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A RESEARCH PAPER ON THE STUDY ON THE IMPACT OF GST 2.0 ON THE AUTOMOBILE SECTOR IN KANNUR DISTRICT, KERALA

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RESEARCH ARTICLE

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Abstract
The implementation of GST 2.0 has brought significant changes to the Indian taxation system, particularly affecting the automobile industry through revised tax structures, pricing, and consumer purchasing behaviour. This study examines the impact of GST 2.0 on the automobile sector in Kannur District, with a specific focus on customer awareness, price and affordability, satisfaction, and purchase decisions. The study is based on primary data collected from 265 automobile customers using a structured questionnaire. The study mainly used random sampling method. Descriptive statistics, and correlation analysis were employed to analyse the data. The various factors identified are awareness and understanding, price and affordability and satisfaction. The findings reveal that awareness and understanding, price and affordability, customer satisfaction, and the overall impact of GST 2.0 have positive and statistically significant relationships with purchase decisions. The study concludes that GST 2.0 has positively influenced customer purchase decisions by enhancing price transparency and affordability while improving overall satisfaction.

Keywords: *Work–life balance, working-women, labour reforms, social policy, gender*

Introduction

Goods and Services Tax (GST) is a comprehensive, multi-stage, destination-based indirect tax implemented in India on July 1, 2017, replacing multiple central and state taxes. It applies to the value addition of goods and services at each point of sale, with taxes on inputs creditable. It simplifies compliance and aims for a unified national market. An important stage in India's indirect tax reforms will be the implementation of the Goods and Services Tax (GST). A unified national market would be made possible by combining numerous federal and state taxes into a single tax, which would significantly reduce cascading or double taxing. The largest benefit from the perspective of the customer would be a decrease in the total tax burden on goods, which is now estimated to be between 25% and 30%. Additionally, the implementation of GST would increase the competitiveness of Indian goods in both home and foreign markets. According to studies, this would enhance economic growth. Since GST is a single, unified tax, you are no longer need to pay numerous other taxes, like value-added tax, excise duty, service tax, and others. In addition to lowering the cost of a number of goods and services, this unification has made tax compliance simpler for enterprises. According to their Harmonized System of Nomenclature (HSN) categorization, products and services are subject to a single tax rate under the GST system. The GST rates might range from 0% to 28%, depending on the type of goods or services.

In order to provide a unified, transparent, and effective tax system in India, the Goods and Services Tax (GST) was implemented on July 1st, 2017. The tax structure has been further streamlined into 5% and 18% slabs with the introduction of GST 2.0 on September 22, 2025, along with a 40% tax on luxury and sinful items. This updated framework seeks to increase purchasing power, lower the cost of consumer goods, and enhance overall market efficiency. GST 2.0's effects become particularly significant for local markets where retail trade is crucial to sustaining daily economic activity as it modifies price and demand patterns.

The diversified car market in districts like Kannur, which are made up of both urban and rural areas, is characterized by consumers who are extremely price-sensitive and heavily impacted by changes in vehicle costs and taxes. The district is a perfect place to research the effects of GST 2.0 on the automotive industry because it has demonstrated consistent development in the use of two-wheelers and passenger vehicles. This region's auto sector is renowned for its adaptable operations, strong community ties, and customer-friendly service. For these companies, however, the shift to GST 2.0 presents both opportunities and difficulties. Simplified tax rates, however, can boost sales and encourage expansion for firms that prioritize value. Tax reforms have a direct impact on the automotive industry, which comprises retailers, vehicle dealerships, and two-wheeler dealers.

The impact of GST 2.0 on the Kannur district's automobile sector is the subject of the problem statement. The government eliminated the compensating cess on cars (small cars, two-wheelers ≤350cc: 28% → 18% and buses, lorries, three-wheelers, all auto parts: 28% → 18%) and made significant adjustments to tax rates and slab structure with the implementation of GST 2.0. These modifications were anticipated to lower car costs, make tax compliance easier, and boost demand in the Kannur district's car market, which serves both urban and rural customers. Sales of passenger cars and two-wheelers have increased steadily in recent years. Customers in this area are also very price-sensitive and greatly impacted by changes in taxes.

Review of Literature

Abhishek.N, Kaikamba.S and Divyashree.M.S (2019) conducted a study on 'an analysis of future road maps of goods and service tax in Indian Scenario'. The study found that GST will give more fruitful benefits to the development of the country than the presently experiencing benefits and makes the country a favourable place for both national and international business people. Aneja.A (2018) conducted a study on impact of GST on Indian economy. The study reviews the impact of GST on different sectors of the Indian economy, such as manufacturing, services, and agriculture, and analyze how it has influenced consumer behavior and business operations. She critically examined the challenges faced during GST implementation and the policy measures taken to address them. The study concluded with key insights and recommendations to maximize the benefits if GST and overcome any potential drawbacks in the Indian economic context. Banerjee.S and Agrawal.P (2018) conducted a study on the' impact of goods and service tax after implementation'. This study focused on the impact of GST on tax compliance behavior among businesses and individuals.it analyzed various factors that influence tax compliance, such as simplicity of the tax system, tax rate and the ease of filing tax returns. The paper highlighted the issues after the implementation of GST in India. Dani.S (2016) conducted a study on impact of Goods and service tax on Indian economy. In her research study she revealed that GST being a system replacing all indirect taxes might hamper the progress of the country as the attempt to implement it is not being made wholeheartedly. G.Garg (2014) conducted a study on basic concepts and features of Goods and service tax. He analysed the impact of GST on Indian tax scenario. He tried to highlight the objectives Of the proposed GST plan along with the possible challenges and opportunities that GST brings. He concluded that GST is the most logical step towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy i.e the industry, business including Govt. departments and the service sector shall have to bear the impact of GST. All sections of economy viz., big, medium, small-scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation reforms in India – the Goods and Service Tax (GST) is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Khurana and Sharma (2016) conducted a study on GST in India: A positive return for indirect tax system. They conducted this study with a view to explore various benefits and opportunities of GST by throwing a light on its background, objectives of proposed GST plan and its impact on Indian tax scenario. They concluded that GST implementation will definitely benefit producers and consumers although its implementation requires concentrated efforts of all stakeholders especially central and state governments. B.Mitra Priya (2017) conducted a study on Goods and service tax as a game changer. She stated GST as a Game changer in Indian Economy. The paper showed that GST reduced complexity of various taxes and also removed cascading effects. Tax structure shown in paper in which various tax rates included. Impact on Tax incidence included various sectors such as Telecom, E- Commerce, Automobile, real estate, banking and consumer goods. Impact on input tax credit showed that there would be availability of cross credit utilization in CGST and SGST. Mridha, S., & Yadav, B. (2018) Conducted an Analytical Study of the Various Provisions Relating to GST in India and Its Impact on the Indian Economy and Public Sector Undertakings After the Implementation of GST. The study analyzed the trend in registration and return filing, the contribution from different forms of business to GST revenue, the share of different states in GST collection, and examined the impact of Covidl9 pandemic on GST collection. It is revealed from the study that the GST collection was Rs 65937.91 Crores in August 2018. increased to Rs. 74943.26 Crores in March 2020. Munde and Chavan (2016) conducted a study on the perception of Goods and service tax in India. They conducted this study to discuss the pros and cons of GST and accordingly make suggestions to minimize loopholes and make it more effective. They concluded that if the probable loopholes are dealt effectively, tax payers will accept the change brought upon and if procedures in GST proves to be simple and assures the involvement of interest of all stakeholders then definitely it will lead to economic development and rationalization of prices. Nishitha Guptha (2017) conducted a study on Goods and service tax and its implementation in Indian economy.in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Pinki,Kamna.S and Verna.R (2014) conducted a study on Goods and service tax- panacea for indirect tax system in India. The authors in the paper have explored the concept of GST, the need to introduce it in India, the hurdles in introducing it in India and suggestions to overcome the same. The paper also discusses the benefits of introducing GST at the earliest. The authors have discussed the options to introduce the dual GST in India which could be Concurrent Dual GST, National GST or State GST. Under the concurrent dual GST the better option was the one where GST is applied on both goods and services. The other option explored was whether the Central GST would be on goods and services but state GST would be only on goods since state to collect GST on services is difficult to determine. This option also recommended one single return with both CGST and SGST details and PAN based registration. The authors have also discussed the constitutional amendments required if GST is ever to be introduced since without the amendment taxing both goods and services using one tax is not possible. The paper also highlights the issues in the credit mechanism in the CGST/SGST model since it is difficult to practically implement in terms of determination of place where service is taxable. The other challenges to introduction of GST in India highlighted are the availability of strong IT network, infrastructure and programmes, agreement on other provisions like basic threshold, exemption to goods/services, rates to be applied, etc. Rashid.N ,Yusoff H and Nor H (2014)conducted a study on possible impact of Goods and service tax towards malaysia.In this paper the authors study impact of GST in Malaysia since it is proposed to introduce GST in Malaysia in 2015. The GST is being introduced mainly so as to increase the revenue collections of the government and reduce the deficit. The authors have studied the impact of the introduction of this GST and its relation to certain indicators like the consumer price index and the structural balance. For this the relation between these factors and the GST are studied for Singapore, Thailand and Indonesia so that whilst implementing GST in Malaysia the administration can adopt the best practice. The paper recommends transparency in implementing GST and review of the rates/base of GST after 5 years and rectification based on the 5-year experience. Shefalidani (2016) conducted a study on impact of GST on Indian economy. He stated the impact of GST on the Indian economy in the study in which some benefits of GST such as one nation one tax, free from cascading effect, increased consumption due to cascading effect, transparency and GDP growth are studied. Petroleum products, real estate, and liquor are free from GST. Yadav.S.S and Shankar.R (2018)conducted a study on Goods and service tax :how and why.in their research paper analyzed the history and evolution of GST in the country and how it has replaced various indirect taxes. Rupa, R. (2017) in her research paper explained the concept of GST. Also, she highlighted the advantages and disadvantages of GST in our economy.

Significance of the Study

The study on the impact of GST 2.0 on the automobile industry is highly significant as it helps in understanding how the revised tax structure is reshaping one of India's most important industries. The introduction of lower GST slabs for small cars and electric vehicles (EVs) and the rationalisation of taxes on luxury vehicles plays a crucial role in influencing consumer buying behaviour. By reducing the overall tax burden, GST 2.0 improves vehicle affordability, which in turn stimulates demand, especially among middle-income consumers. The study also highlights how simplified GST compliance under GST 2.0 reduces operational complexity for automobile manufacturers, dealers, and ancillary units. Easier tax procedures help businesses lower compliance costs, improve transparency, and focus more on innovation, pricing strategies, and customer satisfaction. This is particularly important for small and medium automobile dealers who often struggle with complex tax systems.

Scope of the Study

The research is focused to study the impact of GST 2.0 on the automobile industry in Kannur district. It focuses on understanding the effect of GST 2.0 on automobile prices, consumer purchasing behaviour, and sales performance of automobile dealers in the district. The study covers different vehicle segments such as two-wheelers, passenger vehicles, commercial vehicles, and electric vehicles based on responses from consumers and dealers within the district.

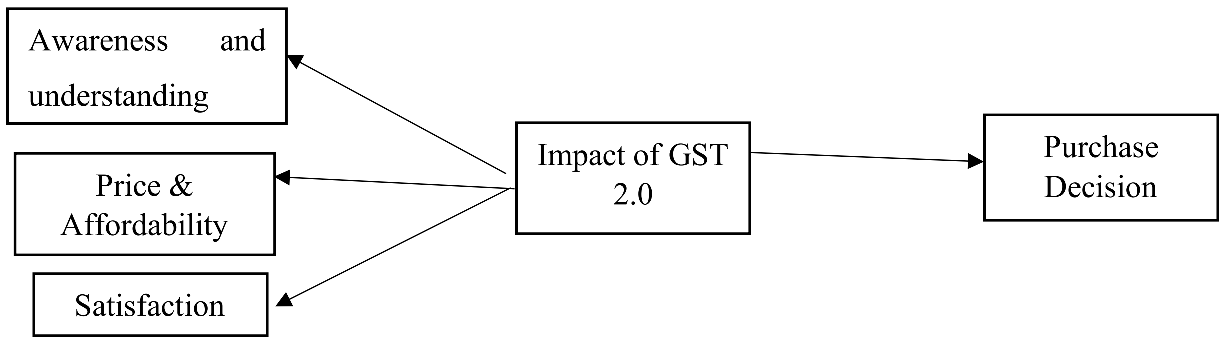
Objectives of the Study

- To study the impact of GST 2.0 leading to purchase decision among customers of Automobile industry in Kannur District.
- To study the various factors influencing the GST 2.0 on the purchase decision.

Research Methodology

Research methodology provides various steps that can be adopted by the researchers in studying his research problem. Research methodology has many dimensions. The research design used in this study is descriptive research. Descriptive study includes specific predictions concerned with study, factor and characteristics concerning an individual, a group or situation. In descriptive studies, the questions related to what, why, where and who need to be answered. This study aims to analyse and describe the impact of GST 2.0 on the automobile industry in Kannur district by collecting opinions from automobile dealers and customers. Population of the study consists of Automobile dealers operating in Kannur district. And the sample size for this study is 265 respondents. The sampling method used for the study is simple random sampling technique.

Conceptual Model for the Study



The study is mainly done to know the various factors influencing the GST 2.0 on the purchase decision. And the impact of GST 2.0 leading to purchase decision among customers of Automobile industry in Kannur District. The various factors identified are awareness and understanding, price and affordability and satisfaction.

Analysis and Interpretations

The study mainly focused on the various factors impacting the GST 2.0, and to study the impact of GST 2.0 leading to purchase decision among customers of Automobile industry in Kannur District. The data are collected from 265 Automobile dealers operating in Kannur district. Data is tested for reliability and all the Cronbach's alpha value is 0.7 hence the reliability is achieved. And the data is normally distributed. To study the various factors impacting the GST 2.0. The various factors identified are awareness and understanding, price and affordability and satisfaction.

Table No.01 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Awareness and understanding	265	10.00	15.00	12.58	1.297
Price & Affordability	265	17.00	25.00	21.00	1.577
Satisfaction	265	20.00	30.00	25.07	2.030

Source: Output from SPSS

Table represent the minimum, maximum, mean and standard deviation of the factors impacting the GST2.0. Highest mean for satisfaction, then price and affordability and finally awareness and understanding.
Correlation between the factors impacting the GST 2.0, such as Awareness & understanding, Price & affordability, and Satisfaction

Table No.02 Correlations

		Awareness & understanding	Price & affordability	Satisfaction
Awareness & understanding	Pearson Correlation	1	.351**	.407**
	Sig. (2-tailed)		.000	.000
Price & affordability	Pearson Correlation	.351**	1	.297**
	Sig. (2-tailed)	.000		.000
Satisfaction	Pearson Correlation	.407**	.297**	1
	Sig. (2-tailed)	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Output from SPSS

The above table represents the Correlation between the various factors that impacts the GST 2.0, such as Awareness & understanding, Price & affordability, and Satisfaction. Awareness and understanding are correlated with Price & affordability (0.351) and satisfaction (0.407) with p value <0.001. Price & affordability are correlated with Awareness & understanding (0.351) and Satisfaction (0.297) with p value <0.001. Satisfaction is correlated with Awareness & understanding (0.407) and Price & affordability (0.297) with p value <0.001.

To study the impact of GST 2.0 leading to purchase decision among customers of Automobile industry in Kannur District.

Hypothesis

H_0: There is no positive relationship between impact of GST 2.0 and the purchase decision.
H_1: There is positive relationship between impact of GST 2.0 and the purchase decision

Table No.03

Factors	Correlation with Purchase Decision	P-value
Awareness & understanding	0.232**	<0.001
Price & affordability	0.524**	<0.001
Satisfaction	0.470**	<0.001
Overall impact of GST 2.0	0.561**	<0.001

Source: Output from SPSS ** Significant at 0.01 level

The above table represents the correlation between the impact of GST 2.0 on the purchase decision. The correlation coefficient between the GST 2.0 and the purchase decision is 0.561, which indicates $0.561^2 = 0.3147$, therefore 31.47 percent positive relationship between the GST 2.0 and the purchase decision with p value <0.001.

The Correlation Coefficient of the factors that impacts the GST 2.0 is Awareness & understanding is 0.232 with the P value <0.001, Correlation Coefficient of Price & affordability is 0.524 with P value 0.001, Correlation Coefficient of Satisfaction is 0.470 with P value 0.001, which all shows a high positive relationship with the impact of GST 2.0 on the purchase decision at 1% significant level.

Limitations of the Study

The study is focused only on Automobile industry and its potential buyers within Kannur District, and findings may not be generalizable to other regions with different economic and technological conditions. The responses from automobile dealers and customers may be influenced by personal biases, lack of awareness, or reluctance to share detailed information.

Conclusion

The study examined the impact of GST 2.0 on the automobile sector in Kannur District by analysing the key factors of awareness and understanding, price and affordability, and customer satisfaction. The findings indicate that GST 2.0 has positively influenced customers' purchase decisions, with all three factors showing significant relationships with buying behaviour. The findings reveal that awareness and understanding of GST 2.0, price and affordability, and customer satisfaction are all positively and significantly related. Among these, the strongest relationship is between awareness and understanding and customer satisfaction (r = 0.407), suggesting that improving customer awareness of GST 2.0 can enhance satisfaction and positively influence purchase decisions in the automobile industry. The findings reveal that all the selected factors have a positive and statistically significant relationship with customers' purchase decisions. Among them, the overall impact of GST 2.0 (r = 0.561) has the strongest influence, followed by price and affordability (r = 0.524), customer satisfaction (r = 0.470), and awareness and understanding (r = 0.232). Therefore, improving customers' perceptions of GST 2.0, ensuring affordable pricing, and enhancing satisfaction are likely to have a positive effect on purchase decisions in the automobile industry in Kannur District.

The study suggests that respondents with greater awareness and understanding of GST 2.0 tend to perceive automobile prices and affordability more positively. And also implies that increased awareness and understanding of GST 2.0 are associated with higher levels of customer satisfaction. And the study is indicating that favorable perceptions of price and affordability contribute to greater customer satisfaction.

Overall, the study concludes that GST 2.0 has contributed positively to the automobile sector by enhancing pricing transparency, improving customer satisfaction, and strengthening consumer confidence. The findings provide valuable insights for policymakers, automobile dealers, and manufacturers in formulating strategies to strengthen customer confidence and promote sustainable growth in the automobile sector.

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