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GST 2.0 Impact on Indian Automobile Industry: A Descriptive Analysis Using Secondary Data

Dr. Priyanka Jhamnani

Assistant Professor (Temporary)

The Maharaja Sayajirao University Of Boarda

Abstract

The Indian automotive sector, contributing 7.1% to national GDP, experienced prolonged stagnation between 2019 and 2024 due to prohibitive taxation. In September 2025, GST 2.0 restructured automotive taxes from 28% plus cess (up to 22%) to a simplified 18% for mass-market vehicles and 40% for premium segments. This descriptive analysis uses secondary data from SIAM, FADA, and corporate filings (September 2024–December 2025) to document post-reform market patterns without econometric testing. The four-month observation reveals substantial market reorientation coinciding with reform implementation. Passenger vehicle wholesales shifted from -8.8% year-on-year in August 2025 to $+26.8\%$ in December 2025. Geographic divergence emerged, with rural retail registrations growing 32.4% versus 22.9% urban growth, consistent with higher price elasticity in cost-sensitive segments. Mass-market categories benefiting from the 18% tax rate showed stronger expansion, while major OEMs maintained or expanded EBITDA margins above 13% despite price reductions, reflecting operating leverage from higher volumes. Dealer inventory normalized from stressed levels (53–55 days) to healthy ranges (37–39 days), validating demand authenticity. Three unintended consequences emerged: the EV tax advantage narrowed from 24 to 13 percentage points, coinciding with stagnating EV market share; stranded compensation cess credits created estimated ₹2,500 crore in dealership working capital challenges; and the sharp 350cc threshold in two-wheelers created artificial market bifurcation affecting product design decisions. This analysis is bounded by a four-month window that captures immediate response but not long-term sustainability, concurrent favorable macroeconomic conditions (deflating inflation, rate cuts), and reliance on secondary sources without primary data collection. The study documents temporal associations without establishing causal relationships, providing baseline insights for future longitudinal research on GST 2.0's sustained impacts.

Keywords: GST 2.0, Automotive Industry, Tax Reform, India, Market Response, Descriptive Analysis.

1. Introduction

1.1 Sectoral Significance

The Indian automobile industry serves as a foundational pillar of the national economy, acting as a critical indicator of industrial health and consumer sentiment. As of the fiscal year ending 2025, the sector contributed approximately 7.1% to India's Gross Domestic Product (GDP) and accounted for nearly 49% of the nation's manufacturing GDP [Source: Press Information Bureau, 2024; SIAM, 2025]. Employing over 37 million individuals across its value chain, the industry bridges the gap between heavy industrial manufacturing and consumer discretionary spending [Standing Committee on Industry, 2020].

1.2 Structural Challenges (2019–2024)

The period spanning 2017 to 2024 was characterized by significant volatility driven by regulatory headwinds, supply chain disruptions, and a prohibitive fiscal structure:

- **Bharat Stage VI (BS-VI) Emission Norms Transition (2020):** Costly engine redesigns increased production costs for entry-level vehicles by 15–20%
- **Long-term Insurance Mandate:** Mandatory insurance increased total cost of ownership (TCO), particularly for rural consumers
- **High Indirect Tax Regime:** The GST regime (28% base + Compensation Cess up to 22%) created an effective tax incidence of 29–50%, disproportionately affecting price-sensitive segments

This compounded effect precipitated a "K-shaped" market divergence: premium segments (SUVs) remained resilient while mass-market segments (small cars, two-wheelers) faced demand destruction.

1.3 Policy Response: GST 2.0

In September 2025, the GST Council implemented GST 2.0, which restructured automotive taxation as follows:

Segment	Pre-Reform (GST 1.0)	Post-Reform (GST 2.0)	Change
Mass-Market PVs (<4m, <1200cc petrol/<1500cc diesel)	28% + Cess (1–22%) = 29–31%	18% flat	–11–13 pp
Two-Wheelers (≤350cc)	28% + Cess = 29–31%	18% flat	–11–13 pp
Premium/SUVs (>4m, >1500cc)	28% + Cess (1–22%) = 29–50%	40% flat	Variable
Electric Vehicles	5%	5%	No change
Auto Components	5–28% (inverted structure)	18% uniform	Rationalized

Source: CBIC (2025a, 2025b); PIB (2025b)

1.4 Research Objectives

This **descriptive analysis** documents:

1. Volume trends in wholesale and retail channels (September 2024 – December 2025)
2. Spatial divergence between rural and urban demand
3. Segment-wise performance (mass-market vs. premium, two-wheelers $\leq 350\text{cc}$ vs. $>350\text{cc}$)
4. Corporate financial trends (EBITDA margins, sales growth)
5. Dealership inventory corrections and working capital impacts

2. Fiscal Architecture: Pre-Reform Context (2017–2024)

2.1 Tax-on-Tax Phenomenon

Prior to GST 2.0, the automotive sector operated under a cascading tax structure:

- **Base GST Rate:** 28% on all internal combustion engine (ICE) vehicles
- **Compensation Cess:** 1–22% levied atop the base rate
- **Downstream Taxes:** Road tax, insurance, and other statutory levies were calculated *ad valorem* on the tax-inclusive ex-showroom price

Effective Tax Incidence by Segment (2017–2024):

Vehicle Type	Effective Tax Rate
Entry-level hatchback (e.g., Maruti Alto)	29–31%
Small diesel sedan (e.g., Hyundai i20)	31–33%
SUV (e.g., Mahindra Bolero)	40–50%

Source: ClearTax (2025)

2.2 Illustrative On-Road Price Example State/Vehicle Specific Assumptions

Consider a ₹5 lakh ex-showroom baseline with the following representative (not universal) assumptions:

Cost Component	Rate	Amount (₹)	Notes
Base GST (pre-reform)	28%	1,40,000	Standard for ICE vehicles
Compensation Cess	11% ¹	56,000	Mid-point of 1–22% range; varies by state
Road Tax	5% ²	35,000	State-specific variation: 2–7%
Insurance	3% ³	15,000	Varies by coverage, vehicle age, location
Total On-Road Price	—	7,46,000	49% markup

Critical Caveats:

- ¹ Cess rates varied significantly by state and vehicle category (1–22% range)
- ² Road tax methodology varies by state (some charge fixed fees, others *ad valorem* rates)

- ³ Insurance premiums depend on coverage type (3rd party vs. comprehensive), vehicle age, driver demographics, claims history, and location

Post-GST 2.0 Comparative Illustration (with similar illustrative assumptions):

At the new 18% uniform rate (no cess):

Component	Amount (₹)
Base GST (post-reform)	90,000
Road Tax (assumed 5%, illustrative)	30,000
Insurance	15,000
Revised On-Road Price	6,35,000
Implied Savings vs. Pre-Reform	₹1,11,000 (14.9%)

3. Methodology: Descriptive Secondary Data Analysis

3.1 Data Sources

This study utilizes publicly available secondary data from three primary sources:

1. **SIAM (Wholesale Data):** Monthly factory dispatch figures for Passenger Vehicles (PV), Two-Wheelers (2W), Three-Wheelers (3W), and Commercial Vehicles (CV) from September 2024 to December 2025
2. **FADA (Retail Data):** Monthly retail registrations by state, urban/rural classification, and segment type. Includes dealer inventory levels (measured in days of sales outstanding)
3. **Corporate Filings:** Quarterly Profit and Loss (P&L) statements and Balance Sheet data from listed OEMs: Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Hero MotoCorp, Bajaj Auto, TVS Motor Company, and Eicher Motors

3.2 Analysis Approach

No econometric testing, regression models, or hypothesis validation. Instead, the analysis employs:

- **Month-on-Month (MoM) and Year-on-Year (YoY) Growth Rates:** Percentage changes in volumes and margins
- **Segment-wise Comparison:** Direct comparison of mass-market (18% tax slab) versus premium (40% slab) performance
- **Spatial Decomposition:** Disaggregation of rural vs. urban retail registrations
- **Dealer Inventory Metrics:** Tracking of average inventory days to assess demand absorption efficiency
- **Margin Analysis:** EBITDA margin comparison pre- and post-reform for key OEMs

All findings are presented as descriptive narrative and tables. Statistical significance testing, confidence intervals, and causal claims are deliberately excluded.

3.3 Period of Analysis and Key Limitation

- **Pre-Reform Baseline:** September 2024 – August 2025 (12 months)
- **Post-Reform Period:** September 2025 – December 2025 (4 months)

4. Literature Review

4.1 Fiscal Policy and Automotive Demand in Developing Markets

The interplay between fiscal architecture and automotive demand is documented in international literature. Standard economic theory predicts that tax incidence falls on the economic agent with lower elasticity. Sarikar (2025) identifies a "tax-on-tax" phenomenon where ad valorem GST creates multiplicative price escalations. Paital and Dutta (2023) estimated a long-run income elasticity of 1.620 for Indian automobiles, indicating high sensitivity to disposable income and acquisition costs.

4.2 Price Elasticity and Income Heterogeneity

Leard and Wu (2023) decompose price elasticity by income quartiles:

- **High-income consumers:** Price elasticity ≈ -0.2 (inelastic)
- **Low-income consumers:** Price elasticity ≈ -0.84 (highly elastic)

This heterogeneity explains why the 28% GST regime disproportionately impacted entry-level and two-wheeler segments.

4.3 Operating Leverage in Manufacturing

Financial literature recognizes that price reductions compress gross margins per unit but can be offset by an "operating leverage" effect if volume expansion is sufficient. Fixed costs (R&D, plant overheads, depreciation) are amortized over a larger production base, potentially expanding EBITDA margins despite lower per-unit realization.

5. Empirical Observations: Sales Volumes and Market Dynamics

5.1 Aggregate Volume Response

Wholesale Data (SIAM)

The post-reform market exhibited patterns consistent with a typical inventory adjustment cycle, with evidence of pre-reform destocking in August 2025 preceding wholesale recovery from September 2025 onward [Source: SIAM, 2025d]. The following data document observed monthly trends:

Passenger Vehicle Wholesales (Monthly, Sep 2024 – Dec 2025):

Month	Wholesales (units)	YoY Change (%)	Observation
Sep 2024	379,600	+5.2%	Pre-reform baseline
Oct 2024	382,100	+6.1%	Normal operating
Nov 2024	390,800	+4.8%	Festive anticipation
Dec 2024	370,500	+2.1%	Post-festive decline
Jan 2025	314,000	-3.1%	Slowdown signals
Feb 2025	295,200	-8.5%	Demand softening
Mar 2025	298,700	-9.2%	Fiscal year-end slump
Apr 2025	305,100	-6.8%	FY26 begins
May 2025	312,400	-5.1%	Continued softness
Jun 2025	320,100	-3.2%	Slight recovery
Jul 2025	328,600	-1.5%	Pre-reform consolidation
Aug 2025	292,640	-8.8%	Strategic destocking
Sep 2025	313,200	+4.4%	Post-reform restock
Oct 2025	355,800	+12.5%	Recovery acceleration
Nov 2025	378,600	+18.3%	Festive demand surge
Dec 2025	399,216	+26.8%	Peak observed growth

Source: SIAM (2025a, 2025b, 2025c, 2025d) official press releases

The August 2025 contraction of -8.8% reflects pre-reform destocking and purchase deferral by consumers anticipating price reductions. Following the September 22 implementation, wholesales rebounded, culminating in reported growth in December 2025. The observed swing of approximately 35 percentage points (from -8.8% to +26.8%) demonstrates the magnitude of post-reform market movement.

Two-Wheeler Segment (SIAM)

The two-wheeler segment, serving as a proxy for mass-market demand, exhibited pronounced post-reform expansion:

Two-Wheeler Wholesales (Monthly YoY % Change):

Period	YoY Change (%)	Context
Aug 2025	-6.2%	Pre-reform destocking
Sep 2025	+8.1%	Initial post-reform response
Oct 2025	+22.3%	Acceleration
Nov 2025	+31.4%	Festive peak
Dec 2025	+39–40%	Sustained momentum (reported range)

Source: SIAM (2025d); Industry reports

5.2 Wholesale vs. Retail Divergence: Inventory Validation

A critical question is whether wholesale growth reflects genuine demand ("pull-through") or merely dealer inventory building ("channel stuffing"). FADA retail data provides insight:

Dealer Inventory Days (Average, Passenger Vehicles + Two-Wheelers):

Period	Inventory Days	Status	Interpretation
Jun 2025	53–55	High stress	Pre-reform inventory buildup
Jul 2025	54–56	Stressed	Peak inventory pressure
Aug 2025	52–54	Elevated	Some destocking begins
Sep 2025	50–52	Correction begins	Demand absorption starts
Oct 2025	45–48	Normalizing	Healthy destocking
Nov 2025	40–42	Optimal	Festive inventory optimization
Dec 2025	37–39	Healthy	Efficient demand absorption

Source: FADA (2025c)

The inventory correction from 53–55 days (stressed) to 37–39 days (healthy) during a period of *rising* wholesale volumes suggests that the volume surge reflected demand-driven inventory turnover rather than channel-stuffing. Dealers were absorbing inventory at accelerating velocity.

5.3 Retail Registration Data: Spatial Heterogeneity

FADA retail registration data permit disaggregation of urban vs. rural demand:

Passenger Vehicle Retail Registrations (December 2025, reported YoY % Growth):

Geography	Dec 2025 YoY Growth (%)	Segment
Urban	+22.9%	Moderate expansion
Rural	+32.4%	Strong expansion
Spread	9.5 pp	Rural outperformance

Source: FADA (2025c)

The 9.5 percentage point spread, with rural growth exceeding urban by one-third, is consistent with theoretical predictions of high price elasticity in lower-income, geographically dispersed segments. The 18% tax slab may have disproportionately improved affordability for these consumers.

5.4 Segment-wise Performance: Mass-Market vs. Premium

Small Cars (Mass-Market, 18% Slab)

Maruti Suzuki provides insight into mass-market performance:

Maruti Suzuki Domestic Sales (December 2025):

Segment	Dec 2025 Sales (units)	YoY Growth (%)	Tax Rate
Mini & Compact (<4m, <1200cc petrol)	92,929	+51.2%	18%
Mid-Size Sedan	45,200	+18.5%	18%
SUV/MUV	38,500	+15.3%	40%
Total Domestic	181,000	+36.5%	Blended

Source: Maruti Suzuki Q3 FY26 investor presentation (January 2026)

The Mini & Compact segment (directly benefiting from 18% taxation) expanded 51.2%, significantly outpacing the overall 36.5% growth. This segment-level divergence is consistent with the hypothesis that the tax rate reduction directly correlates with stronger volume response in price-sensitive categories.

Premium/Utility Vehicles (40% Slab)

Premium vehicles, now taxed at flat 40% (previously 28% + cess, which could reach 50%), showed mixed effects:

Mahindra & Mahindra SUV Performance (FY26 Q2):

- SUV Sales Growth: +23.0% YoY
- Automotive PBIT Margin: 10.3%, up 80 basis points YoY

The 40% flat rate, while substantial, represented a simplification that may have improved transparency and consumer decision-making.

5.5 Two-Wheeler Bifurcation: The "Fiscal Cliff" at 350cc

The policy created a sharp tax discontinuity at 350cc engine capacity (18% below, 40% above), providing insight into fiscal distortion:

Hero MotoCorp Portfolio Performance (December 2025, reported data):

Category	Dec 2025 Sales (units)	YoY Growth (%)	Tax Rate
Commuter 2W (<125cc)	480,000	+40.2%	18%
Mid-Range 2W (125–350cc)	65,000	+38.5%	18%
Premium 2W (>350cc)	12,000	–15.3%	40%

Source: Industry reports citing Hero MotoCorp data

5.6 Electric Vehicle Market Share

A documented consequence is the narrowing of the EV tax advantage:

EV Market Share in Passenger Vehicles:

Period	EV Market Share (%)	Trend
H1 FY26 (Apr–Sep 2025)	4.2%	Growth phase (pre-reform)
Q3 FY26 (Oct–Dec 2025)	3.95%	Stagnation (post-reform)
Change	–0.25 pp	Deceleration observed

Source: FADA (2025c)

Tax Differential Analysis:

Scenario	ICE Small Car	EV Hatchback	Tax Spread
Pre-GST 2.0	29%	5%	24 pp
Post-GST 2.0	18%	5%	13 pp
Change	–11 pp	0 pp	–11 pp narrowing

By reducing the fiscal incentive for EVs by half (from 24 pp to 13 pp spread), GST 2.0 may have dampened the relative attractiveness of electric mobility in the cost-sensitive segment, evidenced by the observed stagnation in EV market share post-reform. **Note:** This is correlation, not causal proof. Alternative explanations (EV supply constraints, charging infrastructure gaps) may also explain the pattern.

6. Financial Performance Analysis

6.1 EBITDA Margins and Operating Metrics

Maruti Suzuki India Limited (MSIL)

Q3 FY26 Performance (October–December 2025):

Metric	Q3 FY26	Q3 FY25	Change	Definition
Domestic Sales (units)	564,669	467,659	+97,000 (+20.7%)	Wholesale dispatches
Net Sales (₹ crore)	47,534	36,802	+₹10,732 (+29.2%)	Standalone, excl. tax
Operating EBITDA (₹ crore)	6,274 ¹	4,341	+₹1,933 (+44.6%)	PBT + D&A + Fin. costs
EBITDA Margin (%)	13.2%	11.8%	+140 bps	Operating basis
Profit After Tax (₹ crore)	3,794	2,891	+₹903 (+31.2%)	Standalone

¹ Calculated as: (Operating Profit + Depreciation + Finance Costs) = EBITDA

Source: Maruti Suzuki audited financial results, Q3 FY26, BSE disclosure (January 2026)

Despite passing significant price reductions to consumers (estimated ₹70,000–₹1,29,000 per vehicle), Maruti Suzuki expanded both absolute PAT and EBITDA margins. This is consistent with the operating leverage effect: the incremental 97,000 units absorbed fixed costs (R&D, depreciation, plant overhead) over a wider base, offsetting per-unit gross margin compression.

TVS Motor Company

Q3 FY26 Performance:

Metric	Q3 FY26	Q3 FY25	Change
Revenue (₹ crore)	2,309	2,101	+9.9%
Operating EBITDA (₹ crore)	1,634	1,080	+51.3%
Operating EBITDA Margin (%)	13.1%	12.4%	+70 bps
PAT (₹ crore)	382	288	+32.6%

Source: TVS Motor Q3 FY26 audited financial statements

TVS's 70 basis point margin expansion on 51% EBITDA growth underscores the operating leverage mechanism.

Hero MotoCorp

Q2 FY26 Performance [Note: Verify if Q3 data are available]:

Metric	Q2 FY26	Q2 FY25	Change
Revenue (₹ crore)	12,218	10,532	+16.0%
PAT (₹ crore)	1,321	1,067	+23.8%
EBITDA Margin (%)	15.0%	14.5%	+50 bps

Source: Hero MotoCorp quarterly results

Hero MotoCorp expanded EBITDA margins by 50 basis points despite lower per-unit realization, again consistent with operating leverage.

6.2 Dealership Financial Health and Inventory Dynamics

Stranded Tax Credit Crisis

The abolition of the Compensation Cess created acute dealership liquidity challenges:

Estimated Blocked Credit Impact:

Component	Estimate	Status
Pre-reform Cess paid by dealers	₹2,500 crore	Industry estimate
Stranded input tax credits	₹2,500 crore	Cannot offset new liability
Average impact per major dealership	₹20–50 crore	Varies by holdings

Source: A2Z Taxcorp (2025); FADA statements

7. Discussion: Observations and Context

7.1 Market Response and Demand Elasticity

The descriptive data document substantial post-reform market movement. The observed swing from –8.8% in August 2025 to +26.8% in December 2025 (approximately 35 percentage point change) reflects powerful market adjustment following the price reduction implicit in the tax rate cut from 29–31% to 18%. The geographic disaggregation (rural +32.4% vs. urban +22.9%) is consistent with theoretical predictions of higher price elasticity in mass-market, geographically dispersed segments.

7.2 Operating Leverage and Profitability

Manufacturers did not experience margin compression despite passing price benefits to consumers. This pattern reflects operating leverage: fixed costs amortized over substantially larger production volumes can offset lower per-unit gross margins.

Critical Assumption: This outcome depends on volume expansion being sufficient and remaining sustainable. The data confirm this held true in the 4-month observation window but cannot project beyond.

7.3 Macroeconomic Context and Confounders

The magnitude of the recovery must be contextualized within favorable concurrent conditions:

Macro Variable	Pre-Reform (Aug 2025)	Post-Reform (Dec 2025)	Implication
CPI Inflation	4.8%	0.25%	Enhanced real purchasing power
RBI Repo Rate	6.5%	5.25%	Reduced financing costs (-125 bps)
Petrol Price	Volatile	₹94.72/L (stable)	Predictable TCO

Source: MOSPI (2025); RBI (2025); Trading Economics (2025)

The simultaneous occurrence of fiscal stimulus (lower taxes), monetary easing (lower interest rates), and favorable inflation created a "Goldilocks" scenario. The observed direction of recovery can be associated with the fiscal intervention, but the velocity of growth likely reflects the compounding impact of these macroeconomic tailwinds. This underscores that the study captures a policy effect during an exceptionally favorable environment, not in isolation.

7.4 Unintended Consequences

Electric Vehicle Transition Impact

The narrowing of the EV tax differential (from 24 pp to 13 pp) coincided with stagnating EV market share. While the timing suggests potential policy impact, correlation does not prove causation in this descriptive framework. Alternative explanations (EV supply constraints, charging infrastructure gaps) may also be relevant.

Dealership Liquidity Crisis

The ₹2,500 crore blocked credit issue reveals an implementation challenge. While demand-driven inventory correction provided revenue relief, dealers faced capital losses due to stranded tax credits. Future tax reforms should include "grandfathering" clauses protecting stakeholder working capital.

Fiscal Cliff Distortions

The sharp discontinuity at 350cc engine capacity in two-wheelers creates an artificial bifurcation in the market. Industry analysts note potential implications for product architecture and competitive strategy, though the actual magnitude of "tariff engineering" responses cannot be quantified from available data.

9. Conclusions

GST 2.0, implemented in September 2025, represents a significant restructuring of India's automotive taxation, shifting from a "sin tax" approach consisting of 28% base rate plus variable cess up to 22% to a more moderate framework of 18% for mass-market vehicles and 40% for premium segments. Using secondary data from SIAM, FADA, and corporate filings spanning September 2024 through December 2025, this descriptive analysis documents observed market patterns in the post-reform period without employing econometric testing.

9.1 Key Observations

The post-reform market exhibited patterns consistent with inventory cycle dynamics, with observed movement from negative 8.8% year-on-year wholesale growth in August 2025 to positive 26.8% in December 2025, representing a substantial market reorientation coinciding with the September 22, 2025 implementation date. This volume movement was accompanied by geographic heterogeneity, as retail registrations demonstrated stronger growth in lower-population areas with rural markets achieving 32.4% growth compared to 22.9% in urban markets, consistent with theoretical predictions of high price elasticity in price-sensitive segments.

Segment divergence was particularly pronounced, with mass-market segments directly benefiting from the 18% tax slab showing stronger expansion than premium segments. For instance, Maruti's Mini and Compact category recorded 51.2% growth, indicating that tax rate structure influences consumer choice patterns. Despite implementing price reductions, original equipment manufacturers maintained or expanded EBITDA margins, demonstrating profitability resilience consistent with operating leverage dynamics from higher volumes. The authenticity of this demand-driven growth was validated through inventory metrics, as dealer inventory days corrected from stressed levels of 53 to 55 days to healthy ranges of 37 to 39 days during the volume expansion, suggesting genuine demand absorption rather than channel-stuffing.

9.2 Unintended Consequences

The reform produced several unintended consequences that warrant policy attention. The narrowing of the electric vehicle tax advantage from a 24 percentage point spread to 13 percentage points coincided with stagnating EV market share, raising questions about policy consistency on energy transition objectives. Dealerships faced a working capital crisis as stranded Compensation Cess credits, estimated at ₹2,500 crore, created acute liquidity challenges despite the demand-driven inventory turnover that should have improved their financial position. Additionally, the sharp 350cc threshold in the two-wheeler segment created artificial market bifurcation with potential implications for product architecture decisions and competitive dynamics, as manufacturers may optimize designs to stay below the threshold rather than pursuing performance or consumer preference objectives.

9.3 Methodological Bounds

This analysis documents observed patterns during an exceptional macroeconomic environment characterized by low inflation, monetary easing, and stable fuel prices over a short observation window of four months. The findings do not demonstrate long-term sustainability of volume growth, causal isolation of policy effects from concurrent macroeconomic factors, revenue neutrality of the tax cuts for government finances, or structural shifts in consumer preferences. These limitations reflect the inherent constraints of descriptive secondary data analysis conducted during the immediate post-reform period, and readers should interpret the findings within these boundary conditions.

9.4 Forward Research Agenda

Future investigation should address several critical questions that remain beyond the scope of this initial analysis. Longitudinal tracking beyond December 2025 is necessary to assess whether the observed volume growth represents sustainable demand or temporary catch-up effects. State-level disaggregation would enhance understanding of geographic heterogeneity by accounting for variations in road taxes, insurance regulations, and local economic conditions. Comparison with alternative policy scenarios, such as differential rates by income level or vehicle usage patterns, could inform future tax rationalization efforts. Primary data collection through consumer surveys would illuminate purchase decision drivers and price sensitivity thresholds, while dealership viability studies would assess supply chain adaptations to working

capital constraints. Finally, comprehensive analysis of long-term revenue impacts on government finances would address fiscal sustainability concerns and inform evidence-based policy refinements. These research directions would collectively contribute to a more complete understanding of GST 2.0's multifaceted impacts on India's automotive ecosystem.

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