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GOVERNMENT POLICIES AND THEIR IMPACT ON BRAND LOYALTY IN THE AUTOMOBILE INDUSTRY

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Abstract

The automobile industry is one of the major contributors to economic growth, employment generation, industrial development and technological innovation. In recent years, government policies related to environmental protection, electric vehicles (EVs), taxation, subsidies, safety regulations and sustainable mobility have significantly influenced consumer behaviour in the automobile sector. These policies not only affect purchasing decisions but also shape customer trust, satisfaction and long-term loyalty towards automobile brands. The present research study aims to analyse the impact of government policies on brand loyalty in the automobile industry. The research study has been conducted using both primary and secondary data. Primary data were collected through a structured questionnaire from 120 automobile consumers. Secondary data were collected through journals, research papers, government reports, websites and e-books. The collected data were analysed using percentage analysis and chi-square tests. The findings of the study reveal that government policies such as EV subsidies, BS-VI emission norms, taxation benefits and vehicle safety regulations positively influence customer loyalty towards automobile brands. Consumers prefer automobile companies that align with government sustainability initiatives and environmental regulations. The study concludes that supportive government policies play a significant role in strengthening customer trust, satisfaction and brand loyalty in the automobile industry.

Keywords: *Government Policies, Brand Loyalty, Automobile Industry, Electric Vehicles, Consumer Behaviour, Taxation Policy, Environmental Regulations.*

1. Introduction

The automobile industry is one of the most dynamic and rapidly growing industries across the world. It plays a vital role in economic development by contributing to industrial production, employment generation, exports and technological advancement. In India, the automobile sector contributes significantly to GDP and manufacturing output. The industry has witnessed major transformation due to globalization, digitalization, sustainable

mobility initiatives and government interventions.

Government policies have become an important factor influencing the growth and competitiveness of automobile companies. Policies relating to environmental protection, fuel efficiency, electric vehicle promotion, taxation systems, safety standards and manufacturing incentives directly affect automobile manufacturers and consumers. In recent years, the Indian government has introduced several important initiatives such as:

- FAME Scheme (Faster Adoption and Manufacturing of Electric Vehicles)
- BS-VI Emission Norms
- Vehicle Scrappage Policy
- Production Linked Incentive (PLI) Scheme
- Make in India Initiative
- EV Subsidies and Tax Benefits

These policies have encouraged automobile companies to adopt sustainable manufacturing practices, improve vehicle safety and invest in electric mobility technologies.

Brand loyalty refers to the tendency of consumers to repeatedly purchase products from a particular brand due to trust, satisfaction and emotional attachment. In the automobile industry, brand loyalty is highly important because automobiles involve high financial investment and long-term usage. Consumers generally remain loyal to brands that provide quality, safety, affordability and environmental responsibility.

Government policies influence customer perceptions regarding automobile brands. Companies complying with government regulations and promoting sustainable transportation are gaining stronger customer trust and loyalty. Policies encouraging electric vehicles, green mobility and vehicle safety are positively changing consumer attitudes towards automobile companies.

Therefore, the present study attempts to analyse the impact of government policies on brand loyalty in the automobile industry.

2. Review of Literature

Joshi, Pathak, Agarwal and Priya (2021) examined the impact of personality attributes on brand loyalty in the automobile industry. Their study emphasized that customer trust, emotional attachment, perceived quality and customer satisfaction significantly influence automobile brand loyalty. The researchers found that consumers tend to remain loyal towards automobile brands that provide reliability, superior service quality and positive customer experience. The study also highlighted that behavioural attitudes strongly affect repeat purchase intention among automobile consumers. However, the study mainly focused on psychological and behavioural factors and did not specifically analyse the impact of government policies and environmental regulations on automobile brand loyalty.

Mohammadi, Barzegar and Nohekhan (2023) analysed the effects of eco-friendly marketing and sustainable business practices on consumer loyalty. Their study revealed that environmentally responsible marketing strategies positively influence customer trust, brand image and long-term loyalty. The researchers found that

consumers increasingly prefer automobile brands that promote green technology and sustainable manufacturing practices. The study further emphasized that environmental consciousness among consumers has become an important factor affecting brand preference. However, the research primarily focused on green marketing strategies and did not comprehensively examine the role of government policies such as EV subsidies, taxation benefits and emission regulations in influencing customer loyalty.

Sivakumara and Krishnara (2023) conducted a study on the application of advanced automobile safety features and their implications for road traffic accidents and fatalities. The study highlighted that government-mandated safety regulations and advanced safety technologies improve customer confidence towards automobile brands. The researchers found that consumers increasingly prefer vehicles equipped with advanced safety systems such as airbags, ABS, lane warning systems and automated braking technologies. The study concluded that safety-related government regulations positively influence customer perception regarding automobile companies. However, the research mainly concentrated on road safety and accident reduction rather than analysing customer loyalty and repeat purchase behaviour.

Borkar (2023) studied women's safety and technological innovations in transportation services. The research emphasized that advanced tracking systems, safety technologies and government-supported transportation policies improve consumer confidence and satisfaction. The study found that safety-oriented technological innovations positively affect customer perception towards transportation brands and services. The researcher also highlighted the importance of government regulation in promoting safer mobility systems for women. However, the study focused primarily on transportation safety services and did not directly examine the relationship between government automobile policies and brand loyalty in the automobile sector.

Bhasin and Srivastava (2024) examined the factors affecting consumer decisions regarding electric vehicle adoption in India. Their study emphasized that environmental awareness and sustainability concerns are major motivating factors for consumers to adopt electric vehicles. The researchers also found that consumers who are more environmentally conscious are more willing to shift from conventional vehicles to electric vehicles. However, the study highlighted that high initial costs and limited charging infrastructure remain significant barriers to widespread adoption. The research mainly focused on EV adoption behaviour and did not analyse how government incentives and policies influence long-term brand loyalty towards automobile companies.

Dhone (2025) analysed the role of sustainable manufacturing practices in building brand equity among Indian automobile companies. The study revealed that automobile brands adopting environmentally sustainable production systems and complying with government environmental norms enjoy stronger customer trust and market reputation. The researcher found that consumers increasingly prefer brands associated with sustainability and social responsibility.

The study concluded that green business practices positively impact customer satisfaction and loyalty. However, the research mainly focused on sustainability practices and did not comprehensively examine taxation policies, EV subsidies and other government interventions influencing brand loyalty.

Mittal (2025) examined the impact of self-reliant industrial policies and foreign direct investment regulations on automobile multinational companies operating in India. The study highlighted that supportive government industrial policies positively influence business expansion, manufacturing growth and consumer confidence. The researcher found that government incentives and policy support create favourable market conditions for automobile companies. However, the study mainly concentrated on industrial growth and FDI-related issues and did not directly analyse customer loyalty and consumer behaviour towards automobile brands.

Climate-Neutral Mobility Policy Study (2025)

The study titled *"Effectiveness Assessment of Government Promotional Policy Framework towards Climate-Neutral Mobility in Indian Context"* (2025) examined the effectiveness of government policies promoting sustainable transportation and electric mobility. The study revealed that EV subsidies, tax benefits and charging infrastructure positively influence consumer purchase intentions towards electric vehicle brands. The researchers found that supportive government policies enhance customer confidence in environmentally responsible automobile companies. However, the study mainly focused on policy effectiveness and EV adoption rather than analysing long-term customer loyalty and brand retention.

Reuters Automotive Loyalty Report (2025)

Reuters Automotive Loyalty Report (2025) analysed customer loyalty trends in the global automobile industry. The report highlighted that political environments, environmental regulations and sustainability-related government policies significantly affect customer trust and brand perception. The findings indicated that consumers increasingly support automobile companies that align with environmental responsibility and government sustainability initiatives. However, the report mainly discussed global trends and lacked empirical analysis specifically related to Indian consumers and their loyalty towards automobile brands.

Electrified Vehicle Adoption Study (2026)

The study titled *"The Dynamics of Electrified Vehicle Adoption: An Indian Market Analysis"* (2026) examined factors influencing electric vehicle adoption in India. The study found that government subsidies, tax rebates, charging infrastructure and environmental awareness significantly encourage EV adoption among consumers. The researchers concluded that supportive government policies positively affect customer confidence towards electric vehicle brands. However, the study

primarily focused on electric vehicle adoption behaviour and did not comprehensively analyse the relationship between government policies and long-term automobile brand loyalty.

Research Gap

From the review of literature, it has been observed that previous studies mainly focused on consumer behaviour, sustainability, green marketing, electric vehicle adoption, safety technologies and industrial growth in the automobile industry. Most researchers highlighted the importance of environmental awareness, technological advancement and sustainable practices in influencing customer perceptions.

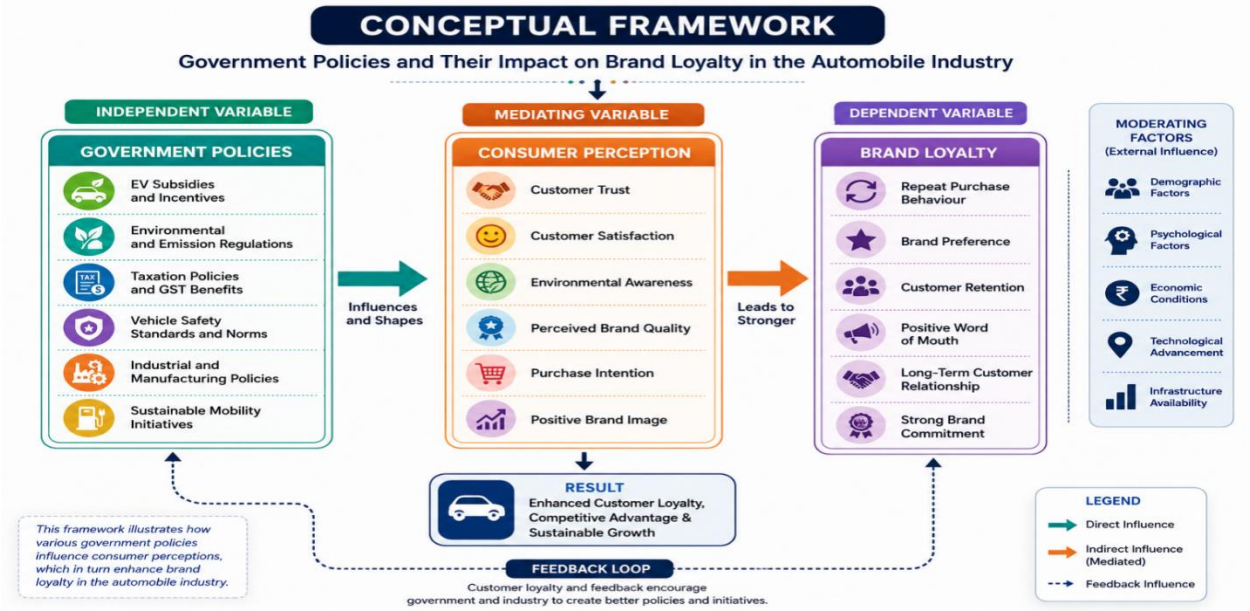
However, very limited studies have specifically examined the direct impact of government policies on brand loyalty in the automobile industry. There is a lack of empirical research analysing how government initiatives such as EV subsidies, taxation policies, environmental regulations, safety norms and industrial incentives influence customer trust, satisfaction and loyalty towards automobile brands in the Indian context.

Therefore, the present research study attempts to fill this research gap by analysing the impact of government policies on brand loyalty in the automobile industry.

Conceptual Framework

The conceptual framework explains the relationship between government policies and brand loyalty in the automobile industry. In the present study, government policies act as the independent variable, while brand loyalty is the dependent variable. Consumer perception acts as a mediating factor between the two variables.

Government initiatives such as EV subsidies, environmental regulations, taxation benefits, safety standards and industrial policies influence customer trust, satisfaction and purchase intentions. These factors ultimately strengthen customer loyalty towards automobile brands.



Explanation of the Framework

The framework shows that government policies significantly influence consumer perception in the automobile industry. Policies related to sustainability, taxation, safety and electric vehicles improve customer trust and satisfaction. Positive consumer perception further develops strong brand loyalty through repeat purchases, customer retention and long-term customer relationships. Therefore, government initiatives play an important role in strengthening automobile brand loyalty and improving market competitiveness.

Objectives of the study

- To analyse the impact of government policies on automobile brand loyalty.
- To study customer perception towards government regulations in the automobile industry.
- To examine the role of EV incentives and taxation policies in influencing customer loyalty.
- To identify factors affecting customer preference towards automobile brands.

Research Hypothesis

Null Hypothesis H01

There is no significant impact of government policies on brand loyalty in the automobile industry.

Alternative Hypothesis H11

There is a significant impact of government policies on brand loyalty in the automobile industry.

Null Hypothesis H02

There is no significant positive perception among consumers regarding EV and environmental policies towards automobile brands.

Alternative Hypothesis H12

There is a significant positive perception among consumers regarding EV and environmental policies towards automobile brands.

4. Research Methodology

The present research study is based on a descriptive and analytical research design to examine the impact of government policies on brand loyalty in the automobile industry. Both primary and secondary data have been used for conducting the study. Primary data were collected directly from automobile consumers through a structured questionnaire consisting of questions related to government policies, EV incentives, environmental regulations, customer perception and brand loyalty. Secondary data were collected from research papers, journals, government reports, websites, newspapers and e-books to provide theoretical support to the study.

The study was conducted in Indore City, Madhya Pradesh, and a sample of 120 respondents was selected using the random sampling method. The collected data were classified, tabulated and analysed with the help of statistical tools such as percentage analysis, mean analysis and chi-square test. Percentage analysis was used to analyse respondent opinions and demographic factors, while the chi-square test was applied to test the research hypotheses at a 5 per cent level of significance.

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The independent variable of the study is government policies, the mediating variable is consumer perception and the dependent variable is brand loyalty. The study aims to understand how government initiatives such as EV subsidies, taxation benefits, environmental regulations and safety norms influence customer trust, satisfaction and loyalty towards automobile brands. Although the study provides valuable insights, it is limited to 120 respondents and confined to Indore City only.

Data analysis and interpretation

The following data analysis has been conducted to analyse the impact of government policies on brand loyalty in the automobile industry. The data were collected from 120 automobile consumers through a structured questionnaire. The analysed data have been presented in tables along with interpretation.

Demographic Analysis

Table 1: Gender-wise Classification of Respondents

Gender	Frequency	Percentage
Male	74	61.7
Female	46	38.3
Total	120	100

Interpretation- Table 1 shows the gender-wise classification of respondents. Out of 120 respondents, 74 respondents were male and 46 respondents were female. It is clear that male respondents participated more in the present research study.

Table 2: Age-wise Classification of Respondents

Age Group	Frequency	Percentage
18–25 Years	30	25.0
26–35 Years	48	40.0
36–45 Years	28	23.3
Above 45 Years	14	11.7
Total	120	100

Interpretation- The above table shows that the majority of respondents belong to the age group of 26–35 years, representing 40% of the total respondents. This indicates that young and middle-aged consumers are more active in automobile purchasing decisions.

Consumer Awareness and Perception Analysis

Table 3: Awareness Regarding Government Automobile Policies

Options	Frequency	Percentage
Yes	104	86.7
No	16	13.3
Total	120	100

Interpretation- Table 3 indicates that the majority of respondents are aware of government automobile policies such as EV subsidies, BS-VI norms and taxation benefits. Only a small percentage of respondents were unaware of such policies.

Table 4: Government Policies Influence Purchase Decisions

Options	Frequency	Percentage
Strongly Agree	42	35.0
Agree	46	38.3
Neutral	18	15.0
Disagree	10	8.3
Strongly Disagree	4	3.4
Total	120	100

Interpretation- The majority of respondents either strongly agreed or agreed that government policies influence their automobile purchase decisions. This indicates that policy initiatives significantly affect consumer buying behaviour.

Table 5: Impact of EV Subsidies on Brand Preference

Options	Frequency	Percentage
Strongly Agree	50	41.7
Agree	40	33.3
Neutral	16	13.3
Disagree	9	7.5

Strongly Disagree	5	4.2
Total	120	100

Interpretation- Table 5 shows that EV subsidies and incentives positively affect customer preference towards automobile brands. Most respondents believe that government support for electric vehicles influences their brand selection.

Table 6: Environmental Regulations Improve Brand Image

Options	**Frequency**	**Percentage**
Strongly Agree	44	36.7
Agree	48	40.0
Neutral	14	11.7
Disagree	9	7.5
Strongly Disagree	5	4.1
Total	120	100

Interpretation- The majority of respondents agreed that environmental and emission regulations improve the image of automobile brands. Consumers trust companies that follow government environmental standards.

Table 7: Government Safety Norms Increase Customer Trust

Options	**Frequency**	**Percentage**
Strongly Agree	52	43.3
Agree	38	31.7
Neutral	17	14.2
Disagree	8	6.7
Strongly Disagree	5	4.1
Total	120	100

Interpretation- The findings indicate that vehicle safety norms introduced by the government positively increase customer trust towards automobile brands. Respondents prefer brands that focus on safety standards.

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Brand Loyalty Analysis

Table 8: Government Policies Influence Brand Loyalty

Options	Frequency	Percentage
Yes	98	81.7
No	22	18.3
Total	120	100

Interpretation- The majority of respondents stated that government policies significantly influence their loyalty towards automobile brands. Customers prefer brands that comply with government regulations and sustainability initiatives.

HYPOTHESIS TESTING

Hypothesis 1

Null Hypothesis (H01)

There is no significant impact of government policies on brand loyalty in the automobile industry.

Alternative Hypothesis (H11)

There is a significant impact of government policies on brand loyalty in the automobile industry.

Table 9: Frequency Calculation for H1

Options	Observed N	Expected N	Residual
No	22	60.0	-38.0
Yes	98	60.0	38.0
Total	120		

Interpretation- The observed frequency of "Yes" responses is significantly higher than the expected frequency. This indicates that respondents believe government policies positively affect brand loyalty.

Table 10: Test Statistics for H1

Test Statistics	Value
Chi-Square	48.13

df	1
Asymp. Sig.	.000

Decision- The significance value is less than 0.05; therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, there is a significant impact of government policies on brand loyalty in the automobile industry.

Hypothesis 2

Null Hypothesis (H02)

There is no significant positive perception among consumers regarding EV and environmental policies towards automobile brands.

Alternative Hypothesis (H12)

There is a significant positive perception among consumers regarding EV and environmental policies towards automobile brands.

Table 11: Frequency Calculation for H2

Options	Observed N	Expected N	Residual
No	18	60.0	-42.0
Yes	102	60.0	42.0
Total	120		

Interpretation- The table clearly shows that the observed "Yes" responses are much higher than the expected frequency, indicating positive customer perception regarding EV and environmental policies.

Table 12: Test Statistics for H2

Test Statistics	Value
Chi-Square	58.80
df	1
Asymp. Sig.	.000

Decision- Since the significance value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, there is a significant positive perception among consumers regarding EV and environmental policies towards automobile brands.

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6. Findings of The Study

- The majority of respondents were aware of government policies related to the automobile industry such as EV subsidies, BS-VI emission norms, taxation benefits and safety regulations.
- Most consumers agreed that government policies significantly influence their automobile purchase decisions and brand preferences.
- The study found that EV subsidies and government incentives positively affect customer preference towards electric vehicle brands.
- Environmental and emission regulations improve the image and credibility of automobile companies among consumers.
- Government safety norms and mandatory safety features increase customer trust and confidence towards automobile brands.
- Consumers prefer automobile companies that comply with government sustainability initiatives and environmental standards.
- The majority of respondents believe that government policies directly influence brand loyalty in the automobile industry.
- Young consumers are more influenced by eco-friendly initiatives and electric vehicle policies while selecting automobile brands.
- The chi-square test results revealed that there is a significant relationship between government policies and brand loyalty in the automobile industry.
- The study also found that supportive government policies strengthen customer satisfaction, trust and long-term customer relationships with automobile brands.

7. Suggestions

- Automobile companies should align their business strategies with government sustainability and environmental policies.
- Automobile manufacturers should invest more in electric vehicle technology and eco-friendly manufacturing systems.
- Companies should create awareness among consumers regarding EV subsidies, taxation benefits and government incentives.
- Government should improve charging infrastructure and EV support facilities to encourage electric vehicle adoption.
- Automobile companies should focus more on vehicle safety features to increase customer trust and satisfaction.
- Government should continue introducing supportive industrial and environmental policies for the automobile sector.
- Automobile brands should effectively communicate their compliance with government safety and environmental regulations in their marketing campaigns.
- Customer relationship management strategies should be strengthened to improve long-term brand loyalty.
- More public awareness programmes should be conducted regarding sustainable mobility and green transportation.
- Government and automobile companies should work together to

promote environmentally responsible automobile usage.

8. Limitations of The Study

- The study is limited to only 120 respondents.
- The research area is confined to Indore City, Madhya Pradesh only.
- The study mainly focuses on selected automobile consumers and may not represent the entire population.
- Time and financial constraints limited the scope of data collection.
- Consumer opinions may change over time due to changing government policies and market conditions.
- The study considered only selected government policy factors affecting automobile brand loyalty.
- The responses provided by respondents are based on personal opinions and perceptions, which may vary from individual to individual.

9. Conclusion

The automobile industry plays a vital role in economic growth, industrial development and technological advancement. In recent years, government policies have become one of the most important factors influencing customer behaviour and brand loyalty in the automobile sector. Policies related to electric vehicles, environmental sustainability, taxation systems and vehicle safety standards significantly affect consumer perceptions regarding automobile brands.

The findings of the present research study reveal that government initiatives such as EV subsidies, environmental regulations and safety norms positively influence customer trust, satisfaction and purchase decisions. Consumers are more loyal towards automobile brands that follow government regulations and promote sustainable mobility practices.

The study also concludes that supportive government policies help automobile companies strengthen their market image, customer relationships and competitive advantage. In the future, the growth of the automobile industry will largely depend upon sustainable innovation, environmental responsibility and effective government policy support.

Therefore, automobile companies and government authorities should work together to promote sustainable transportation systems, improve customer confidence and strengthen long-term brand loyalty in the automobile industry.

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