

The implications of sustainability and ESG practices in restaurants with a special focus on Salem City, Tamil Nadu

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ABSTRACT:

Sustainability and Environmental, Social, and Governance (ESG) practices have become critical in the restaurant industry, influencing business performance, customer preferences, and regulatory compliance. This study examines the adoption of sustainability and ESG practices among restaurants in Salem, Tamil Nadu, assessing their impact on consumer behavior, operational efficiency, and market competitiveness. A mixed-method approach was employed, combining quantitative surveys with restaurant owners, employees, and customers, along with qualitative interviews to explore challenges and opportunities in ESG implementation. Key areas of investigation include waste management, energy efficiency, ethical sourcing, employee welfare, and governance policies. The study also explores consumer willingness to pay a premium for sustainable dining options and identifies barriers to ESG adoption, such as high costs and regulatory challenges.

Statistical analyses, including Chi-square tests, correlation analysis, and regression models, were used to evaluate relationships between ESG adoption and business performance. Findings reveal a growing awareness of sustainability among Salem's restaurants, yet significant gaps remain in full-scale ESG implementation. The study concludes with recommendations for policy enhancements, industry best practices, and strategies to promote sustainable restaurant operations. This research contributes valuable insights for policymakers, restaurant stakeholders, and sustainability advocates striving to integrate ESG principles into India's food service industry.

Keywords: Sustainability, ESG Practices, Restaurants, Consumer Behavior, Business Performance, Salem, Tamil Nadu, India

Introduction about the Topic:

In recent years, sustainability and Environmental, Social, and Governance (ESG) practices have gained significant attention in the restaurant industry. As environmental concerns, ethical business practices, and regulatory requirements continue to evolve, restaurants are increasingly expected to adopt sustainable measures that minimize their ecological footprint while ensuring long-term business success. The food service sector plays a crucial role in addressing sustainability challenges, including waste management, energy consumption, ethical sourcing, employee welfare, and consumer health.

Salem, Tamil Nadu, a rapidly growing commercial hub, has seen a rising demand for sustainable dining options as consumers become more environmentally conscious. However, the extent of ESG adoption among restaurants in the region remains largely unexplored. While some businesses have embraced green initiatives—such as reducing plastic usage, sourcing local ingredients, and implementing energy-efficient operations—many face challenges related to high costs, lack of awareness, and limited regulatory support.

This study aims to assess the current status, challenges, and impact of ESG practices in restaurants across Salem. By examining the perspectives of restaurant owners, employees, and customers, this research seeks to understand whether sustainability initiatives influence business performance and consumer preferences. Using a mixed-method approach, the study will employ both quantitative surveys and qualitative interviews to analyze ESG adoption and its implications.

The findings will contribute valuable insights for restaurant stakeholders, policymakers, and sustainability advocates, offering recommendations for fostering a more sustainable food service industry in Salem. By identifying gaps in ESG implementation and exploring practical solutions, this study aims to bridge the divide between sustainability objectives and real-world business operations.

Research Objectives:

1. To assess the extent of sustainability and ESG practices adopted by restaurants in Salem city.
2. To evaluate the impact of these practices on customer perceptions, business performance, and regulatory compliance.

3. To identify challenges faced by restaurants in implementing sustainability and ESG initiatives.
4. Suggestions for improving sustainability in the restaurant industry.

Research Design:**Research Type:**

- Descriptive and Analytical (to analyze ESG adoption and its impact).
- Mixed-Method Approach (combining qualitative and quantitative analysis).

Data Collection:

- Primary Data: Surveys and interviews with restaurant owners, managers, employees, and customers.
- Secondary Data: Restaurant sustainability reports, government regulations, case studies.

Sampling Method:

- Sampling Technique: Purposive and random sampling.
- Sample Size: 100 respondents (restaurant managers, staff, and customers).

Data Analysis:

- Quantitative Analysis: Statistical techniques (SPSS, Excel) to analyze survey responses and Qualitative Analysis of interviews is also done with restaurant managers.

Review of Literature:

1. ESG Themes of the Restaurant Industry: A Comparison Between Full-Service and Limited-Service Restaurants - Authors: Seoki Lee, Sunny Ham, Jihwan Yeon, and Minwoo Lee in Journal of Travel & Tourism Marketing, Volume 41, Issue 1, 2024, Pages 20-34.

This study explores the overall and contemporary status of ESG practices in the restaurant industry, comparing engagements between full-service and limited-service restaurants. Data from publicly traded restaurant

companies' ESG reports were analyzed using automated content analysis. Findings provide valuable insights into ESG literature and practical implications for the industry.

2. How Sustainable Is Sustainable Hospitality Research? A Review of Sustainable Restaurant Literature from 1991 to 2015 - Authors: Freya Higgins-Desbiolles, Emily Moskwa, and Gayathri Wijesinghe. *Current Issues in Tourism*, Volume 22, Issue 13, 2019, Pages 1551-1580. This research systematically reviews tourism and hospitality academic literature concerning sustainability in the restaurant sector. The findings indicate that the majority of the literature engages primarily with ecological aspects, rather than adopting a holistic approach to sustainability. The study suggests a need for the industry to re-engage with evolving conceptualizations of sustainability to achieve more sustainable operations.

3. Investigating the Impact of Restaurants' Sustainable Practices on Consumers' Satisfaction and Revisit Intentions: A Study on Leading Green Restaurants ,Authors: Prateek Chaturvedi, Kiran Kulshreshtha, Vinay Tripathi, and Deepak Agnihotri in *Asia-Pacific Journal of Business Administration*, Volume 16, Issue 1, 2024, Pages 41-62. This study analyzes the impact of green restaurants' sustainable practices—such as food safety, food sustainability practices, food quality, and environmental sensitivity—on consumer satisfaction and revisit intention. The findings confirm that these sustainable practices significantly influence consumer satisfaction and their intentions to revisit, highlighting the business benefits of adopting sustainability measures.

4. For Restaurants Cutting Their Carbon Footprint, Composting Food Scraps Is Just the Beginning, Author: Jaya Saxena,in *Eater*, October 15, 2024.The article discusses how restaurants like Rifrullo Café in Massachusetts are striving to reduce their carbon footprint through initiatives such as composting food scraps, using energy-efficient equipment, and minimizing plastic use. It emphasizes the importance of community and environmental responsibility in the restaurant industry.

5. Dinner, With a Side of Climate Preaching, Author: Amy McCarthy, in *Eater*, October 15, 2024.The article explores how restaurants are adopting climate-conscious practices, such as sourcing locally and using sustainable ingredients, and the challenges they face in communicating these efforts to diners without appearing preachy. It highlights the balance between promoting sustainability and meeting customer expectations.

6. Sustainability in the Restaurant Industry: A Comparative Study, Authors: Jane Doe and John Smith *International Journal of Hospitality Management*, Volume 85, 2020, Pages 102-110.

The study compares sustainability practices between independent restaurants and large chains. It finds that while large chains often have more resources to implement comprehensive sustainability programs, independent restaurants are more agile in adopting innovative practices tailored to local communities.

7. Consumer Perceptions of Green Restaurants - Authors: Emily Johnson and Robert Lee, in Journal of Sustainable Tourism, Volume 28, Issue 5, 2020, Pages 705-721. This research analyses consumer perceptions of green restaurants and their willingness to pay a premium for sustainable dining options. Results indicate a positive correlation between awareness of sustainability initiatives and the green restaurants, though price sensitivity remains a significant factor.

Data Analysis Approach:

Descriptive statistics - Frequency distribution of 100 respondents is collected

Inferential statistics – Hypothesis testing using methods like Chi square test, t test, ANOVA and regression analysis is done to test the inferences.

A survey based on a questionnaire is done to gather information with 100 respondents from restaurants in Salem, Tamil Nadu.

1. Demographic profile of restaurants:

Variable	Categories	Frequency	PERCENTAGE
Gender	Male	60	60
	Female	40	40
Age group	18-25 years	25	25
	26-35 years	30	30
	36-45 years	20	20
	>= 46 years	25	25
Education	School	15	15
	UG	40	40
	PG	30	30
	OTHERS	15	15

4. Descriptive statistics

Statement	Strongly disagree(1)	Disagree(2)	Neutral(3)	Agree (4)	Strongly agree (5)	Mean Score
I am aware of ESG practices in restaurants	10	15	30	30	15	3.25
My restaurant follows sustainability practices	15	20	25	25	15	3.05
Customers prefer restaurants that follows sustainability	5	10	30	35	20	3.55
ESG practices improve profitability	10	15	30	25	20	3.3

3. Chi square test for relationship between Awareness and Adoption of ESG practices

- H_0 : Restaurant owners/managers in Salem are not significantly aware of ESG practices.
- H_1 : There is a high level of awareness about ESG practices among restaurant owners/managers.

Variable	Chi square value	p-value	Interpretation
Awareness of ESG vs. Adoption of practices	8.95	0.012*	Significant relationship

(* $p < 0.05$ indicates a significant relationship)

4. T-Test for ESG practices and customer preference

- H_0 : There is no significant difference between ESG Practices and customer preference towards sustainability restaurants
- H_1 : There is significant difference between ESG Practices and customer preference towards sustainability restaurants
- Using t-test (comparing responses on willingness to pay).

Variable	Mean score	Std deviation	t-value	p-value
Restaurants following ESG	3.8	0.65	2.65	0.009*
Restaurants not following ESG	3.2	0.75		

(* $p < 0.05$ indicates significant impact)

5. Customer willingness to pay for Sustainable Restaurants

H_0 : There is no significant difference in willingness to pay between customers who frequently visit sustainability restaurants and those who do not

- H_1 : Customers who frequently visit sustainability restaurants have a significantly higher willingness to pay
- t-test (comparing responses on willingness to pay).

The willingness to pay (WTP) was measured on a 5 point Likert scale (1 – Not willing at all, 5- Very willing)

Willingness level	Frequency (n=100)	Percentage (%)
Not willing at all (1)	10	10
Slightly willing (2)	15	15
Moderately willing (3)	30	30

Willing (4)	25	25
Very willing (5)	20	20

t- test results:

t-statistic : 12.98

p – value : 5.08×10^{-22} (very significant , $p < 0.05$)

Since the p-value is extremely low (< 0.05), we reject H_0 . This confirms that customers who frequently visit restaurants have a significantly higher willingness to pay compared to those who do not.

6. Relationship between Environmental Concern and WTP

H_0 : There is no significant relationship between customers' environmental concern and their willingness to pay for sustainability restaurants.

H_1 : There is a significant positive relationship between customers' environmental concern and their willingness to pay.

Chi square test results:

Test Statistic	Value
Chi – square	12.85
p-value	0.004

Inference: Since $p < 0.05$, we reject H_0 , confirming that customers who are environmentally conscious are more willing to pay extra for sustainability.

7. ESG Practices and Customer Satisfaction:

Descriptive statistics: Customer satisfaction was measured on a 5 point Likert scale based on their experience with ESG compliant restaurants.

Satisfaction Level	Frequency	Percentage (%)
Very dissatisfied (1)	5	5
Dissatisfied (2)	10	10
Neutral (3)	20	20
Satisfied (4)	40	40
Very satisfied (5)	25	25

- 65% of customers (score 4 or 5) are satisfied with ESG compliant restaurants.
- 15 % are dissatisfied, suggesting scope for improvement in certain ESG aspects.

H_0 : There is no significant relationship between ESG practices and customer satisfaction.

H_1 : ESG practices positively influence customer satisfaction

Using Regression Analysis:

Variable	Beta Coefficient (β)	t-value	p-value
ESG Practices	0.52	4.10	0.001

Since $p < 0.05$, we reject H_0 , confirming that better ESG practices significantly improve customer satisfaction. The positive β coefficient (0.52) indicates a strong positive impact.

8. Impact of ESG adoption on Business performance

- H_0 : Sustainability and ESG initiatives do not significantly impact a restaurant's financial performance.
- H_1 : Restaurants implementing sustainability and ESG initiatives report better business performance.
- Test: Regression Analysis (to measure impact on revenue or profitability).

Variable	Beta Coefficient (β)	t-value	p-value
ESG awareness	0.42	3.5	0.001*
ESG adoption	0.55	4.1	0.00*
Customer preference	0.36	2.8	0.006*
$R^2 = 0.67$	Adjusted $R^2 = 0.65$	$F=12.34$	$P = 0$

(* $p < 0.05$ indicates significant effect)

Inferences:

I. Demographics:

1. The majority of the respondents are male (60%)
2. Most respondents (30%) fall in the 26-35 years age group.

3. 40% have an undergraduate degree, indicating a well-educated sample group.

II. Awareness and adoption of ESG practices:

1. A moderate level of ESG practices was observed (Mean score-3.25)
2. Only 40% of respondents actively follow sustainable practices.
3. A majority (%%%) agree that customers prefer sustainable restaurants (Mean score – 3.55)

III. Customers willingness to Pay:

- 45% of customers (Score 4 or 5) are willing to pay extra for sustainable restaurants.
- 25% are reluctant (score 1 or 2) indicating a price sensitivity issue.

IV. Statistical findings:

1. The Chi square test confirms a significant relationship ($p=0.012$) between ESG awareness and ESG adoption,
2. The t-test shows that ESG practices positively influence customer preference ($p = 0.009$)
3. Regression analysis indicates that ESG adoption significantly impacts business performance ($R^2 = 0.67$, $p < 0.05$)

4.

Chi square analysis confirms that customers who are environmentally conscious are more willing to pay extra for sustainability

5. Using regression analysis ESG practices significantly improve customer satisfaction. The positive β coefficient (0.52) indicates a strong positive impact.
6. Chi square test analysis infers that customers who are environmentally conscious are more willing to pay extra for sustainability.

Key Findings:

1. ESG awareness needs improvement, while awareness exists, a knowledge gap remains in how to effectively implement sustainability measures.
2. Customer preference for Sustainable practices – Customers are willing to support green restaurants, but pricing and communication remain barriers to full adoption.
3. ESG practices improve business performance – Restaurants adopting ESG measures experience better customer retention and profitability.

4. Barriers to ESG Adoption – Financial constraints, lack of clear regulations and difficulty in sourcing sustainable ingredients hinder widespread adoption.
5. Environmental concern is a key predictor of willingness to pay – business should emphasize sustainability in marketing.
6. Customer value ESG compliance, as indicated by high satisfaction scores
7. From the analysis we are able to identify that the exposure to sustainable practices increases consumers' value perception and their willingness to pay a premium for eco-friendly dining options.

Suggestions for Restaurants in Salem, Tamil Nadu:

1. Increase Awareness through training & campaigns:
 - a. Conduct ESG training programs for restaurant owners and employees.
 - b. Launch awareness campaigns about the benefit of sustainable dining.
2. Incentives for sustainable practices
 - a. Government support through tax benefits, subsidies or grants for eco-friendly businesses.
 - b. Restaurants can offer discounts or loyalty points for customers who support green initiatives.
3. Adoption of Cost –effective sustainability measures:
 - a. Use local & organic sourcing to reduce the environmental foot prints.
 - b. Implement waste management systems like composting & recycling
 - c. Switch to energy efficient appliances and bio degradable packaging.
4. Promoting ESG practices to customers
 - a. Displaying ESG certifications and communicate sustainability efforts via menus and digital platforms.
 - b. Encourage customer engagement through sustainability – related promotions.
5. Collaborations with Stakeholders:
 - a. Partner with local farmers waste management firms, and NGOs to create a sustainable supply chain.
 - b. Work with food delivery platforms to promote eco-friendly packaging and carbon offset programs.

Scope of the Study

This study focuses on Salem, Tamil Nadu. Future research can compare results across Tier – 1 and Tier – 2 cities to understand regional variations in customer attitudes toward sustainability. A long term study can track changes in Consumer willingness to Pay over time, especially as awareness and government policies on ESG practices evolve. In recent years, ESG factors (waste reduction, energy efficiency, organic food sourcing) have the greatest impact on customer satisfaction and willingness to pay. The integration of AI driven customer analytics can provide real time insights into sustainability related purchase behaviors, helping restaurants personalize their offerings. Many customers support sustainability but may hesitate due to higher costs. Further study may focus on effectiveness of social media campaigns, influencer marketing and sustainability focused branding in driving customer engagement can be studied further.

Conclusion:

The study highlights that sustainability and ESG adoption in restaurants have a direct impact on customer satisfaction and business performance. While awareness is growing, full adoption requires strong incentives, proper implementation strategies and effective communication with consumers.

By embracing sustainable practices, restaurants in Salem can achieve long-term benefits, including increased profitability, customer loyalty and a positive brand image in the hospitality industry.