

Budgetary Incentives, GST Policies, and Their Influence on Digital Marketing Strategies and Consumer Behaviour in the Indian Passenger Car Segment

Shubham Verma¹, Dr. Sanjay Payasi²

¹Ph.D. Research Scholar, ²Professor

¹Department of Management, Barkatullah University, Bhopal (M.P.) – 462026

¹Email: shubham030296@gmail.com

²Anand Institute of Management, Barkheda Nathu, Neelbad, Bhopal (M.P.) – 462044

²Email: sanjaypayasi@gmail.com

Abstract

Union Budget 2024–25 and evolving GST structures have played a pivotal role in redefining digital marketing and consumer engagement strategies in India's passenger car segment. With an increased focus on green mobility, localized manufacturing, and tax incentives for electric vehicles, automotive brands are restructuring promotional channels to align with policy-led growth. This research explores how budgetary incentives, tax reforms, and digital commerce transformation are collectively influencing consumer behaviour and brand strategy in the passenger car segment across selected cities in Madhya Pradesh.

The study employs a mixed-method approach to capture the impact of policy frameworks on advertising investment, media choices, and behavioral shifts among consumers. Primary data from marketing professionals, dealers, and digital campaign managers was evaluated using SPSS-based regression, ANOVA, and factor analysis.

Findings highlight how government-led benefits like GST reductions on EVs and ad expense deductions have boosted digital ad allocations and influenced consumers' online research and purchase intent. Social media, video content, influencer reviews, and geo-targeted offers emerged as dominant tools driving engagement.

The study recommends unified digital advertising benchmarks, policy-aligned messaging strategies, and stronger regional incentives to enhance consumer participation in India's post-policy automobile market.

Keywords: Passenger Cars, Digital Marketing, GST, Union Budget 2024–25, Consumer Behaviour, Automobile Sector, EV Incentives, Tax Policy, Tier-2 Cities, India

1. Introduction

India's passenger car market is undergoing rapid digitization amid structural reforms in fiscal and tax policy. The 2024–25 Union Budget emphasized digital infrastructure expansion, GST relief on electric vehicles, and enhanced fiscal support for automobile startups, collectively fostering a more performance-driven, policy-linked marketing landscape.

In parallel, the consumer journey—from awareness to intent and purchase—has become increasingly digital. With rising smartphone penetration, targeted advertising, and mobile-first content strategies, automobile companies are reallocating budgets toward digital promotions. This shift is more pronounced in Tier-2 cities of Madhya Pradesh, where regional preferences and pricing sensitivity intersect with aspirational ownership.

This study investigates how budgetary provisions and tax rationalizations influence digital marketing strategies and consumer responses in the Indian passenger car segment, especially in semi-urban markets. The research also fills a gap in policy-to-practice transition literature specific to India's evolving auto sector.

2. Literature Review

2.1 Policy Frameworks and the Automobile Sector

The Indian automotive industry has been significantly influenced by fiscal instruments and taxation reforms. Recent budgets have prioritized Make in India initiatives, electric vehicle subsidies, and infrastructure funding for EV adoption. Studies by Rajan and Mehta (2023) highlight the influence of tax benefits on consumer affordability and corporate advertising behavior.

2.2 GST Rationalization and Automotive Pricing

The introduction of GST brought unified taxation but also increased the cost burden on mid- and luxury car segments. However, tax cuts on electric vehicles have revitalized budget-conscious segments. According to Sharma and Ghosh (2022), this tax framework directly influences pricing strategies and promotion budgets.

2.3 Digital Marketing in the Automobile Sector

The shift to digital promotion—driven by consumer search patterns and online reviews—has led to the rise of mobile-first advertising, influencer campaigns, and performance metrics. Jain (2021) reported that digital ad spend in the auto industry has grown over 18% YoY since 2020.

2.4 Consumer Behaviour and Digital Decision Journeys

Digital content has shortened purchase cycles. Video test drives, comparison tools, and digital loan calculators influence buyer decisions significantly. A survey by Nielsen India (2023) showed that over 72% of urban and semi-urban car buyers researched online before visiting a dealership.

2.5 Budgetary Stimuli for Auto-Tech Startups

Union Budget allocations have incentivized startup participation in ad-tech and auto-finance ecosystems. Schemes like FAME-II and PLI have also contributed to ad-driven EV brand expansion. However, existing research is limited in capturing regional consumer data from Tier-2 cities.

2.6 Gaps Identified

Current studies rarely correlate government budget/tax changes with specific media strategies or localized consumer engagement trends. This study addresses the gap by combining fiscal policy analysis with primary data on digital behavior in Madhya Pradesh's passenger car market.

3. Research Objectives and Hypotheses

3.1 Objectives:

1. To evaluate the impact of Union Budget 2024–25 and GST policy reforms on digital advertising practices in the passenger car segment.
2. To examine the influence of fiscal incentives on consumer engagement with digital promotions.
3. To analyze regional variations in consumer behaviour toward digitally promoted car models in Tier-2 cities of Madhya Pradesh.
4. To identify key digital tools and strategies shaped by tax deductions and budgetary allocations.

3.2 Hypotheses:

- **H₀₁:** Budgetary and tax policy changes do not significantly influence digital advertising investments by car manufacturers.
- **H_{a1}:** Budgetary and tax policy changes significantly influence digital advertising investments by car manufacturers.
- **H₀₂:** GST reductions and incentives have no effect on consumer responsiveness to digital campaigns.
- **H_{a2}:** GST reductions and incentives significantly affect consumer responsiveness to digital campaigns.
- **H₀₃:** There is no significant relationship between policy-driven digital promotions and consumer purchase intent.
- **H_{a3}:** There is a significant relationship between policy-driven digital promotions and consumer purchase intent.
- **H₀₄:** Regional consumer behaviour in Tier-2 cities is not influenced by budget-supported digital media strategies.
- **H_{a4}:** Regional consumer behaviour in Tier-2 cities is significantly influenced by budget-supported digital media strategies.

4. Research Methodology

4.1 Research Design: This study follows a descriptive and causal research design to assess how fiscal policies and GST structures influence digital marketing strategies and consumer behaviour in the passenger car segment.

4.2 Study Area: The research focuses on selected Tier-2 cities in Madhya Pradesh including Bhopal, Indore, Gwalior, and Jabalpur, where consumer sensitivity to pricing, incentives, and promotional messaging is notably high.

4.3 Sampling Technique and Size: A purposive sampling method was used to collect data from 230 participants, comprising car dealers, marketing professionals, and consumers who had engaged with digital automotive campaigns in the last 12 months.

4.4 Data Collection Methods: Primary data was collected through structured questionnaires with Likert-scale and multiple-choice questions. Secondary data sources included Union Budget documents, GST policy papers, and industry reports from SIAM, ACMA, and IBEF.

4.5 Research Tools and Analysis: SPSS version 26 was used for quantitative analysis. The following tools were employed:

- Descriptive Statistics (Mean, SD)
- ANOVA (to assess behavioural variance across policy awareness levels)
- Regression Analysis (to determine impact of fiscal stimuli on campaign effectiveness and consumer intent)
- Factor Analysis (to identify key behavioural constructs)

4.6 Duration of Study: The study was conducted between February and March 2025, following the release and early implementation phase of the Union Budget 2024–25.

5. Data Analysis and Interpretation

The collected data from 230 respondents, including car dealers, digital strategists, and consumers, provides insights into how fiscal reforms influence marketing decisions and consumer behavior in the passenger car segment. Statistical analysis was conducted using SPSS v26.

Table 1: Demographic Profile of Respondents

Category	Classification	Frequency	Percentage
Gender	Male	138	60.0%
	Female	92	40.0%
Age Group	18–30	76	33.0%
	31–45	96	41.7%
	46 and above	58	25.3%
Occupation	Dealer/Marketer	108	47.0%
	Consumer/Car Buyer	122	53.0%

Interpretation: A diverse mix of stakeholders ensures well-rounded insights into marketing strategies and consumer responses in Madhya Pradesh.

Table 2: Awareness of Budgetary and GST Incentives

Awareness Level	Frequency	Percentage
High	132	57.4%
Moderate	78	33.9%
Low	20	8.7%

Interpretation: Most respondents had moderate to high awareness of budget and GST-related changes, reflecting effective dissemination among industry players.

Table 3: Influence of Budgetary/GST Policy on Ad Strategy

Indicator	Mean	Std. Dev
Reallocation to digital from traditional	4.32	0.66
Regional campaign targeting	4.14	0.72
Focus on EV promotions post-GST cut	4.09	0.78

Interpretation: Policy shifts have encouraged more strategic, digital-first advertising with an emphasis on regional and electric vehicle-focused campaigns.

Table 4: Regression – Budget Policy and Consumer Purchase Intent

Predictor	B	Beta	t-value	Sig.
Constant	2.05		5.37	.000
Budgetary/GST Score	0.42	0.46	6.14	.000

Interpretation: Budget and GST policies significantly affect consumer decision-making and intent to purchase ($p < 0.01$), supporting H_{a3} .

Table 5: ANOVA – Regional Variation in Digital Campaign Responsiveness

Source	SS	df	MS	F	Sig.
Between Groups	15.76	2	7.88	5.01	0.007
Within Groups	356.92	227	1.57		
Total	372.68	229			

Interpretation: Digital marketing effectiveness varies significantly across the surveyed Tier-2 cities ($p < 0.01$), validating H_{a4} .

Table 6: Factor Analysis – Drivers of Consumer Behaviour

Factor Name	Key Variables Included	Eigenvalue	Variance Explained
Policy Awareness & Trust	Knowledge, Transparency, Government Campaigns	3.21	29.2%
Digital Influence	Video Ads, Social Proof, Influencer Endorsements	2.64	24.1%
Purchase Motivation	EMI Offers, EV Discounts, Fuel Economy Awareness	2.08	19.6%

Interpretation: Three major factors explain 72.9% of consumer behaviour variance—emphasizing the central role of digital content, policy communication, and fiscal incentives.

6. Hypotheses Testing

Hypotheses	Test Applied	Calculated Value	p-value	Hypotheses Status
H ₀₁ : Budgetary/tax policy changes do not influence digital ad investments by car manufacturers.	Regression Analysis	$\beta = 0.46$	0.000	Rejected
H _{a1} : Budgetary/tax policy changes significantly influence digital ad investments by car manufacturers.	Regression Analysis	$\beta = 0.46$	0.000	Accepted
H ₀₂ : GST incentives do not affect consumer responsiveness to digital campaigns.	Regression Analysis	$\beta = 0.42$	0.000	Rejected
H _{a2} : GST incentives significantly affect consumer responsiveness to digital campaigns.	Regression Analysis	$\beta = 0.42$	0.000	Accepted
H ₀₃ : Policy-driven digital promotions do not impact consumer purchase intent.	Regression Analysis	$\beta = 0.42$	0.000	Rejected
H _{a3} : Policy-driven digital promotions significantly impact consumer purchase intent.	Regression Analysis	$\beta = 0.42$	0.000	Accepted
H ₀₄ : Regional behaviour in Tier-2 cities is not influenced by budget-supported digital strategies.	ANOVA	F = 5.01	0.007	Rejected
H _{a4} : Regional behaviour in Tier-2 cities is significantly influenced by budget-supported digital strategies.	ANOVA	F = 5.01	0.007	Accepted

Interpretation: All null hypotheses were statistically rejected, affirming the influential role of budgetary incentives and tax policy in shaping digital marketing strategy and consumer behavior in the Indian passenger car segment.

7. Conclusion

This study confirms the significant influence of Union Budget 2024–25 and GST policies on the digital marketing strategies and consumer behaviour in India's passenger car segment. The research indicates that budgetary incentives and GST reductions have driven marketing teams to prioritize digital platforms, especially for promoting electric vehicles, regional campaigns, and cost-sensitive offerings. Findings highlight how consumer purchase intent, particularly in Tier-2 cities, is increasingly shaped by targeted digital content, influencer campaigns, and fiscal stimuli. Regression and ANOVA analyses validate that tax and policy awareness strongly correlate with both marketing strategy and buyer responsiveness.

8. Policy Recommendations:

- Standardized GST Input Guidelines:** Streamline GST rules on digital ad spend to enhance compliance and campaign planning.
- EV Promotion Schemes:** Extend GST rebates and digital advertising grants for EVs to Tier-2 regions.

3. **Digital ROI Monitoring Framework:** Mandate standard ROI metrics for evaluating policy-driven ad effectiveness.
4. **Local Language Ad Incentives:** Encourage vernacular digital content through tax benefits to enhance regional engagement.
5. **Public-Private Knowledge Platforms:** Establish policy-awareness platforms for digital marketers and auto retailers.

9. Limitations and Suggestions for Future Research

9.1 Limitations:

1. The study was restricted to Tier-2 cities of Madhya Pradesh and may not capture pan-India consumer dynamics.
2. Self-reported data on digital ad effectiveness and consumer intent might contain perception bias.
3. The timeframe of the study limited the assessment of long-term behavioural change post-budget announcements.
4. The study did not differentiate responses by car type (e.g., petrol, diesel, EV), which may influence decision-making.
5. Advertising ROI was based on perception, not actual financial performance metrics.

9.2 Suggestions for Future Research:

1. Include Tier-1 and rural markets for comparative consumer response to digital auto campaigns.
2. Conduct a longitudinal study to track policy impact over successive budget cycles.
3. Investigate how consumer sentiment toward EV policies translates into actual adoption.
4. Explore ad-tech startup participation in localized vehicle promotion.
5. Study the interplay between digital finance platforms and automotive purchase intent.

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