International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Impact of Budgetary Allocation and Tax Policy on Digital Advertising Trends in the Indian Cosmetics Sector

Reetika Pare[1], Dr. Sanjay Payasi[2]

[1]Ph.D. Research Scholar, [2]Professor
[1]Department of Management,Barkatullah University, Bhopal (M.P.) – 462026
[2]Email: reetikapare4022014.rp@gmail.com
[2]Anand Institute of Management, Barkheda Nathu, Neelbad, Bhopal (M.P.) – 462044
[2]Email: sanjaypayasi@gmail.com

Abstract

The convergence of fiscal strategy and digital commerce is transforming the advertising landscape in India's cosmetics industry. This research examines the role of Union Budget 2024–25 allocations and tax policy reforms in shaping trends in digital advertising across this dynamic sector. With a significant shift in promotional strategies toward influencer-based and performance-driven digital platforms, cosmetics brands are rapidly adapting to government-led fiscal incentives and regulatory frameworks.

This paper adopts a mixed-method approach to assess the interplay between budgetary outlays, GST rationalization, digital adoption subsidies, and advertising behavior. Primary data was collected from 210 digital marketing professionals, advertising executives, and brand managers representing major Indian cosmetics brands. Analytical tools including ANOVA, regression, and factor analysis were used to quantify the influence of policy factors on digital ad investment, channel selection, and performance metrics.

Findings indicate that tax deductions on digital promotional expenses and incentives for startup-led advertising platforms have significantly improved advertising reach, ROI, and platform diversification. Social media (especially Instagram and YouTube), programmatic ad placement, and influencer-led branding have gained prominence post-budget announcements. The study also reveals that policy-driven support has not only democratized ad spending but also led to improved regional targeting and multilingual content production.

The paper concludes with strategic recommendations for enhancing transparency, standardizing digital ad metrics, and aligning brand strategy with evolving policy levers. It also underscores the importance of nurturing domestic ad-tech startups and establishing policy-monitoring mechanisms to ensure equitable market access.

Keywords: Union Budget 2024–25, Digital Advertising, Cosmetics Industry, Tax Policy, Influencer Marketing, Advertising ROI, AdTech Startups

1. Introduction

India's cosmetics industry is at the forefront of digital evolution, driven by social commerce, influencer culture, and a surge in internet penetration. Simultaneously, fiscal instruments—especially those introduced in Union Budget 2024–25—have created new pathways for advertising strategy. These include increased capital allocation for digital infrastructure, GST rationalization for online services, and tax deductions for digital marketing expenditure.

The convergence of policy and promotion has redefined marketing behavior in the beauty sector, traditionally reliant on print and retail advertising. Emerging platforms like Instagram Reels, YouTube Shorts, and AI-based ad placement tools have enabled cosmetics brands to achieve deeper penetration and measurable engagement.

This study aims to analyze how these fiscal levers are influencing digital advertising patterns, decision-making frameworks, and market accessibility within the cosmetics industry. It adds value by bridging a gap in policy-advertising research through an industry-specific empirical evaluation.

2. Literature Review

2.1 Digital Advertising and Fiscal Policy

The link between public financial strategy and private marketing behavior has gained traction in recent years. Budgetary allocations to digital infrastructure, startup incubation, and MSME development have indirectly influenced advertising behavior by enabling the expansion of advertising platforms. According to Kapoor and Mehta (2023), fiscal initiatives such as tax rebates for SMEs investing in online branding have facilitated broader use of digital ad channels among small and mid-sized cosmetic companies.

2.2 Tax Policy and Marketing Investment Behavior

Studies like those by Singh and Ghosh (2022) have highlighted the importance of GST structures and input tax credits in determining advertising budgets. The rationalization of GST for digital ad platforms, alongside allowance of expenses under Section 37 of the Income Tax Act, have contributed to increased spending on influencer campaigns and content marketing. This trend is particularly strong in the cosmetics sector, where visual branding is critical.

2.3 Evolution of Digital Advertising Tools in the Cosmetics Sector

The beauty industry has shifted from billboard and print advertisements to AI-based, ROI-centric digital channels. Research by Jain and Sharma (2021) shows a rise in budget share allocated to programmatic advertising, Instagram Reels, YouTube Shorts, and vernacular ad targeting post-policy interventions. Cosmetics brands increasingly depend on real-time analytics to allocate ad spend effectively.

2.4 Performance Marketing and ROI Metrics

A key contribution of digital advertising has been its ability to measure performance precisely. Literature suggests that budget-driven access to automated dashboards and conversion-based billing models has promoted outcome-based marketing. Tools such as Meta Business Suite and Google Ads Dashboard are widely adopted in the cosmetics industry to optimize CPC and ROI (Bansal & Raj, 2023).

2.5 Policy-Driven Democratization of AdTech

NITI Aayog's 2023 report emphasizes that public investment in digital access and DPI (Digital Public Infrastructure) has empowered even small-town cosmetics businesses to participate in national-level advertising. Startups offering hyperlocal ad services have benefited from budgetary incubation schemes and tax holidays.

2.6 Research Gaps

Despite growing literature on digital marketing in India, there is limited empirical evidence connecting fiscal and tax reforms with behavioral shifts in digital ad deployment—especially in niche sectors like cosmetics. This study attempts to bridge that gap using grounded industry insights.

3. Research Objectives and Hypotheses

Objectives:

1. To examine the influence of Union Budget 2024–25 allocations on digital advertising expenditure in the Indian cosmetics industry.
2. To analyze the role of tax policy reforms, particularly GST rationalization and advertising deductions, in shaping advertising strategy.
3. To assess the impact of fiscal policy on media channel preference, influencer marketing, and regional targeting.
4. To provide policy-driven recommendations for enhancing ROI and inclusivity in digital advertising practices.

Hypotheses:

- **H_{01}:** Budgetary allocation for digital infrastructure does not significantly affect advertising investment in digital platforms.
- **H_{a1}:** Budgetary allocation for digital infrastructure significantly affects advertising investment in digital platforms.
- **H_{02}:** Tax deductions on digital promotion expenses do not influence the adoption of influencer-led campaigns.
- **H_{a2}:** Tax deductions on digital promotion expenses significantly influence the adoption of influencer-led campaigns.
- **H_{03}:** Policy-driven support does not significantly impact ROI and content diversification in digital advertising.
- **H_{a3}:** Policy-driven support significantly impacts ROI and content diversification in digital advertising.
- **H_{04}:** There is no significant association between startup-oriented ad-tech incentives and regional content targeting.

- **H_{a4}:** There is a significant association between startup-oriented ad-tech incentives and regional content targeting.

4. Research Methodology

4.1 Research Design: The study utilizes a descriptive and exploratory research design with an empirical approach. It aims to identify the effect of budgetary allocations and tax policies on the behavior of cosmetics companies regarding digital advertising.

4.2 Study Area: The research was conducted across major urban centers known for active digital marketing firms and cosmetics brands, including Mumbai, Delhi NCR, Bengaluru, and Ahmedabad.

4.3 Sample and Sampling Technique: A purposive sampling technique was used to target professionals actively involved in marketing, branding, and digital campaign planning. The sample comprised 210 respondents, including digital strategists, advertising consultants, and product brand managers in the cosmetics sector.

4.4 Data Collection Tools: Primary data was collected using a structured questionnaire administered through online forms and personal interviews. The questionnaire covered dimensions such as awareness of policy support, tax compliance behavior, media allocation patterns, ROI perception, and content diversification.

4.5 Secondary Data Sources: Secondary sources included policy documents from the Ministry of Finance, tax notifications from the Income Tax Department and GST Council, market trend reports from Nielsen and EY, and sectoral insights published by the Advertising Standards Council of India (ASCI).

4.6 Time Frame of Study: Data collection was conducted between February and March 2025, following the announcement and operationalization of Union Budget 2024–25.

4.7 Tools of Analysis: The collected data was analyzed using SPSS (Version 26) with the following statistical tools:

- Descriptive Statistics (Mean, SD)
- ANOVA (to examine group-wise variation across policy engagement)
- Multiple Regression (to determine influence of budget/tax variables on ad behavior)
- Factor Analysis (to identify key behavioral dimensions in media spending)

This methodology provides a structured framework to quantify the policy impact on brand-level advertising choices within a regulated and digitized ecosystem.

5. Data Analysis and Interpretation

The following section interprets the primary data obtained from 210 professionals associated with digital advertising in the Indian cosmetics sector. Respondents were analyzed based on their roles, awareness of fiscal incentives, advertising choices, and perception of ROI in the post-budgetary landscape. SPSS was used to conduct descriptive, regression, and factor analysis.

Table 1: Professional Background of Respondents (N = 210)

Role	**Frequency**	**Percentage**
Brand/Marketing Manager	86	40.9%
Advertising Consultant/Agency	72	34.3%
Digital Content Strategist	52	24.8%

Interpretation: The respondents represented experienced professionals from different organizational functions, offering diverse insights into advertising trends, policy awareness, campaign budgets, and digital investment decisions across India's growing cosmetics industry.

Table 2: Awareness of Policy Reforms (Union Budget 2024–25 & Tax Policies)

Awareness Level	Count	Percentage
High	124	59.0%
Moderate	66	31.4%
Low	20	9.6%

Interpretation: The majority of advertising professionals surveyed were highly aware of government tax policies and budgetary incentives. This level of awareness enabled more strategic planning, faster adoption of digital tools, and better alignment of campaign budgets with fiscal benefits offered under Union Budget 2024–25 and allied tax frameworks.

Table 3: Budget-Driven Shifts in Media Allocation

Strategy Indicator	Mean	SD
Reallocation to Social Media	4.33	0.58
Investment in Programmatic Ads	4.05	0.69
Adoption of Influencer Tools	3.97	0.77

Interpretation: The Union Budget has indirectly influenced cosmetic brands to reallocate spending toward scalable and measurable digital channels like programmatic ads, influencer tools, and social media, driven by expanded digital infrastructure and support for ad-tech initiatives that enhance ROI predictability and multi-platform campaign efficiency.

Table 4: Regional Advertising Prioritization Post-Budget

Region Targeted	Frequency	% of Firms Reporting Increased Spending
Tier-1 Cities	194	92.4%
Tier-2 Cities	154	73.3%
Tier-3/Rural	81	38.6%

Interpretation: Budgetary support for digital penetration is helping cosmetics brands expand advertising investments in Tier-2 cities by improving infrastructure, encouraging vernacular content creation, and enabling regional platform access—thus fostering more inclusive, targeted campaigns in emerging consumer markets with strong growth potential.

Table 5: Regression – Budget Allocation vs. ROI Optimization

Predictor	B	Beta	t-value	Sig.
Constant	2.10		5.24	.000
Budgetary Support Score	0.44	0.48	6.72	.000

Interpretation: Budgetary support had a significant impact on digital advertising ROI. Firms that aligned their strategies with budget-driven incentives reported higher returns, efficient targeting, and improved channel performance, demonstrating how fiscal policies shape media planning and optimize investment in India's evolving cosmetic advertising ecosystem.

Table 6: ANOVA – Tax Incentive Usage vs. Influencer Marketing Frequency

Source	SS	df	MS	F	Sig.
Between Groups	13.54	2	6.77	4.95	0.008
Within Groups	283.67	207	1.37		
Total	297.21	209			

Interpretation: Tax incentives such as rebates and expense deductions have encouraged brands to expand their influencer marketing efforts, leading to wider reach, localized content, and improved engagement. These fiscal tools act as catalysts for strategic digital promotion in the cosmetics sector.

Table 7: ROI Benchmarks by Channel (Mean ROI Rating on 5-point Scale)

Advertising Channel	Mean ROI	Std. Dev
Instagram Reels	4.46	0.63
YouTube Shorts	4.12	0.59
Programmatic Web Banners	3.98	0.71
Traditional Google Ads	3.76	0.85
Native Ad Networks	3.53	0.93

Interpretation: Short-form video platforms such as Instagram Reels and YouTube Shorts yield the highest ROI among all digital channels. Budgetary support to content startups indirectly enabled cosmetics brands to experiment with visually engaging formats, improving customer targeting, retention, and engagement metrics across Tier-1 and Tier-2 digital consumer segments.

Table 8: Factor Analysis – Digital Advertising Strategy Constructs

Factor Name	Key Components	Eigenvalue	Variance Explained
Strategic ROI Optimization	Budget Linkage, Conversion Rates, Campaign ROI	3.14	30.2%
Content Localization & Reach	Vernacular Content, Tier-2 Expansion, Mobile Targeting	2.37	22.4%
Policy Awareness & Integration	Tax Literacy, Budget-Incentive Mapping	2.01	19.8%

Interpretation: Strategic ROI planning, content localization, and fiscal policy awareness emerged as the three major components influencing digital advertising behavior. Together, these dimensions explain over 70% of the variance, showing that data-driven strategy and government incentives are central to cosmetic firms' decisions regarding platform use, content design, and spend allocation.

6. Hypotheses Testing

Hypotheses	Test Applied	Calculated Value	p-value	Hypotheses Status
H_{01}: Budgetary allocation does not significantly affect digital advertising investment.	Regression Analysis	$\beta = 0.48$	0.000	Rejected
H_{a1}: Budgetary allocation significantly affects digital advertising investment.	Regression Analysis	$\beta = 0.48$	0.000	Accepted
H_{02}: Tax deductions do not influence adoption of influencer-led campaigns.	ANOVA	F = 4.95	0.008	Rejected
H_{a2}: Tax deductions significantly influence adoption of influencer-led campaigns.	ANOVA	F = 4.95	0.008	Accepted
H_{03}: Policy-driven support does not significantly impact ROI and content diversification.	Regression Analysis	Multiple $R^2 > .40$	< 0.01	Rejected
H_{a3}: Policy-driven support significantly impacts ROI and content diversification.	Regression Analysis	Multiple $R^2 > .40$	< 0.01	Accepted
H_{03}: No association exists between startup ad-tech incentives and regional content targeting.	Factor Analysis	Eigenvalue = 1.91	--	Rejected
H_{a4}: A significant association exists between startup ad-tech incentives and regional content targeting.	Factor Analysis	Eigenvalue = 1.91	--	Accepted

Interpretation: All four null hypotheses were statistically rejected, validating the direct and measurable influence of fiscal and tax policies on digital advertising behavior in India's cosmetics sector. The findings highlight how Union Budget allocations, tax deductions, and startup incentives have encouraged strategic shifts in ad spending, content diversification, and ROI-focused marketing decisions.

7. Conclusion and Policy Recommendations

The present study affirms that budgetary allocations and tax policies introduced under Union Budget 2024–25 have significantly transformed the digital advertising practices of cosmetics brands in India. Influencer-driven promotions, vernacular content expansion, and ad-tech adoption have accelerated in response to incentives, subsidies, and rationalized tax regimes.

Regression and ANOVA findings confirmed that fiscal support is positively correlated with advertising ROI and content diversification. A distinct shift was observed in advertiser preference for performance-based channels and integrated measurement dashboards. Factor analysis further revealed that strategic budget alignment and policy awareness are central to campaign success.

While digital democratization has empowered emerging and mid-tier brands, disparities in awareness and access persist. Addressing these gaps requires a holistic alignment between brand strategy and policy execution.

Policy Recommendations:

1. **GST Input Clarity:** Streamline GST input eligibility for digital campaign expenses to ease compliance.
2. **Startup Ad-Tech Schemes:** Extend direct fiscal support to ad-tech startups fostering hyperlocal content and multilingual outreach.
3. **Standardized Digital ROI Metrics:** Collaborate with industry bodies (e.g., ASCI) to define advertising effectiveness benchmarks.
4. **Influencer Disclosure Norms:** Formalize transparency guidelines under a unified digital advertising code.
5. **Regional Advertising Grants:** Provide incentives to promote digital ad campaigns in Tier-2 and Tier-3 cities using localized tools.

These steps will not only refine digital advertising practices but also align fiscal intent with equitable and measurable growth in the cosmetics sector.

8. Limitations and Suggestions for Future Research

Limitations:

1. The study is geographically focused on urban advertising hubs and may not fully represent rural or Tier-3 brand practices.

2. Respondents were selected using purposive sampling, which may lead to selection bias despite domain expertise.
3. The short time span between budget announcement and data collection limited long-term impact observation.
4. The analysis relies on self-reported perceptions of ROI, which may not match audited financial results.
5. Effects of concurrent macroeconomic factors (e.g., inflation, global supply chain shifts) were not independently controlled.

Suggestions for Future Research:

1. Extend the scope to compare cosmetics advertising trends with other FMCG sectors post-budget reforms.
2. Conduct longitudinal studies tracking brand-level ad spend and ROI over multiple fiscal years.
3. Explore digital campaign effectiveness in underrepresented regions and vernacular content channels.
4. Evaluate the role of fintech and digital wallets in shaping ad-targeting strategies.
5. Examine the synergy between government-led digital inclusion efforts and private sector ad innovation.

References

1. Advertising Standards Council of India (ASCI). (2023). *Annual Report on Advertising Regulations and Ethical Guidelines*.
2. Bansal, R., & Raj, P. (2023). Programmatic advertising and ROI analytics in Indian digital commerce. *Indian Journal of Marketing Insights, 14*(2), 118–132.
3. Choudhary, S., & Kapoor, M. (2022). Role of budgetary incentives in startup-driven digital ecosystems. *Asian Journal of Entrepreneurship and Policy, 10*(2), 49–61.
4. EY India. (2023). *Cosmetics Industry Advertising Benchmarking Report 2023*.
5. Jain, A., & Sharma, S. (2021). Digital advertising trends in the beauty sector: A platform-based review. *Journal of Consumer Behaviour and Marketing, 9*(3), 65–78.
6. Kapoor, V., & Mehta, D. (2023). Fiscal policies and digital marketing growth in India's retail industry. *Journal of Economic Policy and Innovation, 12*(1), 37–50.
7. Ministry of Finance. (2024). *Union Budget 2024–25 Highlights*. Government of India.
8. NITI Aayog. (2023). *Digital Public Infrastructure and Sectoral Inclusivity Report*. Government of India.
9. RBI. (2023). *Fintech Trends and AdTech Innovations in India: Sectoral Analysis*. Reserve Bank of India Bulletin.
10. Singh, T., & Ghosh, R. (2022). GST implications on digital advertising in India. *South Asian Journal of Fiscal Studies, 8*(4), 94–109.