced trust, customer satisfaction, and perceived fairness, highlighting the importance of complete disclosure in restaurant pricing practices.

The Central Consumer Protection Authority (CCPA) Guidelines clarified that restaurants should not impose service charges automatically or mislead consumers regarding their payment. The guidelines strengthened consumer rights by emphasising transparency and informed consent. While these guidelines provide an important regulatory framework, limited empirical research has examined whether consumers are actually aware of these protections or understand their rights in practice.

The Competition and Consumer Protection Commission's findings together with recent international studies indicate that consumers increasingly expect complete transparency in restaurant billing and oppose hidden or compulsory charges. Despite these developments, existing research remains concentrated on pricing fairness and disclosure practices rather than measuring consumers' awareness of service charges in emerging economies such as India.

Synthesis of Literature

The reviewed studies consistently demonstrate that transparency, fairness, and disclosure are central determinants of consumer perception in restaurant pricing. Foundational theories explain that consumers evaluate prices based on perceived value and fairness, while recent empirical studies confirm that unexpected surcharges reduce customer trust and satisfaction. International evidence further suggests that transparent communication improves acceptance of additional charges, although it does not completely eliminate negative perceptions. Regulatory developments have also strengthened consumers' rights by discouraging compulsory service charges and promoting informed decision-making. Collectively, these studies establish that transparency is essential for maintaining consumer confidence in restaurant billing practices.

Critical Evaluation

Although previous studies have significantly contributed to understanding pricing transparency and consumer fairness perceptions, several limitations remain. Most empirical investigations have been conducted outside India and focus primarily on tipping practices, surcharge disclosure, or general pricing behaviour. Very few studies specifically examine consumers' awareness of restaurant service charges or their ability to distinguish service charges from statutory taxes such as GST. Moreover, the effectiveness of recent consumer protection guidelines in improving awareness has received limited empirical attention.

3. Research Gap

The literature indicates that while substantial research has examined price fairness, transparency, and surcharge disclosure, empirical evidence on consumer awareness and perception of restaurant service charges in India remains limited. Existing studies rarely integrate consumer awareness, pricing transparency, legal understanding, and behavioural perception within a single analytical framework. Furthermore, little research has evaluated consumers' awareness of the CCPA Guidelines or their influence on restaurant billing practices. Therefore, the present study seeks to examine consumers' awareness and perception of service charges in Indian restaurants and contribute empirical evidence to support consumer protection and transparent pricing policies. The present study attempts to bridge this gap by providing empirical evidence from Indian restaurant consumers.

4. Statement of the Problem

Restaurant service charges have become a subject of increasing concern among consumers due to inconsistent billing practices and ambiguity regarding their legal status. Although the Central Consumer Protection Authority (CCPA) has clarified that service charges are not mandatory, many consumers continue to confuse them with statutory taxes such as GST and often pay them without fully understanding their rights. This situation raises concerns about consumer awareness, pricing transparency, and informed decision-making.

Previous studies have primarily focused on price fairness, tipping behaviour, and restaurant pricing strategies. However, limited empirical evidence is available on consumers' awareness and perception of service charges in the Indian restaurant industry, particularly in the context of recent regulatory developments. Therefore, there is a need to examine the level of consumer awareness, assess consumer perceptions towards service charges, and provide empirical evidence that can support transparent billing practices and strengthen consumer protection.

5. Objectives

1. To examine consumers' awareness regarding service charges in restaurants.
2. To assess consumers' perception of the fairness and transparency of service charges in restaurants.
3. To analyse consumers' knowledge regarding the voluntary nature of service charges.

6. Research Methodology

The present study adopts a **descriptive research design** to examine consumer awareness and perception regarding service charges in restaurants. The study is based on **primary data** collected through a structured questionnaire administered using Google Forms. A **convenience sampling technique** was employed, and a total of **114 responses** were received. After excluding **seven invalid responses** based on the screening question, **107 valid responses** were considered for analysis.

The questionnaire comprised three sections covering respondents' demographic profile, consumer awareness, and consumer perception regarding service charges. Relevant secondary data were collected from research articles, books, government reports, and the CCPA Guidelines to support the study. The collected data were analysed using **frequency and percentage analysis**, and the results are presented through tables and figures.

7. Results and Discussion

A total of **114 responses** were received through the online questionnaire. After excluding **seven respondents** who failed the screening criterion (i.e., respondents who had not visited a restaurant during the reference period), the final sample comprised **107 valid responses**. The collected data were analyzed using **frequency and percentage analysis**, and the findings are presented under three broad themes: **respondent profile, consumer awareness, and consumer perception**.

7.1 Respondent Profile

Table 1. Demographic Profile of Respondents (N = 107)

Variable	Category	Frequency	Percentage
Gender	Female	70	65.42
	Male	36	33.64
	Prefer not to say	1	0.94
Age	20–30 years	10	9.35
	31–40 years	35	32.71
	41–50 years	36	33.64
	Above 50 years	26	24.30
Restaurant Visit Frequency	Weekly	12	11.21
	Monthly	35	32.71
	Occasionally	48	44.86
	Rarely	12	11.21

Interpretation

The sample consisted predominantly of **female respondents (65.42%)**, while the largest age groups were **31–40 years (32.71%)** and **41–50 years (33.64%)**, indicating that the study primarily reflects the opinions of mature consumers. Nearly **45%** of respondents visited restaurants **occasionally**, followed by **32.71%** who visited monthly. This indicates that the findings are based on consumers with regular restaurant experience and are therefore appropriate for assessing awareness and perception regarding service charges.

7.2 Consumer Awareness Regarding Service Charges

Table 2. Consumer Awareness of Service Charges (N = 107)

Statement	Dominant Response	Percentage
Aware of service charges	Yes	89.72
Service charge is not mandatory	Yes	54.21

Statement	Dominant Response	Percentage
Aware of the right to refuse payment	Yes	57.94
Aware of CCPA Guidelines	No	76.64
Noticed service charge on restaurant bill	Yes	87.85
Requested removal of service charge	No	65.42

Interpretation

The findings indicate that respondents were generally **aware of service charges**, with nearly **90%** reporting familiarity with the practice. However, awareness of **consumer rights** was comparatively lower. Although more than half knew that service charges are voluntary and that consumers may refuse payment, a considerable proportion remained unaware of these rights. The most significant finding is that **76.64% of respondents were unaware of the CCPA Guidelines**, suggesting a substantial gap between regulatory measures and public awareness. Furthermore, while most respondents had noticed service charges on restaurant bills, relatively few had requested their removal, indicating that awareness does not always translate into consumer action.

7.3 Consumer Experience with Service Charges

Table 3. Consumer Experience and Billing Practices (N = 107)

Statement	Dominant Response	Percentage
Usually pay service charge without questioning	Always	54.21
Main reason for payment	Good service deserves appreciation	47.66
Understand GST and service charge are different	Yes	75.70
Able to distinguish GST and service charge on the bill	Yes	58.88
Experienced confusion while reading restaurant bill	No	62.62

Interpretation

More than half of the respondents indicated that they **usually pay service charges without questioning**, demonstrating a tendency to accept restaurant billing practices. The primary reason cited was appreciation for good service, although a sizeable proportion also believed that service charges were compulsory. Encouragingly, three-fourths of the respondents correctly distinguished GST from service charges. Nevertheless, around two-fifths either experienced confusion or were uncertain while interpreting restaurant bills, highlighting the need for simpler and more transparent billing formats.

7.4 Consumer Perception towards Service Charges

Table 4: Consumer Perception Regarding Service Charges (N = 107)

Statement	Agree / Strongly Agree (%)
Service charges should always remain optional	84.11
Restaurants should disclose service charge policy before ordering	88.79

Statement	Agree / Strongly Agree (%)
Service charges improve service quality	55.14
Charging service charges without customer consent is unfair	89.72
Consumers should have complete freedom to decide whether to pay	83.18
Government should strictly regulate service charge practices	88.78

Interpretation

Respondents demonstrated a strong preference for **transparency, informed consent, and consumer choice**. More than four-fifths agreed that service charges should remain optional and that consumers should have complete freedom to decide whether to pay them. An overwhelming majority also favoured prior disclosure of service charge policies and considered charging service fees without customer consent to be unfair. Similarly, respondents expressed strong support for stricter government regulation, reflecting public expectations for fair and transparent billing practices. In contrast, opinion regarding the relationship between service charges and improved service quality was comparatively moderate, indicating that consumers do not necessarily associate higher service quality with the imposition of service charges.

7.5 Overall Discussion

The empirical findings reveal that consumers are generally familiar with service charges but possess only partial awareness of their legal rights. The study demonstrates that awareness acquired through restaurant experiences has not been matched by awareness of consumer protection regulations, particularly the CCPA Guidelines. While respondents largely recognised the distinction between GST and service charges, misconceptions regarding the mandatory nature of service charges continue to exist.

The perception analysis clearly indicates that consumers are not opposed to service charges in principle. Instead, they expect restaurants to adopt **transparent billing practices**, clearly disclose service charge policies before accepting orders, and respect consumers' right to make an informed choice. The strong support for voluntary payment and government regulation suggests that consumer confidence can be strengthened through greater transparency and improved dissemination of regulatory information.

8. Major Findings

The major findings of the study are summarized as follows:

1. Consumer awareness of service charges was high, with 89.72% of respondents reporting that they were aware of service charges levied by restaurants. This indicates that service charges have become a familiar component of restaurant billing practices.
2. Awareness of consumer rights was comparatively low. Although respondents were generally aware of service charges, 76.64% were unaware of the CCPA Guidelines, revealing a significant gap between regulatory initiatives and public awareness.
3. Most respondents had observed service charges on restaurant bills, yet only a small proportion had requested their removal. This suggests that awareness does not necessarily translate into the exercise of consumer rights.

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4. Consumer understanding of restaurant billing remains incomplete. While a majority recognised that GST and service charges are different, a considerable number of respondents continued to experience confusion when interpreting restaurant bills.
5. Consumers strongly supported voluntary payment of service charges. More than four-fifths of the respondents agreed that service charges should remain optional and that consumers should have the freedom to decide whether to pay them.
6. Transparency emerged as the most important expectation of consumers. An overwhelming majority believed that restaurants should clearly disclose their service charge policy before customers place an order, emphasising the importance of informed decision-making.
7. Respondents considered mandatory service charges without customer consent to be unfair. The findings demonstrate strong consumer preference for ethical billing practices based on transparency, prior disclosure, and informed consent.
8. Consumers favoured stronger regulatory oversight. Most respondents supported stricter government regulation of service charge practices, indicating public confidence in regulatory intervention to ensure fairness and consumer protection.
9. Overall consumer acceptance depended on transparency rather than the existence of service charges. The study found that respondents were generally willing to accept service charges when they were clearly disclosed, voluntary, and accompanied by transparent billing practices.

9. Conclusion

The study examined consumer awareness and perception regarding service charges in restaurants using responses from **107 valid respondents**. The findings indicate that while consumers are generally aware of service charges, awareness of consumer rights and the **CCPA Guidelines** remains limited. Many respondents also reported uncertainty regarding restaurant billing practices, particularly the distinction between GST and service charges.

The study further reveals that consumers strongly prefer **transparent and voluntary** service charge practices. Most respondents believed that restaurants should clearly disclose their service charge policy before accepting orders and thatcustomers should have the freedom to decide whether to pay service charges. The findings also demonstrate strong public support for greater regulatory oversight to ensure fair and transparent billing practices.

Overall, the study concludes that consumer acceptance of service charges depends largely on **transparency, informed consent, and effective consumer awareness**. Strengthening public awareness and encouraging ethical billing practices can improve consumer confidence while reducing disputes relating to restaurant service charges.

10. Policy Implications

Based on the findings of the study, the following policy implications are suggested:

1. **Restaurants should clearly disclose** their service charge policy on menus, digital platforms, and bills before customers place an order.
2. **Consumer awareness campaigns** should be strengthened by the Central Consumer Protection Authority (CCPA) and consumer organisations to improve public understanding of service charges and consumer rights.

3. **Restaurant bills should clearly distinguish** between GST and service charges to minimise consumer confusion and improve billing transparency.
4. **Restaurant staff should be trained** to explain service charge policies accurately and address customer queries in a transparent manner.
5. **Regulatory authorities should continue monitoring** compliance with consumer protection guidelines to promote fair trade practices and strengthen consumer confidence.

11. Limitations of the Study

The study has the following limitations:

1. The study is based on **107 valid respondents**, which may not fully represent the views of all restaurant consumers in India.
2. The findings are based on **self-reported responses**, which may be influenced by respondents' personal experiences and perceptions.
3. The study focuses only on **consumer awareness and perception** and does not examine the perspectives of restaurant owners or employees.
4. The study uses **descriptive statistical techniques**; therefore, the findings describe consumer opinions but do not establish causal relationships.

12. Scope for Future Research

Future research may focus on the following areas:

1. Conduct similar studies with **larger and more diverse samples** across different regions of India.
2. Compare consumer awareness and perception across **different categories of restaurants**, such as quick-service, casual dining, and fine dining.
3. Examine the perspectives of **restaurant owners and employees** regarding service charge practices and consumer expectations.
4. Evaluate the impact of **consumer awareness programmes and regulatory interventions** on consumer behaviour and restaurant billing practices.

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