
Impact of GST 2.0 on Consumer Buying Behaviour for Entry-Level Vehicles in Chhattisgarh.

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Abstract:

The Introduction of the Goods and Services Tax (GST) in India marked a significant milestone in the country's duty reform trip. The posterior emendations, including GST 2.0, have further meliorated the duty structure, aiming to ease compliance and reduce duty burdens. This paper examines the impact of GST 2.0 reforms on the Automobile industry, a sector that has witnessed significant changes in duty structures over time. The Automobile Industry is a swiftly growing and most promising sector, poised to drive further growth in India. India's automotive industry is a hustler, contributing around 7.1% to the Country's GDP and a whopping 49 to its manufacturing GDP. This sector is a massive employment creator, supporting millions of jobs directly and indirectly, and has strong links to other crucial industries like steel, electronics, and IT. It's also driving invention, particularly in green mobility, and playing a pivotal part in shaping India's profitable geography. India is presently witnessing major reforms in its taxation system and profitable programs. India's growth rate is veritably high, and by 2030, it's anticipated to become the world's third-largest economy. The 56th GST Council Meeting has deferred what many are calling GST 2.0, a corner reform effective from September 22, 2025. Lower vehicles get cheaper, compliance gets lighter, and luxury vehicles eventually have a single, clearer duty label. This paper analyses the benefits of these changes on the automobile industry, focusing on passenger vehicles, marketable vehicles, and two-wheelers. We examine the impact on vehicle pricing, industry growth and the overall competitiveness of the sector.

Keywords: Automobile, Vehicles, CGST, SGST, IGST and UTGST.

Introduction:

The GST 2.0 reforms, effective from September 2025, have streamlined India's tax structure into mainly three slabs: 5% for essentials, 18% for standard goods and services, and 40% for luxury and sin goods. This overhaul simplifies compliance and aims to boost economic growth. These changes, effective from September 22, 2025, address inverted duty structures, enhance input tax credit flow, and streamline compliance for businesses. In the automobile industry, a key economic driver contributing 7.1% to GDP, GST 2.0 lowers rates on small cars to 18%, maintains 5% for electric vehicles (EVs), and eliminates compensation cess, reducing overall vehicle prices. Post-supply discounts and risk-based refunds (90% provisional for low-risk taxpayers) ease liquidity and reduce litigation for manufacturers. This rationalization fixes compliance pain points, particularly for MSMEs in auto components. Lower taxes on small cars and bikes have spurred demand, with Maruti Suzuki reporting a 50% booking surge and 30,000 deliveries on launch day. Festive sales rose 10-15% in Q4 2025, boosting production, jobs in manufacturing, dealerships, and logistics. EVs benefit from aligned incentives like reduced duties on batteries, supporting India's 40% EV market share goal by 2030. Price reductions enhance affordability, increasing consumer purchasing power and formalising supply chains.

The Indian automotive sector, which contributes 7.1% to the national GDP, experienced prolonged stagnation between 2019 and 2024 due to prohibitive taxation. In September 2025, GST 2.0 restructured automotive levies from 28% plus cess (up to 22%) to a simplified 18% for mass-request vehicles and 40% for ultra-expensive parts. The four-month observation reveals a substantial market reorientation that coincides with the implementation of reform. Passenger vehicle wholesales shifted from -8.8% year-on-year in August 2025 to +26.8% in December 2025.

The implementation of **GST 2.0** on September 22, 2025, has significantly boosted the demand for entry-level vehicles in Chhattisgarh by lowering the tax burden from **29-31% down to a flat 18%**. This reform has primarily benefitted first-time buyers and rural consumers, driven record-breaking sales and reduced the on-road cost of popular small cars and commuter bikes. The GST 2 reforms

have brought about several changes, including revised tax rates, altered input tax credit (ITC) structures, and streamlined compliance procedures.

Objectives:

- To evaluate Automobile owners' perception and behaviour about the purchase and use of automobiles.
- To identify and analyse the factors influencing the purchase and use of automobiles.
- To identify and analyse the factors influencing the Consumer Buying Behaviour for Entry-Level Vehicles.

Hypothesis:

- To evaluate Automobile owners' perception and behaviour about the purchase and use of automobiles.

H₀: There is no relationship between GST and sales.

H₁: There is a relationship between GST and sales.

- To identify and analyse the factors influencing the purchase and use of automobiles.

H₀: There is no relationship between GST and Buying Decisions.

H₁: There is a relationship between GST and Buying Decisions.

- To identify and analyse the factors influencing the Consumer Buying Behaviour for Entry-Level Vehicles.

H₀: There is no relationship between GST and purchase behaviour.

H₁: There is a relationship between GST and purchase behaviour.

STATEMENT OF THE PROBLEM

The automotive industry in India is a massive enterprise that manufactures a significant quantity of cars and motorcycles each year to meet the demands of the country's large population. The automobile sector in India ranks among the largest globally. This industry plays a crucial role in the nation's economy, contributing 7.1% to the Gross Domestic Product (GDP). India ranks as one of the largest producers of tractors globally, holds the position of the second largest manufacturer of two-wheelers, is the second largest bus manufacturer, the fifth largest heavy truck producer, the sixth largest car manufacturer, and the eighth largest commercial vehicle manufacturer. As part of the Automotive Mission Plan 2026, the objective is to elevate the Indian automotive sector to one of the top three in vehicle and component manufacturing, engineering, and exports worldwide, with an expectation to contribute 12 per cent to India's GDP in the coming decade.

The Two-Wheeler category dominates the Indian Automobile market with an 80% share, driven by a burgeoning middle class and a youthful population, while the Passenger Vehicle (PV) category accounts for 14 per cent of the market. India also stands out as a significant auto exporter, and automobile manufacturers are increasingly targeting rural areas, which will further enhance the sector's growth in the near future. Currently, the tax structure for this sector includes various taxes such as excise, VAT, sales tax, road tax, motor vehicle tax, and registration fees for cars and bikes, all of which will be integrated into GST.

REVIEW OF LITERATURE

Kumar R (2016) has identified the impact of GST on the Indian Economy with an evaluation of GST and the preceding taxation system, and has shown how to recover input taxes easily in the form of tax credits.

Lourdunathan F and Xavier P (2016) have highlighted the challenges of implementing GST, stating that GST will bring a 'one nation, one tax' system that will eliminate producers and consumers from multiple taxes.

Neelavathi K., Sharma R. (2017) identified the impact of GST on the automobile industry. The study concluded that the automobile industry can develop into one of the important contributors to the country's economic growth, as well as help in growing employment opportunities. They were

fruitfully able to analyse different tax rates levied on vehicles during the pre- and post-period. Ms Charmi Karia: A Study on the Impact of GST on the Automobile Sector in India.

Jain T., Agrawal, Goyal A (2017) asserted that the impact of GST on the real estate and automobile sector, the study recommends that the real estate and automobile sector can increase from GST if they are appropriately furnished for the transformations in the business environment.

Chaudhri K., Kour M., Singh S. (2016) stressed that a study on the impact of GST after its implementation, the study revealed that GST helps to dispose of multiple taxation, it will reduce the burden; at present, imported and Indian goods are taxed at the same rate. Many indirect taxes, like sales tax and VAT, are abolished because there will be one tax system.

Kharde S.D. (2017) has noted the impact of GST on the Indian automobile industry. The paper enclosed the overall impact of GST policy on the automobile sector in India and made a comparative study between the pre-tax policy and the GST on the automobile industry. The author also concluded on the impact of GST on the economic development of the country.

Agog Mawali (May 2014) considered, "Goods and Services Tax- An Appraisal" and found that GST isn't good for low-salary nations and does not give wide-based development to poor nations. On the off chance that these nations still need to implement GST, then the rate of GST ought to be under 10% for development.

Garg (2014) contemplated "Fundamental Concepts and Features of Good and Services Tax in India" and found that a tax is certainly not voluntary payment or donation, however an implemented commitment, claimed as per authoritative expert" and is any commitment forced by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name. All sectors of the economy, whether the industry, business, including Govt divisions and the services sector, will need to endure the effect of GST. All areas of the economy, viz., enormous, medium, small-scale units, mediators, shippers, exporters, brokers, experts and consumers will be directly influenced by GST.

NEED FOR THE STUDY

This study was based on the Goods and Services Tax, which may have a positive impact on the automobile industry in the long run, since the government has already set the tax rate in the current financial budget. There are chances of the same happening in future, which will bring growth in the automobile sector.

SCOPE OF THE STUDY

An automobile has become a necessity and forms a part of life. Therefore, there is a significant scope to examine the perception and purchase behaviour of the consumers of automobiles. Knowledge of the buying behaviour of the different market segments helps a seller to select their target segment and evolve marketing strategies to increase sales. Advertisers and marketers have been trying to discover why consumers buy and what they buy. This study tries to analyse the influence of perception in the consumer's mind and how this information can be used successfully by marketers to gain entry into the minds of consumers. The compass of this exploration has a veritably good future.

RESEARCH METHODOLOGY

Research methodology is needed for the purpose of framing the research process and designing tools that are to be used for the project's purpose. More specifically, it's about systematically designing a study to ensure valid and reliable results that address the research aims and objectives. Our research methodology helps to find out how the automobile industry is concerned about environmental issues. This time research methodology is framed for analysing and assessing the green supply chain management practices in the automobile industry.

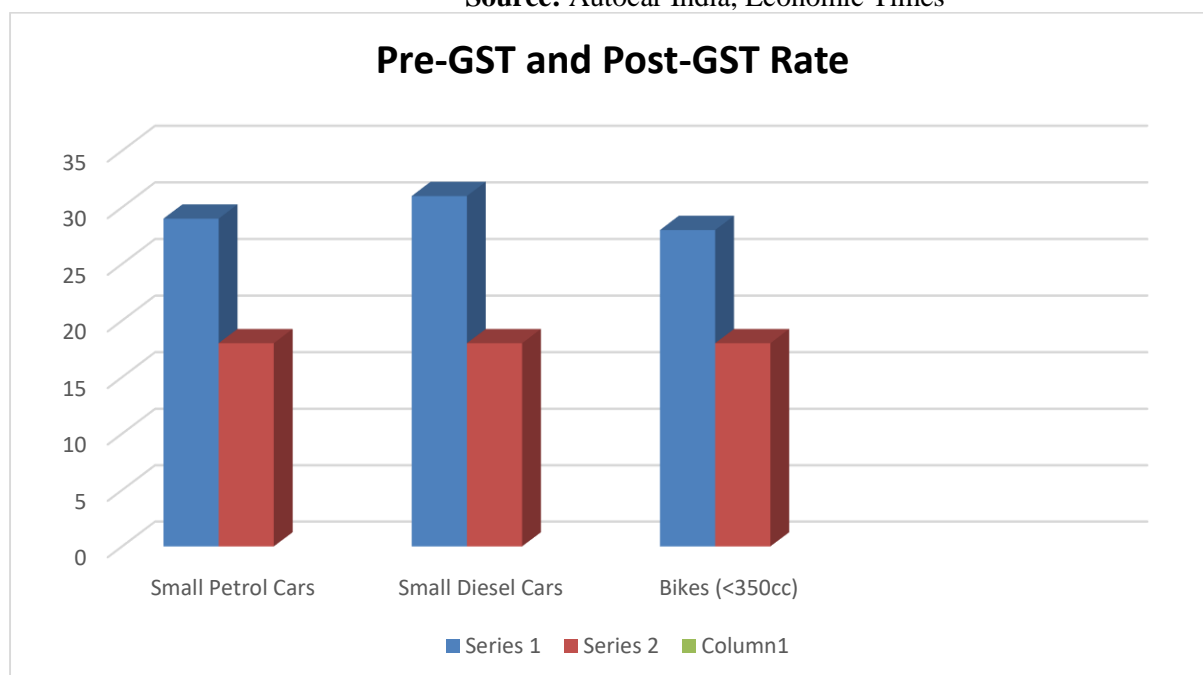
ANALYSIS OF DATA

Tax Changes for Entry-Level Vehicles

Under GST 2.0, entry-level vehicles are defined as petrol/CNG cars under 1200cc and diesel cars under 1500cc (both <4m in length).

Vehicle Category	Pre-GST 2.0 (GST + Cess)	Post-GST 2.0 (Flat Rate)	Estimated Savings
Small Petrol Cars	~29% (28% + 1% cess)	18%	₹46,000 – ₹1,29,000
Small Diesel Cars	~31% (28% + 3% cess)	18%	Up to ₹1,55,000
Bikes (≤350cc)	28%	18%	Significant Drop

Source: Autocar India, Economic Times



The graph shows the impact of the GST 2.0 New Rate on various vehicles.

Boost in Affordability & Sales: The shift from 28% to 18% GST on small cars has led to a significant increase in bookings and improved affordability, with small car bookings rising by up to 50% generally and 100% in non-metro regions.

Two-Wheeler Impact: For the two-wheeler segment, the tax cut has reduced prices by ₹5,000 to ₹12,000, aiding rural and semi-urban consumers in Chhattisgarh with lower ownership costs.

Consumer Behaviour Changes:

- **Shift from Waiting to Buying:** Initial uncertainty regarding GST rates ("wait-and-watch") converted into high-volume sales once the price reductions were announced, causing a rise in customer walk-ins.
- **Upgrading Behaviour:** While small cars are more affordable, tax savings are also prompting over 60% of buyers to consider higher variants or upgrade from hatchbacks to SUVs.

Regional Demand Surge: Markets outside the top 100 cities—which include tier-2 and tier-3 locations in states like Chhattisgarh—saw faster growth, with small car bookings doubling.

Impact on Used Vehicles: Increased new car sales are driving up trade-ins, resulting in a stronger, more affordable supply of used, entry-level vehicles.

Specific Local Factors in Chhattisgarh

Chhattisgarh's market has shown unique responsiveness due to its economic structure:

Growth Leader: The state recorded an **18.57% growth in vehicle sales** in late 2024, a momentum further accelerated by the 2025 GST cuts.

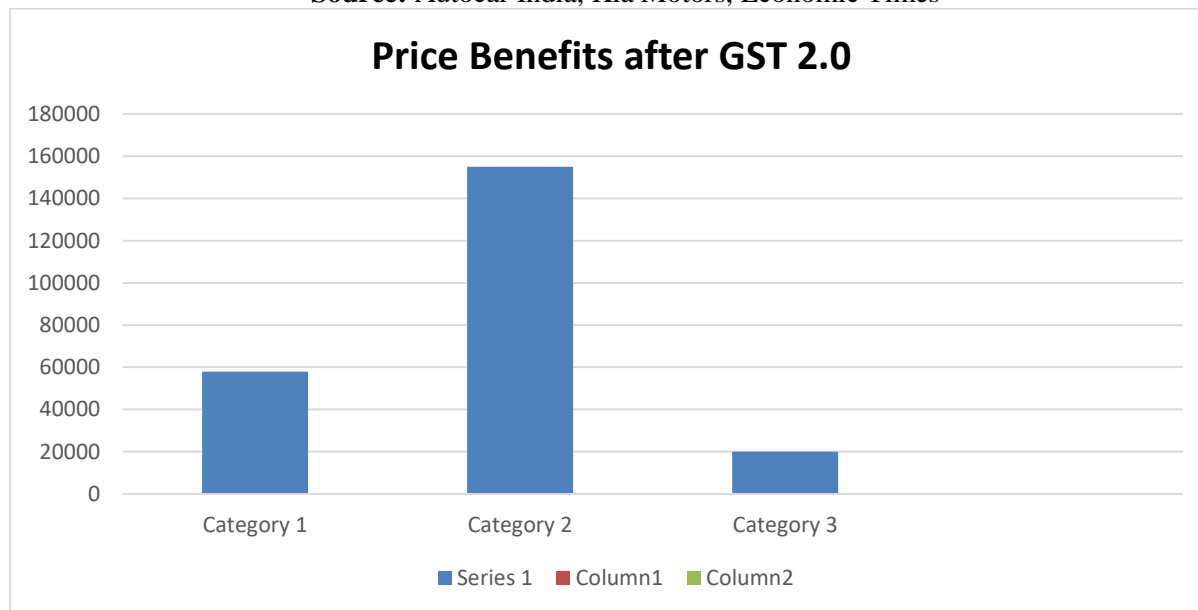
Welfare Scheme Impact: Local financial assistance and skill development programs have increased rural purchasing power, making the 10% tax cut even more impactful for first-time buyers in semi-urban areas.

Logistics and Commercial Growth: The reduction of GST to 18% on commercial vehicles and auto parts has lowered operational costs for small-scale transport operators, essential for the state's industrial and mining corridors.

Model-Specific Price Benefits

Segment	Criteria	Pre-GST 2.0 Tax	Post-GST 2.0 Tax	Savings Example
Petrol Small Cars	≤ 1200 cc	29%	18%	Maruti Swift: ≈ 58,000
Diesel Small Cars	≤ 1500 cc	31%	18%	Tata Nexon (Base): ≈ 1.55 L
Two-Wheelers	≤ 350 cc	28%	18%	RE Classic 350: ≈ 20,000

Source: Autocar India, Kia Motors, Economic Times



This graph shows the price benefits of various vehicles after the introduction of GST 2.0.

CONCLUSION AND WAY FORWARD

Goods and Services Tax is considered the essential tax reform for the nation. It aims to create a unified economic market for the country. Be that as it may, the idea of goods and services tax followed in our nation is unique in relation to the way it is pursued abroad. The GST idea has been created by the significant investment of individuals and the business worry in the Indian economy. The present investigation suggests that the GST system with customers confronting more issues in some different conditions. It would build up the nation with more inter-grated tax and revenues to the Government. However, tax initiatives taken by the Government will lead to the future Practice of Goods and Services Tax (GST).

In short, although the GST 2.0 reforms are most visible in the new-car tax cuts, they **indirectly impact** the used and pre-owned car market in meaningful ways. For buyers, this means stronger negotiating power in certain segments, but also a need to compare with new car options. For

sellers/dealers, this means adjusting sourcing, margin planning, inventory turnover and value proposition. The compact/entry used car segments are likely to see the greatest impact, while mid- and large-sized segments will see more muted — but real — changes.

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