Chapter-II
RESEARCH DESIGN

2.1 INTRODUCTION
In this chapter the researcher has presented the research design adopted for the study. Main aspects covered in the chapter are statement of the problem, objectives of the study, scope of the study, hypotheses set for the study, sampling, primary and secondary data, statistical tools used, limitations and design of the chapter scheme.

2.2 STATEMENT OF THE PROBLEM
Globalization and liberalization have become order of the day. To survive and grow in this economic order rational and competitive tax policies are being adopted by every country. India has also fallen in line with the requirement and has been initiating modifications in direct and indirect taxes. The recent proposals of Direct Taxes Code (DTC) and Goods and Services Tax (GST) are considered as path breaking in the economic restructuring in general and in the taxation area in particular.

Review of literature cited in previous chapter unveils the fact that no exhaustive and in-depth research has been made on Indian taxation measures correlating with its impact on stakeholders after globalization and liberalization of Indian economy. Hence, it is felt that there is a strong need to make an in-depth study of contemporary tax system and proposed tax modifications mainly based on the primary data gathered from the corporates and tax professionals to derive the results which can be of much significance to frame tax policies by the Government in the near future. Hence, in order to fulfill the research gap the researchers have been prompted to undertake a research study entitled “Tax Reforms in India in the Globalized Era – An Evaluation”.

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2.3 OBJECTIVES OF THE STUDY

In the backdrop of tax reforms in India, very few empirical works have been undertaken in India using feedback from stakeholders. The reasons for the same are difficulties in getting quality data. The principal objective of this dissertation is, to understand the acceptability of the recent tax reforms for the business community. In this regard the following main objectives have been set for the entire study -

1. To study and review the globalization challenges with regard to taxation.
2. To explicate the tax reforms initiated after globalization and liberalization of Indian economy.
3. To study and examine the responses of corporate bodies on reforms in direct and indirect taxes.
4. To study and examine the responses of tax-experts on reforms in direct and indirect taxes.
5. To review the effectiveness of Indian tax reforms in facing globalization demands.
6. To offer suitable suggestions in the light of findings.

2.4 HYPOTHESES

Based on the above objectives, the following hypotheses have been assumed and tested for important variables under the study.

1. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on impact of globalization.
2. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on relevance of taxation in business decisions.
3. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on political lobbying in Indian tax policy decisions.

4. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on hurdles in the prevailing tax structure in promoting FDI into India.

5. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on implementation of Direct Taxes Code (DTC).

6. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on implementation of Goods and Services Tax (GST).

7. There is no significant association existing between the type of industrial sector, size of the corporates and operational coverage of the corporates and that of the opinion on optimum use of Information Technology in Indian tax administration.

8. The opinion of corporate heads on general aspects significantly differs from the opinion of tax experts.

9. The opinion of corporate heads on Direct Taxes significantly differs from the opinion of tax experts.

10. The opinion of corporate heads on Indirect Taxes significantly differs from the opinion of tax experts.

11. The opinion of corporate heads on common issues of both direct and indirect taxes significantly differs from the opinion of tax experts.
12. The satisfaction of corporate heads towards assessment process and administration in Tax Departments significantly differs from the satisfaction of tax experts.

2.5 **SCOPE OF THE STUDY**

The study basically covers whole of India and both direct and indirect taxes. The respondents for the study have been restricted to sample corporate bodies and tax experts/consultants. The study has concentrated more on reforms during post-economic liberalization period (in India). However, for comparison purpose reforms of pre-liberalization period have also been considered wherever necessary.

2.6 **OPERATIONAL DEFINITIONS**

**Respondents:** The individuals in the representative capacity of the position held in the corporates and tax professional firms to which they are attached, who have replied to the questionnaire.

**Globalization:** It is the process of integrating all economies of the world so that there is free movement of goods, services, technology, capital and human resources across the national boundaries.

**Liberalization:** In general, refers to a relaxation of government restrictions, usually in the areas of social, political and economic policy. In some contexts this process or concept is often, but not always, referred to as deregulation.

**Operational Sector:** Refers to three different types of sectors based on nature business activity of respondent-corporates viz. manufacturing, service and diversified.

**Size of respondent-corporates:** Refers to three different categories of corporates classified based on their revenue for the year 2011-12 (viz.
Small, Medium and Large). Corporates reporting revenues below Rs. 500 crores are treated as ‘Small’, Rs. 500 to 5000 crores as ‘Medium’ and above Rs. 5000 crores as ‘Large’.

Operational Coverage: Refers to two different types of operations based on the geographical business representation of the respondent-corporates viz. national and multi-national.

Professional Firms: Refers to the firms who provide consultancy services or advise in the matters of taxation to business groups.

Manufacturing Sector: Refers to those industries/ companies which involved in the core manufacturing and processing of items and indulge in either creation of new commodities or in value addition.

Service Sector: Refers to those industries/ companies which primarily earn revenue through providing intangible products and services. These companies mainly involved in service dominated business.

Diversified Sector: Refers to the companies involved in both manufacturing as well as service providing business.

2.7 METHODOLOGY

In line with the aims and objectives, and the hypotheses elaborated above, the current study seeks to investigate empirically into the tax reforms in India during globalised era. A close study has been carried out by selecting the corporate houses and tax consultancy/ professional firms who are the major stakeholders of the country’s tax system.

2.7.1 Sources of data

The study is based on both primary and secondary sources. The policy documents of the government, the reports of various committees,
journals, magazines, published data and literatures relating to the subject have been referred for different secondary sources.

The primary information have been ascertained from the corporate functional heads, tax experts, tax administrators, tax consultants and academicians by applying questionnaire method. The questionnaires were circulated to the respondents by post, personal visits, and through email by using online survey tool of SurveyMonkey. For getting database of respondents, the consulting service of a professional firm has been used by subscribing the corporate database from Dataguru.in (hosted by Advanced Business Intelligence & Analytics Pvt. Ltd., Gurgaon) which provides the database of all companies operating in India. The data have also been gathered by way of scheduled discussion of the researcher with the tax experts and professionals.

2.7.2 Sampling

a) **Size:** The total sample size chosen for the study was 300, consisting of 150 Corporate Houses and 150 Tax Consulting/ Professional Firms across India based on multi-stage random sampling method. The profiles of respondents include chief financial officers (CFOs), directors, executive directors and heads of finance and accounts divisions of respondent corporate houses. While, in case of tax professional firms the respondents’ profile include the tax heads, senior managers, directors, partners and proprietors (all being chartered accountants).

b) **Criteria:** To pick the sample corporates from total population, the rank of the company based on revenue for the year 2011-12, keeping in mind the equal representation of industry type such as manufacturing sector, service sector and diversified sector, was adopted.
The number of respondents chosen and purpose for the study are as under:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Respondents</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>150 Corporate houses spreading over three different sectors (such as manufacturing, service and diversified) across India.</td>
<td>Representatives of top management (profile as mentioned above) of these corporates made to answer for the aspects concerning the tax reforms covering both direct and indirect taxes.</td>
</tr>
<tr>
<td>2.</td>
<td>150 tax consulting firms spreading across India.</td>
<td>Representatives from these firms (profile as mentioned above) made to answer for the aspects concerning the tax reforms covering both direct and indirect taxes.</td>
</tr>
</tbody>
</table>

Table – 2.1
Distribution of Sample Corporate Undertakings
Based on Operational Sector

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Sector</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacturing Sector</td>
<td>74</td>
<td>49.3</td>
</tr>
<tr>
<td>2</td>
<td>Service Sector</td>
<td>60</td>
<td>40.0</td>
</tr>
<tr>
<td>3</td>
<td>Diversified Sector</td>
<td>16</td>
<td>10.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Sector</strong></td>
<td><strong>150</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: *Field Survey.*
### Table – 2.2

**Distribution of Sample Corporate Undertakings Based on Revenue of Respondent-Corporates**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Revenue range (Rs. in Crore)</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 – 500</td>
<td>63</td>
<td>42.0</td>
</tr>
<tr>
<td>2</td>
<td>501 - 5000</td>
<td>49</td>
<td>32.7</td>
</tr>
<tr>
<td>3</td>
<td>5001 &amp; above</td>
<td>38</td>
<td>25.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field Survey.*

### Table – 2.3

**Distribution of Sample Corporate Undertakings Based on Operational Coverage of the Respondent-Corporates**

<table>
<thead>
<tr>
<th>Operational Coverage</th>
<th>Revenue range (Rs. in Crore)</th>
<th>Frequency</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>1 – 500</td>
<td>24</td>
<td>49</td>
<td>32.7</td>
</tr>
<tr>
<td></td>
<td>501 - 5000</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5001 &amp; above</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-National</td>
<td>1 – 500</td>
<td>39</td>
<td>101</td>
<td>67.3</td>
</tr>
<tr>
<td></td>
<td>501 - 5000</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5001 &amp; above</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150</td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field Survey.*

### 2.7.3 Analytical tools used in the study:

The data gathered through the primary sources along with secondary data has been analysed and interpreted by using statistical tools such as percentages, averages, arithmetic mean, standard deviation, Pearson’s chi-square test and paired t-test.

Pictorial representation in the form of graphs is also used wherever necessary to illustrate the theory and findings.
2.8 LIMITATIONS OF THE STUDY

The study has the following limitations:

- The study is based on sample respondents and has the limitation of having its scope restricted to the corporate decision makers and tax professionals. Therefore, this study can be viewed more from the perspective of business/industries operating in India.

- As the study is mainly based on the survey of corporate heads who represent the top management of their organizations and the tax experts/professionals who play crucial role in advising in tax matters. The researcher had a problem in collecting expected number of responses as the respondents were extremely busy and unreachable, many of those have not replied to the questionnaires sent. Due to this and other constraints as many as 300 responses have been received. It is felt that the respondents represent the mass.

- The study concentrates more on the tax reforms initiated after unfolding of economic reforms in India.

- The published data gathered for the study, have not been updated by the relevant agencies on-time. Hence, in some cases, latest data for the study could not be gathered.

- Any subsequent change in the tax provisions and rules by the Government may make the corresponding findings and suggestions redundant (from the point of its applicability).

2.9 OVERVIEW OF THE CHAPTERS

The study is presented in seven chapters. First chapter deals with introduction and review of literature pertaining to the field of study. Second chapter deals with research design covering, objectives, hypotheses, scope, methodology and limitations of the study. Third chapter deals with the concept of globalization and its challenges in economic front. Fourth chapter deals with the history, developments and
reforms in Indian tax structure, developments in Indian international taxation and tax performance in India during globalized era. **Fifth** chapter analyses the sample data collected from corporate bodies followed by application of statistical tools for the study (hypotheses testing with the help of chi-square technique). **Sixth** chapter analyses the sample data gathered from tax professional firms and also covers the application of statistical tools for the study i.e., a comparative analysis of common issues asked to both corporates and tax professionals followed by hypotheses testing (t-test) for the combined data. **Seventh** and the last chapter present the summary of findings and suggestions of the study followed by conclusion and scope for further research.