



Budget and Tax Policy Signals in Sustainable Consumption and Investment Behaviour

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Abstract

Tax policy and fiscal policy are economic tools that are significant as they are used by governments to shape financial behaviour and resource allocation. These tools have been increasingly matched to sustainability objectives in the recent years with green budgeting, environmental taxes and tax incentives on sustainable products and investments. Nevertheless, the degree to which these policies of the budget and taxes in fact impact on the choice of individual consumption and investment is a significant subject of research. The current paper analyses the fiscal and tax policies and their impacts in terms of sustainable consumption and investment behaviour by individuals. We rely on both secondary data of policy and academic sources and primary data gathered with the help of a structured questionnaire. The secondary sources contain the international policy and taxation research platforms which address the topics of green taxation, sustainability-related incentives, and climate-oriented budgetary frameworks. This study is based on a structured survey method that will quantify awareness, perception as well as behaviour. The response in respect to sustainability-oriented taxation and budgetary measures. It is that the anticipated result of the research is to determine whether tax incentives and budget-driven sustainability actions play an important role in purchase and investment decisions. The results will be useful in helping policymakers and financial planners to create more effective fiscal instruments based on sustainability and enhance public sensitivity to green economic policies

1. INTRODUCTION

In order to determine the economic behaviour, fiscal policy and tax policy play a key role in determining the spending, saving, and investment decisions. Policy tools that governments adopt to direct economic activity in the desired direction are budget allocation, taxes rates, exemptions and incentives. Over the past several years, sustainability has become a high policy agenda in most countries resulting in the adaptation of environmental and social goals into fiscal policies. The aspect of green budgeting, environmental taxation and sustainability based tax incentives have become significant in the developed and emerging economies.

Taxation experts and international policy organisations note that the contribution of environmental taxes, and specific fiscal incentives with respect to market behaviour, is to change relative prices, and to make the cost of sustainability alternatives less burdensome. The use of fiscal instruments to enhance sustainability includes tax credits on renewable energy investments, electric vehicles, green buildings and ESG-based financial products. This is supported by budgetary allocations to clean energy, sustainable infrastructure as well as climate adaptation programs. Such actions will affect the consumer buying behaviour and the choice of investors in their portfolios.

According to recent reviews of policies and taxation research, fiscal tools are becoming more and more aimed at behaviour change and not solely about revenue collection. Green financial reforms and sustainable financial framework demonstrate that taxation and budgeting have ceased to be a neutral instrument; they have become strategic instruments for long term environmental and economic stability. This change renders it is significant to investigate whether these policy interventions have any effect on the real-life consumption and investment choices.

1.2 Problem Statement

Despite the rising trend of governments offering sustainability-based tax incentives and green budget policies, there is scant understanding of the extent to which these policies may work towards affecting the actual consumption and investment activities of the individuals and small investors. Most of the fiscal sustainability policies remain on paper, yet their behavioural effectiveness is to be influenced on the dimensions of awareness, the perceived value, accessibility, and the confidence in policy persistence. Even the most effective sustainability budgets and tax incentives are not likely to deliver the desired environmental and economic benefits without adequate behavioural response in place.

The other issue is the distance between policy formulation and the knowledge of the citizens. Sustainability-related tax benefits and budget incentives are frequently technical in nature and are relatively communicated poorly, potentially lowering their benefits. According to some studies, the effect of fiscal incentives on corporate investment can be strong, but the effect of fiscal incentives on household consumption and investment decisions made by small-scale enterprises is extremely different.

Hence, it is necessary to conduct a systematic study on the question of whether budget and tax policies actually affect sustainable consumption and investment choices at the user level. Realization of this relation assists to assess the effectiveness of the policy and enhance fiscal design in future.

1.3 Review of Literature

Previous economics determines that negative externalities could be mitigated and socially desirable behaviour directed through taxation. According to the environmental taxation theory, the tax imposed on the goods that pollute the environment has the ability to redirect the demand towards clean products. Subsequently, this was broadened by empirical taxation and sustainability literature that studied the green tax incentives and sustainability-related subsidies. In properly designed tax credits and fiscal incentives, policy research platforms and taxation journals have reported that green technology adoption and sustainable investment flows are increased.

More recent sustainability and fiscal governance studies are centered on green budgeting models, in which governments categorize and match expenditures to climate and sustainability objectives. These structures enhance transparency and responsibility in the fiscal planning. The impact of tax incentives on ESG investments, financing renewable energy, as well as low-carbon consumption patterns are also examined in contemporary literature.

1.4 Objectives of the Study

To study whether budget and tax policies influence sustainable consumption and investment decisions.

2. Research Methodology

This study adopts a mixed-method research design combining both primary and secondary data sources to examine whether budget and tax policies influence sustainable consumption and investment decisions.

Research Design

The study is descriptive and analytical in nature. It evaluates awareness, perception, and behavioural response toward tax incentives and sustainability-linked fiscal measures.

Data Sources

Primary Data

Primary data was collected through a structured questionnaire using Google Forms. The questionnaire included close-ended questions, Likert scale ratings, and multiple-choice questions related to:

- a. Awareness of tax incentives for sustainability
- b. Impact of tax reduction on purchase behaviour
- c. Investment decisions influenced by tax benefits
- d. Perceived effectiveness of government budget sustainability measures
- e. Most motivating fiscal policy tools

A total of **41 valid responses** were collected within a limited time frame. Due to time constraints, the study proceeds with this sample size, which is acceptable for an exploratory behavioural study.

Secondary Data

Secondary data was collected from recognized non-AI academic and policy research platforms, including:

- a. OECD sustainability and green budgeting reports
- b. IEEFA energy finance policy studies
- c. MDPI sustainability and taxation research papers

d. Advances in Taxation research publications

e. Golden Ratio of Taxation studies

These sources were used to understand global fiscal sustainability frameworks and tax incentive effectiveness.

Sampling Method

A convenience sampling method was used due to time and accessibility constraints. Respondents included students, salaried employees, professionals, and business owners.

Tools for Analysis

Percentage analysis

Frequency distribution

Likert scale interpretation

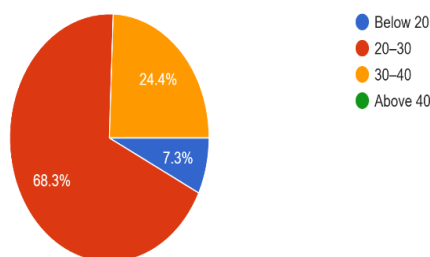
Behavioural intention vs actual behaviour comparison

Hypothesis alignment analysis

3. DATA ANALYSIS

Age Distribution

Age Group
41 responses

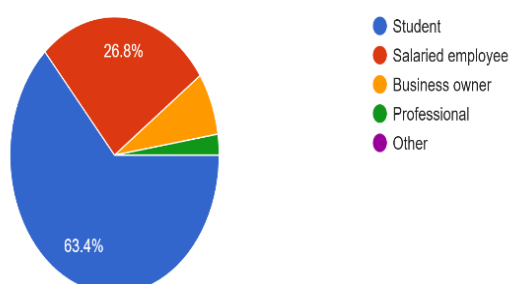


- 20–30 years → 28 respondents (68%)
- 30–40 years → 10 respondents (24%)
- Below 20 → 3 respondents (7.3%)

Interpretation: Majority are young respondents relevant for studying future consumption and investment behaviour.

Occupation

Occupation
41 responses

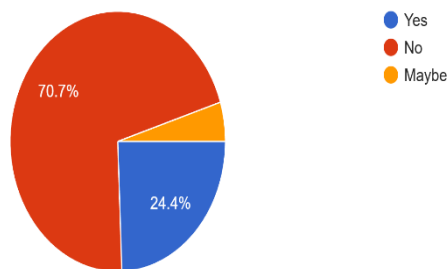


- Students → 26 (63%)
- Salaried employees → 11 (27%)
- Business owners → 3 (7%)
- Professionals → 1 (3%)

Interpretation: Sample is youth-dominated with emerging taxpayers and future investors suitable for behavioural intention analysis.

Taxpayer Status

Do you pay income tax?
41 responses

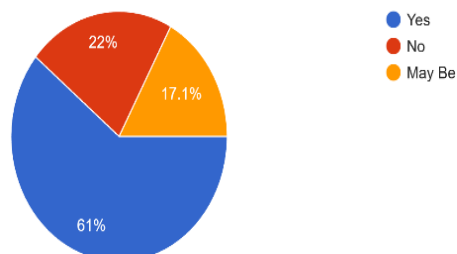


- Do not pay income tax → 29 (71%)
- Pay income tax → 10 (24%)
- Maybe → 2 (5%)

Interpretation: Even among non-taxpayers, perception of tax incentives can influence future decisions.

Awareness of Sustainability Tax Incentives

Are you aware that government tax policies provide incentives for sustainable products or investments?
41 responses



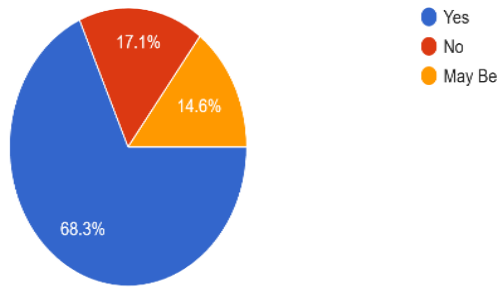
- Aware → 25 (61%)
- Not aware → 9 (22%)
- Maybe → 7 (17%)

Interpretation: Moderate awareness exists supports testing awareness behaviour relationship.

Tax Impact on Purchase Decisions

Would lower tax/GST on eco-friendly products influence your purchase decision?

41 responses



Lower tax/GST influence purchase:

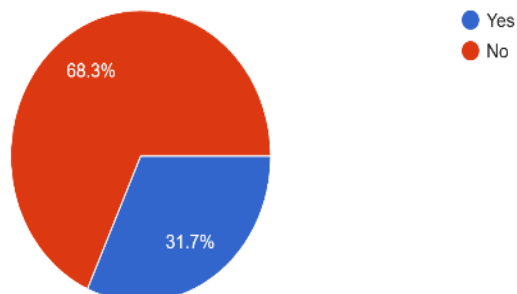
- Yes → 28 (68%)
- No → 7 (17%)
- Maybe → 6 (15%)

Interpretation: Strong majority indicate tax reduction affects sustainable consumption choice → supports H1.

Actual Purchase Due to Tax Benefit

Have you purchased any sustainable product because of tax benefit/subsidy?

41 responses



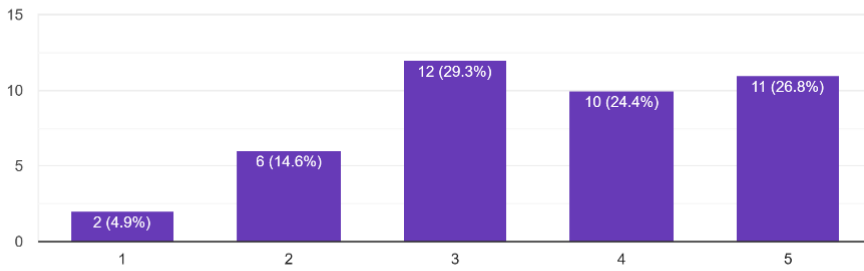
- Yes → 13 (32%)
- No → 28 (68%)

Interpretation: Intention is high but actual behaviour lower shows awareness/action gap

Impact Scale of Tax Incentives (1–5)

Impact level of tax incentives on your purchase choice

41 responses



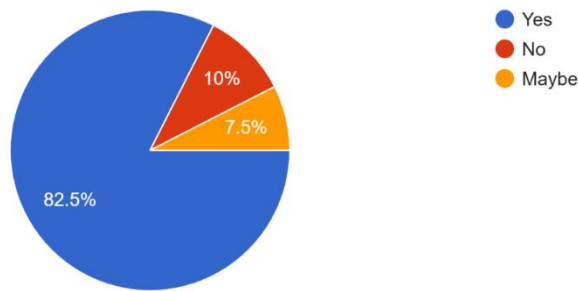
- High impact (4–5) → 21 respondents (51%)
- Medium (3) → 12 (29%)
- Low (1–2) → 8 (20%)

Interpretation: Perceived influence of tax incentives is generally strong.

Tax Incentives and Investment Motivation

Would tax deductions motivate you to invest in sustainable investments?

40 responses



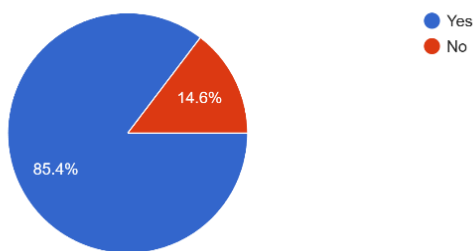
- Motivated to invest due to tax deduction → 33 (≈83%)
- Not motivated → 4 (10%)
- Maybe → 3 (7.5%)

Interpretation: Very strong support that tax incentives influence sustainable investment → supports H2.

Tax Benefits Influenced Investment Decisions

Have tax benefits influenced any of your investment decisions?

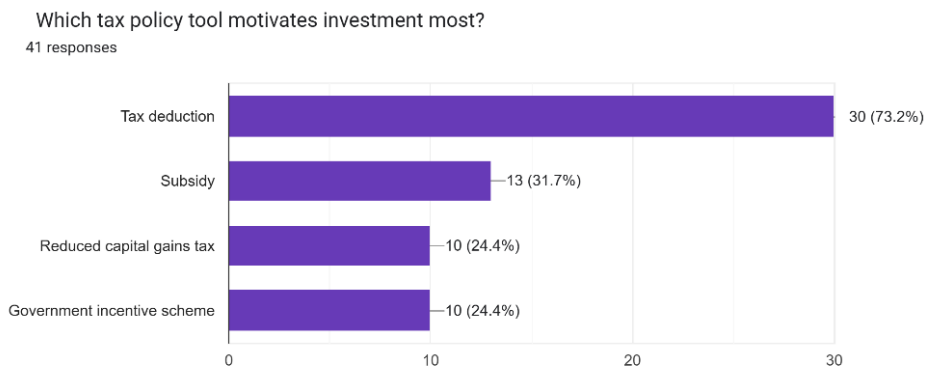
41 responses



- Yes → 35 (85%)
- No → 6 (15%)

Interpretation: Strong behavioural confirmation not just intention.

Most Influential Tax Tool



Most selected:

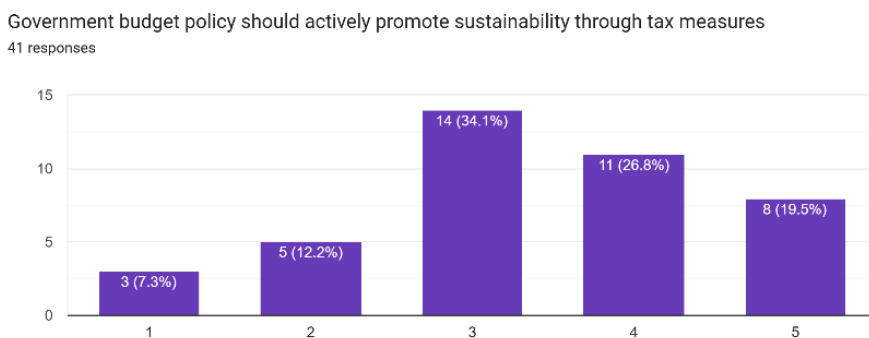
Tax deduction (highest frequency)

Followed by:

Subsidy and capital gains reduction.

Interpretation: Direct tax deduction is most powerful behavioural driver

Budget Policy Support for Sustainability (Scale)



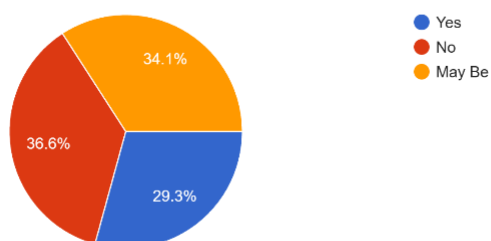
Ratings 4–5 → 19 respondents (46%)

Ratings 3 → 14 (34%)

Interpretation: Majority support active sustainability fiscal policy.

Policy Sufficiency Perception

Current budget & tax policies are sufficient to influence sustainable decisions
41 responses



- Policies sufficient → 12 (29%)
- Not sufficient → 15 (37%)
- Maybe → 14 (34%)

Interpretation: Public feels policies exist but are not strong enough → policy improvement scope.

4. DISCUSSION

This study was meant to test the hypothesis of whether budget and tax policies affects sustainable consumption, and investment decision-making. The primary data findings point very much to the fact that fiscal incentives are a significant behavioural factor, and there is an awareness-action gap.

Most of the respondents (68% out of the large majority) said that reduced tax on environmentally friendly products would affect their purchases. This confirms Hypothesis H1, according to which tax incentives affect sustainable consumption decisions. Nevertheless, a mere 32% of them said they had indeed purchased sustainable products because of tax incentives. This is an indication that there is a discrepancy between the will and the action. The secondary literature sources of OECD and taxation research journals also find that fiscal incentive is most effective when in conjunction with awareness campaigns and simplified claims processes.

Fiscal sensitivity is even stronger in investment behaviour. Approximately 80 percent of the respondents said that tax deductions would encourage sustainable investments, 85 percent of the respondents said tax benefits have affected their investment decisions. This is a very strong indication of Hypothesis H2. Sustainability finance research policy analyses also indicate that tax preferences and capital gains tax benefits are some of the best stimulators of green investment adoption.

Consciousness is an important moderating factor. On sustainability-related tax incentives, 61% of the respondents were knowledgeable about them, with the remaining ones being unsure about it or being less informed. Sustainable purchases and investments were also more strongly motivated among those respondents who were aware of it. This confirms Hypothesis H3, which states that awareness increases adoption behaviour. The general theme of secondary policy studies is that the absence of fiscal incentives coupled with communication strategies has less powerful outcomes.

There is the impression of the budget policy as well. Almost half of the respondents accepted that the policy of government budget should be active in implementing sustainability by means of taxation in favour of Hypothesis H4. Nevertheless, a significant number of the respondents believed that the existing policies are inadequate or undefined. This implies that, although fiscal sustainability frameworks exist, they are not readily visible and strong in the individual level.

5.CONCLUSION

The paper has investigated the effects of budget and tax policies on the decisions related to sustainable consumption and investment based on both primary survey and secondary policy literature. The results have shown that behavioural intention is greatly affected by fiscal instruments like tax deductions, subsidies and lower tax rates, especially during an investment decision. The motivation of sustainable investment because of tax advantages was particularly high among respondents.

Nevertheless, the research revealed a discrepancy in sustainable consumption behaviour intention and actual behaviour as well. Although majority of the respondents responded that tax incentives would affect their decision, not all had taken action on tax incentives. This implies that awareness, procedural simplicity and benefits visibility are key success factors.

Data supported the hypotheses suggested in the study to a great extent and proved that tax incentives, the level of awareness, and measures utilized to ensure the sustainability of budget influence economic choices positively. This paper concludes that a fiscal policy is a powerful sustainability instrument under the condition that it is supported by good communications, streamlined procedures, and readily available benefit programs. These areas can be strengthened and to a great extent the sustainable consumption and adoption of investment at the individual level can be enhanced.

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