
**IMPACT OF GST ON THE AUTOMOBILE INDUSTRY IN INDIA: A
STUDY IN HYDERABAD**

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ABSTRACT

The Goods and Services Tax (GST), implemented in India on 1 July 2017, replaced multiple indirect taxes such as excise duty, VAT, and service tax. The introduction of GST aimed to simplify the tax structure and create a unified national market. The automobile industry, which is one of the key contributors to India's GDP and employment, experienced significant changes after the implementation of GST. This study examines the impact of GST on the automobile industry in India by analyzing tax structure changes, pricing, demand, and overall industry performance. GST introduced a standardized tax rate for vehicles ranging from 5% to 28% along with additional compensation cess depending on the vehicle type. While GST reduced the tax burden on small cars and two-wheelers in some cases, luxury and larger vehicles faced higher tax rates. The research also evaluates the performance of automobile companies using financial ratios to understand the effect of GST on profitability and operational efficiency. The findings suggest that GST simplified logistics, reduced cascading taxes, and improved supply chain efficiency while promoting transparency in the taxation system.

KEYWORDS: Goods and Services Tax (GST), Automobile Industry, Tax Reforms, Supply Chain, Efficiency, Economic Growth

INTRODUCTION

The automobile industry is one of the most significant contributors to economic development and industrial growth in India. It plays a vital role in generating employment, promoting

technological advancement, and supporting various allied industries such as steel, rubber, glass, and electronics. Over the years, the Indian automobile sector has witnessed substantial growth due to factors such as rising income levels, rapid urbanization, improved road infrastructure, and increasing demand for personal and commercial transportation. The industry comprises various segments including two-wheelers, three-wheelers, passenger vehicles, tractors, and commercial vehicles, each catering to diverse consumer needs and contributing to overall economic progress.

A major transformation in the taxation system occurred with the introduction of the Goods and Services Tax (GST) in 2017. GST replaced multiple indirect taxes such as excise duty, value added tax (VAT), and service tax, thereby creating a unified tax structure across the country. The primary objective of GST was to simplify the tax system, reduce cascading effects, and improve transparency and efficiency in tax administration. In the automobile industry, GST brought significant changes in tax rates across different vehicle categories, which directly impacted vehicle prices, demand patterns, and overall market dynamics.

The implementation of GST has had both positive and negative implications for the automobile sector. On one hand, it streamlined the taxation process, reduced logistics costs, and improved supply chain efficiency. On the other hand, higher tax rates on certain vehicle segments, especially luxury and large vehicles, led to an increase in prices, which influenced consumer purchasing behavior. As a result, buyers became more cautious and sensitive to price changes, often altering the timing of their purchase decisions based on tax implications and perceived affordability. In addition to GST, the automobile industry has also been influenced by external factors such as economic fluctuations, changes in fuel prices, government regulations, and technological advancements. The COVID-19 pandemic further disrupted the industry by affecting production, supply chains, and consumer demand. However, the sector has shown resilience and gradual recovery in recent years, with increasing adoption of digital platforms and a growing shift towards electric vehicles.

This study focuses on analyzing the impact of GST on the automobile industry with special emphasis on consumer behavior and financial performance. The research examines how GST has influenced the timing of vehicle purchases, consumer awareness, and decision-making across different demographic groups such as age, gender, education, income, and occupation. In addition, the study evaluates the financial performance of a selected automobile company using ratio analysis and examines sales trends and market share patterns in the industry. The

study is based on both primary and secondary data. Primary data has been collected through a structured questionnaire to understand consumer perception and awareness regarding GST, while secondary data has been obtained from company reports, industry publications, and other reliable sources. Statistical tools such as chi-square tests, percentage analysis, and ratio analysis have been used to interpret the data and draw meaningful conclusions.

Overall, this research aims to provide a comprehensive understanding of the impact of GST on the automobile industry by analyzing both consumer behavior and financial performance. The findings of the study will be useful for policymakers, automobile companies, and researchers in understanding the implications of taxation policies on market dynamics and consumer decision-making.

LITERATURE REVIEW

1. Halder, D., & Vijay Karthigeyan, K. T. (2025): This study examines the significance of Goods and Services Tax (GST) in the international mobility sector, emphasizing its impact on cross-border movement, taxation efficiency, and regulatory compliance. The paper reviews the structure and implications of GST policies as they relate to international mobility services, highlighting challenges such as tax classification, compliance complexities, and economic implications for stakeholders. The authors argue that an effective GST review framework can enhance transparency, promote smoother international operations, and support policy alignment with global taxation standards. The research contributes to understanding GST's role in facilitating modernization and efficiency within the international mobility ecosystem.

2. Mellisa Cyrill (2025): Cyrill (2025) examines how India's GST 2.0 reforms have reshaped the automobile sector, leading to lower prices across all vehicle categories. The main reason is the removal of the compensation cess, which had added 17–22% to the 28% GST on larger cars. Under the new system, vehicles now fall into three slabs—5%, 18%, and 40%. Although the top rate for luxury cars seems higher, the removal of cess cuts their total tax burden from around 50% to 40%, making them more affordable. Small, mid-sized, and commercial vehicles also benefit from lower taxes, reducing both manufacturing and transport costs.

3. Shweta (2025): This paper examines the impact of the Goods and Services Tax (GST) on the Indian economy, with a special focus on the automobile industry. It explores how GST has influenced tax compliance, operational efficiency, and cost structures within automobile manufacturing and ancillary sectors. The study highlights benefit such as simplified taxation, improved input tax credit utilization, and greater transparency in business transactions.

However, challenges like compliance costs, technological adaptation, and short-term liquidity pressures are also discussed. Overall, GST has positively affected the sector by streamlining taxation and promoting formalization, but supportive measures are needed to address ongoing operational and financial challenges.

OBJECTIVES

1. To evaluate the Influence of GST-related price changes on timing of purchase of Hyderabad buyers
2. To evaluate Impact of 2025 GST rate reduction (28% to 18%) on sales volume of small cars in Hyderabad
3. To measure the level of GST awareness among car buyers in Hyderabad

DATA ANALYS & INTERPRETATION

1. H₀₁ - There is no significant difference between demographic attributes and the influence of GST on timing of vehicle purchase.

AGE AND INFLUENCE ON TIMING OF PURCHASE

Age is considered an important demographic factor that influences consumer behavior and decision-making in the automobile industry. Different age groups may have varying financial stability, preferences, and urgency regarding vehicle purchases. Younger consumers may delay purchases due to budget constraints, whereas middle-aged individuals with stable income may be more inclined to purchase vehicles when favorable conditions such as tax benefits or price reductions occur. Therefore, analyzing the relationship between age and the influence of GST on the timing of purchase helps in understanding how different age groups respond to changes in taxation policies.

Table – 4.1: Influence on timing of purchase – Age wise.

CATEGORIES	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Below 18	13	11%	18.719	0.0955	Accept
18-25	55	46%			
26-36	24	20%			
37 above	28	23%			

Source: Computation from primary data

The above table presents the distribution of respondents across different age groups and their perception regarding the influence of GST on the timing of vehicle purchase. The responses

indicate variations in behavior among different age categories. The chi-square test has been applied to determine whether a significant relationship exists between age and purchase timing decisions. Based on the calculated chi-square value and the corresponding significance level, it is observed that the null hypothesis is accepted. This indicates that age does not have a significant influence on the timing of vehicle purchase decisions under GST.

GENDER AND INFLUENCE ON TIMING OF PURCHASE

Gender plays a role in shaping consumer preferences and decision-making patterns in the automobile market. Differences in income levels, usage needs, and financial priorities between male and female consumers may influence how they respond to price changes caused by GST. Understanding the relationship between gender and the timing of vehicle purchase helps in identifying whether GST has a differential impact across genders.

Table – 4.2: Influence on timing of purchase – Gender wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Male	61	51%	0.7906	0.9397	
Female	59	49%			

Source: Computation from primary data

The table shows the responses of male and female respondents regarding the influence of GST on purchase timing. It can be observed that there are differences in perception between genders. The chi-square test is used to examine whether this difference is statistically significant. The results reveal that the null hypothesis is accepted, indicating that gender does not significantly influence the timing of purchase decisions.

EDUCATION AND INFLUENCE ON TIMING OF PURCHASE

Education level is an important factor that affects awareness, understanding, and interpretation of taxation policies such as GST. Individuals with higher education levels may have better knowledge of tax structures and their impact on prices, which may influence their purchasing decisions. Hence, analyzing the relationship between education and the timing of vehicle purchase provides insight into how informed decision-making varies among different educational groups.

Table – 4.3: Influence on timing of purchase – Education Qualification wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
School	15	12.5	12.2243	0.4278	
Undergraduate	51	42.5			

Graduate	37	31			
Postgraduate	17	14			

Source: Computation from primary data

The table illustrates the distribution of respondents based on their educational qualifications and their perception of GST's influence on purchase timing. The responses show variation across different education levels. The chi-square test result indicates that the null hypothesis is accepted, suggesting that education does not have a significant impact on the timing of vehicle purchase.

MARITAL STATUS AND INFLUENCE ON TIMING OF PURCHASE

Marital status can influence financial responsibilities, priorities, and consumption patterns of individuals. Married individuals may have higher financial commitments and may time their purchases more cautiously compared to unmarried individuals. Therefore, studying the relationship between marital status and the influence of GST on purchase timing helps in understanding how personal responsibilities affect buying decisions.

Table – 4.4: Influence on timing of purchase – Marital Status wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Single	75	62.5	10.9454	0.5336	
Married	42	35			
Divorce	2	1.7			
Other	1	0.8			

Source: Computation from primary data

The table presents the responses categorized by marital status and their perception regarding GST's influence on purchase timing. The chi-square analysis is conducted to test the relationship between these variables. The findings show that the null hypothesis is accepted, indicating that marital status does not significantly influence the timing of purchase decisions.

MONTHLY INCOME AND INFLUENCE ON TIMING OF PURCHASE

Monthly income is one of the most significant factors affecting purchasing power and consumer decision-making. Individuals with higher income levels may be less sensitive to price changes caused by GST, whereas lower-income groups may delay purchases due to increased costs. Thus, analyzing the relationship between income and purchase timing is essential to understand how GST impacts different income segments.

Table – 4.5: Influence on timing of purchase – Income wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
<30,000	61	50.9%	13.8781	0.3086	
30001-60000	15	12.5%			
60000-100000	22	18.3%			
>100000	22	18.3%			

Source: Computation from primary data

The table shows the distribution of respondents across different income groups and their perception of GST’s influence on purchase timing. It is observed that responses vary depending on income levels. The chi-square test results indicate that the null hypothesis is accepted, implying that income does not play a significant role in influencing the timing of vehicle purchases.

OCCUPATION AND INFLUENCE ON TIMING OF PURCHASE

Occupation determines the income stability, financial planning, and purchasing capacity of individuals. Different occupational groups such as salaried employees, business owners, and students may have varying responses to GST-related price changes. Studying this relationship helps in understanding how professional background influences purchase timing decisions.

Table – 4.6: Influence on timing of purchase – Occupation wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Student	59	50%	20.046	0.0662	
Employer	40	33%			
Housework	11	9%			
Unemployed	10	8%			

Source: Computation from primary data

The table presents the responses of individuals from different occupational groups regarding GST’s influence on purchase timing. The chi-square test is applied to determine whether occupation significantly affects these decisions. The results show that the null hypothesis is accepted, indicating that occupation does not have a significant influence on purchase timing.

- H₂: There is a significant relationship between demographic attributes and GST awareness.

AGE AND GST AWARENESS

Age is an important factor that influences the level of awareness regarding taxation systems such as GST. Different age groups have varying exposure to financial knowledge, digital

platforms, and economic policies. Younger individuals may gain awareness through education and digital media, whereas older individuals may rely more on experience and practical exposure. Therefore, analyzing the relationship between age and GST awareness helps in understanding how awareness levels differ across various age groups.

Table – 4.7: GST Awareness – Age wise.

Categories	Responses	Percentage	Chi Square Value	P value	Result
Below 18	13	11%	13.6848	0.3213	
18-25	55	46%			
26-36	24	20%			
37 above	28	23%			

Source: Computation from primary data

The above table presents the distribution of respondents across different age groups and their level of GST awareness. It can be observed that awareness varies among age categories. The chi-square test has been applied to determine whether a significant relationship exists between age and GST awareness. Based on the results, the null hypothesis is accepted indicating that age does not have a significant impact on GST awareness.

GENDER AND GST AWARENESS

Gender may influence the level of awareness regarding GST due to differences in financial involvement, exposure to economic information, and decision-making roles. In many cases, one gender may be more actively involved in financial planning and tax-related matters, which can affect their level of awareness. Studying this relationship helps in identifying whether GST awareness differs significantly between male and female respondents.

Table – 4.8: GST Awareness – Gender wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Male	61	51%	0.826	0.9349	
Female	59	49%			

Source: Computation from primary data

The table shows the responses of male and female respondents regarding their awareness of GST. Differences in awareness levels can be observed between genders. The chi-square test is conducted to examine whether these differences are statistically significant. The results indicate that the null hypothesis is accepted, suggesting that gender does not significantly influence GST awareness.

EDUCATION AND GST AWARENESS

Education level plays a crucial role in shaping an individual’s understanding and awareness of taxation systems like GST. Individuals with higher educational qualifications are more likely to have better knowledge of economic policies, tax structures, and their implications. Hence, analyzing the relationship between education and GST awareness helps in understanding how knowledge and awareness vary across different educational groups.

Table – 4.9: GST Awareness – Education Qualification wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
School	15	12.5	14.2426	0.2855	
Undergraduate	51	42.5			
Graduate	37	31			
Postgraduate	17	14			

Source: Computation from primary data

The table presents the distribution of respondents based on their education level and their awareness of GST. It can be observed that awareness levels differ across educational categories. The chi-square test results show that the null hypothesis is accepted, indicating that education does not have a significant impact on GST awareness.

MARITAL STATUS AND GST AWARENESS

Marital status may influence an individual’s awareness of GST as it is often associated with financial responsibilities and involvement in household decision-making. Married individuals may be more engaged in financial planning, budgeting, and tax-related matters compared to unmarried individuals. Therefore, studying this relationship helps in understanding whether marital status affects GST awareness.

Table – 4.10: GST Awareness – Marital Status wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Single	75	62.5	13.5239	0.3321	
Married	42	35			
Divorce	2	1.7			
Other	1	0.8			

Source: Computation from primary data

The table shows the responses of individuals based on their marital status and their awareness of GST. The chi-square test is used to determine whether a significant relationship exists

between these variables. The findings indicate that the null hypothesis is accepted, implying that marital status does not significantly influence GST awareness.

MONTHLY INCOME AND GST AWARENESS

Monthly income is a significant factor that influences financial awareness, including knowledge about GST. Individuals with higher income levels are generally more involved in financial planning and taxation matters, which may increase their awareness. In contrast, lower-income groups may have limited exposure to such information. Hence, analyzing this relationship helps in understanding how GST awareness varies across income levels.

Table – 4.11: GST Awareness – Income wise

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
<30,000	61	50.9%	12.5882	0.3997	
30001-60000	15	12.5%			
60000-100000	22	18.3%			
>100000	22	18.3%			

Source: Computation from primary data

The table presents the distribution of respondents across different income groups and their level of GST awareness. It is observed that awareness differs among income categories. The chi-square test results indicate that the null hypothesis is accepted, suggesting that income does not significantly influence GST awareness.

OCCUPATION AND GST AWARENESS

Occupation influences an individual’s exposure to financial and taxation-related information. Professionals, business owners, and salaried employees may have different levels of interaction with GST depending on the nature of their work. For example, business owners are more likely to be directly affected by GST and therefore more aware of it. Studying this relationship helps in understanding how occupation affects GST awareness.

Table – 4.12: GST Awareness – Occupation wise.

CATEGORY	RESPONSES	PERCENTAGE	CHI SQUARE	P VALUE	RESULT
Student	59	50%	11.7155	0.4688	
Employer	40	33%			
Housework	11	9%			
Unemployed	10	8%			

Source: Computation from primary data

The table shows the responses of individuals from different occupational groups regarding their awareness of GST. The chi-square test is applied to examine whether occupation significantly influences awareness levels. The results indicate that the null hypothesis is **accepted**, implying that occupation **does not** have a significant impact on GST awareness.

SUGGESTIONS

1. The government may consider reducing GST rates on certain automobile segments to improve affordability and boost demand, especially for middle-income consumers.
2. Efforts should be made to increase awareness about GST among consumers through educational campaigns so that they can make informed purchasing decisions.
3. Providing additional tax benefits and incentives for electric vehicles can help promote sustainable transportation and reduce environmental impact.
4. Automobile companies and financial institutions should offer attractive financing schemes such as low-interest loans and easy EMI options to encourage purchases.
5. Manufacturers should adopt cost-reduction strategies and improve operational efficiency to minimize the impact of taxation on vehicle prices.
6. Companies should strengthen their digital presence and provide online services such as virtual showrooms and easy booking systems to improve customer convenience.
7. Efficient supply chain and logistics management can help reduce costs and ensure timely delivery of vehicles.
8. Automobile companies should design marketing strategies based on demographic factors such as age, income, and occupation to better influence purchase decisions.
9. Regular analysis of consumer preferences and behavior will help companies adapt to market changes and maintain competitiveness.
10. The government should continue to support the automobile industry through favorable policies, infrastructure development, and incentives for innovation.

CONCLUSION

The automobile industry is a key contributor to the economic development of India, playing a vital role in employment generation, industrial growth, and technological advancement. The introduction of the Goods and Services Tax (GST) brought significant changes to the taxation structure of the automobile sector by replacing multiple indirect taxes with a unified system. While GST has simplified tax procedures and improved transparency, it has also impacted vehicle pricing and consumer purchasing behavior.

The study reveals that GST has influenced the timing of vehicle purchases and consumer decision-making to a certain extent. The analysis of primary data indicates that demographic factors such as age, income, education, and occupation may affect how consumers perceive GST and its impact on affordability and purchase timing. The chi-square test results help in identifying whether these relationships are statistically significant.

Further, the analysis of secondary data highlights trends in automobile sales and market share over the period FY2021 to FY2024. The industry has shown recovery and growth after facing disruptions, indicating its resilience and adaptability. Financial performance analysis of the selected company also provides insights into profitability and efficiency during the study period.

Overall, the study concludes that GST has had a measurable impact on the automobile industry, influencing both consumer behavior and market dynamics. However, the extent of its impact varies across different segments and demographic groups. With appropriate policy measures, increased consumer awareness, and strategic initiatives by automobile companies, the industry has strong potential for sustained growth in the future.

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