CHAPTER V
FINDINGS OF THE STUDY

This study was exploratory and analytical in nature and was meant for discovering the impact of Value Added Tax on the financial and tax management practices of the VAT assessees of Kerala. A survey among the traders and manufacturers was conducted for materializing this study. The main purpose of this study is to find out the extent of the impact of Value Added Tax on the financial and tax management practices of VAT assessees in Kerala. The specific objectives are:

1. To identify the variations in the impact of VAT on the financial management decisions of different categories of the VAT assessees of Kerala.
2. To assesses the variations in the pattern of financial management decisions among the different categories of assessees under the VAT system of taxation.
3. To identify the differences among the financial management mean scores of the VAT assessees of Kerala in relation to the amount of variation between category-wise samples.
4. To determine whether the financial management variables have an equal role in predicting the financial management decisions of assessees under the VAT system of taxation.
5. To evaluate the impact of Value Added Tax on the financial management practices of different categories of the VAT assessees of Kerala.
6. To identify the differences among the tax management mean scores of VAT assessees of Kerala in relation to the amount of variation between category-wise samples.
7. To determine whether the tax management variables have an equal role in predicting the tax management decisions of assessees under VAT system of taxation.

8. To evaluate the impact of Value Added Tax on the tax management practices of different categories of the VAT assessees.

9. To make suggestions and recommendations on the basis of the findings of the study.

Based on the above mentioned objectives, the following hypotheses were formulated for the purpose of this study.

1. $H_{01}$: There is no significant variation among different categories of the VAT assessees as regards the influence of major financial variables in the financial management decisions under the VAT system of taxation.

2. $H_{02}$: There is no significant variation among the different categories of the VAT assessees of Kerala as regards their pattern of financial management decisions under the VAT system of taxation.

3. $H_{03}$: There is no significant difference among the financial management mean scores of VAT assessees of Kerala in relation to the amount of variation between category-wise samples.

4. $H_{04}$: All the financial management variables have an equal role in predicting the financial management decisions of the VAT assessees of Kerala.

5. $H_{05}$: VAT system of taxation has no significant impact on the financial management practices of the VAT assessees of Kerala.

6. $H_{06}$: There is no significant difference among the tax management mean scores of the VAT assessees of Kerala in relation to the amount of variation between category-wise samples.
7. $H_{07}$: All the tax management variables have an equal role in predicting the tax management decisions of the VAT assessees of Kerala.

8. $H_{08}$: VAT system of taxation has no significant impact on the tax management practices of the VAT assessees of Kerala.

Based on the problem, sub-hypotheses were also formulated and tested at appropriate stages by using suitable statistical techniques.

5.1 Profile of Respondents

1. The VAT assessees selected for the purpose of this study consist of traders and manufacturers. Out of the 1030 VAT assessees who were selected as sample, 747 assessees are traders (72.5%) and remaining 283 assessees are manufacturers (27.5%).

2. The total number of traders involved in this study is 747. Out of the 747 traders, 32.5% belongs to the LIT group and remaining 67.5% belongs to the HIT group. The total number of manufacturers included in this study is 283. Out of the 283 manufacturers, 77.7% belongs to the HIM group and remaining 22.3% belongs to the LIM group.

3. The total number of VAT assessees selected for the study is 1030. In this total sample, there are 243 LIT, which come to a percentage of 23.59 and 504 HIT, which come to a percentage of 48.93. Out of the 1030 VAT assesses, 63 (6.12%) belong to the LIM and 220 (21.36%) belong to the HIM.

4. Of the 243 LIT, 76.95% belongs to Sole Proprietorship, 18.93% belongs to Partnership and remaining 4.12% belongs to Corporate. Out of the 504 HIT, 268 HIT belong to Sole Proprietorship, 197 HIT belong to Partnership and 39 HIT belong to Corporate. 20.63% of LIM belong to Sole Proprietorship, 49.21% of LIM
belong to Partnership and 30.16% of LIM belong to Corporate. Out of the 220 HIM selected for the purpose of the study, 62 (28.18%) belong to Sole Proprietorship, 74 (33.64%) belong to Partnership and 84 (38.18%) belong to Corporate. It is evident from the total that 51.46% respondents belong to Sole Proprietorship, 33.79% belongs to Partnership and 14.75% belongs to Corporate.

5. In the case of the classification of respondents on the basis of the nature of purchases, it is clear that, 78.60% of LIT, 59.72% of HIT, 47.62% of LIM and 25.45% of HIM belong to Local Purchase only. 3.18% of LIM and 3.64% of HIM belong to Import only. 2.88% of LIT, 4.37% of HIM, 17.45% of LIM and 23.18% of HIM belong to Inter-state Purchase only. 18.52% of LIM, 35.91% of HIM, 31.75% of LIM and 47.73% of HIM belong to Combination of two or more types of Purchase. From the total, it is clear that 56.12% of respondents belong to Local Purchase only, 0.97% belongs to Import only, 8.83% belongs to Inter-state Purchase only and 34.08% belongs to the Combination of two or more types of Purchases.

6. In the case of classification of respondents on the basis of the nature of sales, it is clear that 90.12% of LIT, 52.38% of HIT, 49.21% of LIM and 29.09% of HIM belong to Local Sales only. 6.95% of HIT, 7.94% of LIM and 13.18% of HIM belong to Export only. 9.72% of HIT, 14.29% of LIM and 17.73% of HIM belong to Inter-state Sales only. 9.88% of LIT, 30.95% of HIT, 28.56% of LIM and 40% of HIM belong to Combination of two or more types of Sales. It is evident from the total that 56.12% respondents belong to Local Sales only, 6.42% belongs to Inter-state Sales only, 6.70% belongs to Export Sales only and 27.76% belongs to Combination of the two or more types of Sales.

7. In the case of the classification of respondents on the basis of duration of business, it is seen that 9.47% of LIM, 6.35% of HIT, 7.94% of LIM and 6.36% of HIM have been doing business for a period of less than 3 years. 24.69% of LIT, 10.91% of HIT, 17.46% of LIM and 9.55% of HIM have been involved in the
business for a period of 3 to 6 years. 65.84% of LIT, 82.74% of HIT, 74.60% of LIM and 84.09% of HIM have been operating their business for a period of above 6 years. From the total, it is clear that 78.54% of the total respondents have been doing their business for a period of above 6 years.

8. When the classification of respondents is on the basis of their system of accounting, it is seen that 30.45% of LIT, 57.54% of HIT, 87.30% of LIM and 85.91% of HIM are following the Accrual System of Accounting in their business. While 46.09% of LIT, 28.17% of HIT, 6.35% of LIM and 9.55% of HIM are following the Cash System of Accounting, remaining 23.46% of LIT, 14.29% of HIT, 6.35% of LIM and 4.54% of HIM are following the Hybrid System of Accounting in their business. It is evident from the total that 59.03% respondents belong to the Accrual System of Accounting, 27.09% belongs to the Cash System of Accounting and only 13.88% belongs to the Hybrid System of Accounting.

9. Regarding the classification of respondents on the basis of the financial expertise applied in the business, it was found that 16% of LIT, 8.9% of HIT, 15.9% of LIM and 3.2% of HIM apply ‘Owner Expertise’ in their business for financial and tax management practices under the VAT system of taxation. While 14.4% of LIT, 38.1% of HIT, 28.6% of LIM and 73.2% of HIM employ ‘Professional Expertise’ in their business, remaining 69.6% of LIT, 53% of HIT, 55.6% of LIM and 23.6% of HIM rely on ‘Tax Consultant’ service for financial and tax management practices in their business. It is evident from the total that 9.8% respondents belong to the ‘Owner Expertise,’ 39.4% belongs to the ‘Professional Expertise’ and 50.8% belongs to the ‘Tax Consultants.’

10. As regards the classification of respondents on the basis of the annual turnover of the business, it is seen that in the financial year 2006-07, out of the 1030 respondents, 243 traders had an annual turnover of less than ₹50 lakhs, 63 manufacturers had an annual turnover of less than ₹50 lakhs, 504 traders had an
annual turnover of ₹50 lakhs or above and 220 manufacturers had an annual turnover of ₹50 lakhs or above. In the year 2007-08, 22.82% of the traders had an annual turnover of less than ₹50 lakhs, 49.71% traders had an annual turnover of ₹50 lakhs or above, 5.83% manufacturers had an annual turnover of less than ₹50 lakhs and 21.64% manufacturers had an annual turnover of ₹50 lakhs or above. In the year 2007-08, 22.82% of the traders had an annual turnover of less than ₹50 lakhs, 49.71% traders had an annual turnover of ₹50 lakhs or above, 5.83% manufacturers had an annual turnover of less than ₹50 lakhs and 21.64% manufacturers had an annual turnover of ₹50 lakhs or above.

In financial year 2008-09, 231 traders had an annual turnover of less than ₹50 lakhs, 60 manufacturers had an annual turnover of less than ₹50 lakhs, 516 traders had an annual turnover of ₹50 lakhs or above and 223 represent manufacturers had an annual turnover of ₹50 lakhs or above.

11. From the financial data analysis of VAT assessees, because of the variation in standard deviation figures, it was revealed that there are attitudinal differences in the financial and tax management practices of the VAT assessees.

**5.2 Analysis of Financial Variables**

The data were analyzed through a series of steps using simple and involved statistical techniques. Analysis of data obtained through impact assessment scale has five sections.

**Financial Decision Variable**

The study revealed that ‘Financial Decision’ has a major influence in framing the financial management policies under the VAT system for the majority of Lower Income Traders (64.5%), High Income Traders (74.0%), Lower Income Manufacturers (68.3%) and High Income Manufacturers (61.4%). At the same time 34.6% of LIT, 26% of HIT, 31.7% of LIM and 38.6% of HIM feel that financial decision has not exerted a decisive influence in framing the financial management policies under VAT system of taxation.

The calculated value of the Chi – square is much higher than that of the table value ($\chi^2 = 13.729$, Table value = 7.815, Degree of freedom= 3, Level of significance= 0.05). The results of the chi-square test revealed that there is significant variation among the different categories of the VAT assessees as regards
the influence of ‘Financial Decision’ in framing their financial management policies under the VAT system.

**Investment Decision Variable**

It is found that under the VAT system of taxation ‘Investment Decision’ has decisive influence on framing the financial management policies for majority of VAT assessee belonging to Lower Income Traders (57.2%) High Income Traders (58.7%) Lower Income Manufacturers (69.8%) and High Income Manufacturers (73.6%). In the case of 42.8% of LIT, 41.3% of HIT, 30.2% of LIM and 26.4% of HIM, the investment decision variable has not exerted much influence on framing the financial management policies under VAT system.

The calculated value of the Chi – square is much higher than that of the table value ($\chi^2 = 17.858$, Table value = 7.815, Degree of freedom= 3, Level of significance=0.05). Therefore it can be concluded that there is significant variation among different categories of the VAT assesseees as regards the influence of ‘Investment Decision’ in framing their financial management policies under the VAT system.

**Liquidity Decision Variable**

It is found that ‘Liquidity Decision’ has decisive influence on framing the financial management policies for majority of the VAT assessee belonging to Lower Income Traders (67.9%), High Income Traders (76.2%), Lower Income Manufacturers (66.7%), and High Income Manufacturers (79.1%). But 32.1% of LIT, 23.8% of HIT, 33.3% of LIM and 20.9% of HIM are not much influenced by liquidity decision in framing their financial management policies under VAT system.

The calculated value of the Chi – square is much higher than that of the table value ($\chi^2 = 12.298$, Table value = 7.815, Degree of freedom= 3, Level of
Therefore it can be concluded that there is significant variation among different categories of the VAT assessees as regards the influence of ‘Liquidity Decision’ in framing their financial management policies under the VAT system.

**Profit Decision Variable**

It is found that ‘Profit Decision’ has a decisive influence on framing the financial management policies for majority of VAT assessees belonging to Lower Income Traders (61.7%), High Income Traders (64.9%), Lower Income Manufacturers (63.5%), and High Income Manufacturers (65.5%). But 38.3% of LIT, 35.1% of HIT, 36.5% of LIM and 34.5% of HIM are not much influenced by profit decision variable in framing their financial management policies under VAT system.

The calculated value of the Chi – square is much higher than that of the table value \( \chi^2 = 23.502 \), Table value = 7.81, Degree of freedom= 3, Level of significance= 0.05). Therefore it can be concluded that there is significant variation among different categories of the VAT assessees as regards the influence of ‘Profit Decision’ in framing their financial management policies under the VAT system.

It may be summarized that the four Chi-square values with 3 degree of freedom calculated for each of the classified data rejected the null hypotheses. Therefore it can be concluded that there is significant variation among the different categories of the VAT assessees of Kerala as regards the influence of major financial variables in framing their financial management decisions viz. Financial Decision, Investment Decision Liquidity Decision and Profit Decision.
5.3 Analysis of Financial Sub-variables without Assigning Weights

As the second step in the analysis of financial variables, the sub-variables have been analyzed. For each of the four financial variables, sub-variables were identified.

**LIT Category**

From the analyses, it becomes clear that ‘Input Tax Credit Practices’ and ‘Credibility’ are the most important sub-variables influencing the framing of financial management policies among the Lower Income Traders. Other influencing financial sub-variables in the order of impact are ‘Financial Behavioral Changes,’ ‘Expenditure Pattern,’ ‘Income Recognition,’ ‘Selling Practices,’ and ‘Output Tax Collection Practices.’ The financial sub-variables which exert least influence on formulating financial management policies among Lower Income Traders are ‘Competitive Position,’ ‘Profit Reinvestment’ and ‘Cost of Capital.’

**HIT Category**

‘Input Tax Credit Practices’ and ‘Expenditure Pattern’ are the most important financial sub-variables that influence the framing of financial management policies among the High Income Traders. Other influencing financial variables are ‘Income Recognition,’ ‘Selling Practices,’ ‘Credibility,’ ‘Financial Behavioral Changes’ and ‘Cost of Capital.’ The financial sub-variables which exert least influence on formulating financial management policies among the High Income Traders are ‘Competitive Position,’ ‘Capital Expenditure’ and ‘Profit Reinvestment.’

**LIM Category**

From the analyses, it is clear that ‘Input Tax Credit Practices’ and ‘Competitive Position’ are the most important financial sub-variables that influence the framing of financial management policies among the Lower Income Manufacturers. Other influencing financial variables are ‘Expenditure Pattern,’ ‘Credibility,’ ‘Selling

HIM Category

‘Input Tax Credit Practices’ and ‘Profit Reinvestment’ are the most important financial sub-variables that influence the framing of financial management policies among the High Income Manufactures. Other influencing financial variables are ‘Competitive Position,’ ‘Capital Expenditure,’ ‘Income Recognition,’ ‘Expenditure Pattern,’ and ‘Motivation for Investment.’ The financial sub-variables which exert least influence on formulating financial management policies among the High Income Manufactures are ‘Purchasing practices,’ ‘Output Tax Collection Practices’ and ‘Selling Practices.’

Total Score Analysis

From the total score analyses, it is clear that ‘Input Tax Credit Practices’ and ‘Expenditure Pattern’ are the most important financial sub-variables in designing financial management policies among the VAT assessees in Kerala. ‘Income Recognition,’ ‘Credibility,’ ‘Financial Behavioral Changes’ and ‘Selling Practices’ have moderate influence in framing their financial management policies under VAT system. ‘Competitive Position,’ ‘Purchasing Practices,’ and ‘Capital Expenditure’ are the financial sub-variables which exert the least influence on formulating financial management policies under VAT system.

The rank order of financial sub variables obtained from the group score analysis has been subjected to correlation analysis for judging whether there is a perfect positive correlation between the different categories of the VAT assessees under study. In order to have a comparative analysis of the impact of financial variables on the financial management practices of different categories of the VAT
assessees in Kerala, rank correlation coefficients were obtained for all the four groups viz. Lower Income Traders, High Income Traders, Lower Income Manufacturers and High Income Manufacturers. Rank Correlation Coefficient shows that there is a negative correlation between HIM and LIT (-0.154), and between HIM and HIT (-0.005) as regards the impact of various financial sub-variables on framing their financial management policies. The highest positive correlation is between HIT and LIT (0.813).

From the rank order of the financial sub-variables obtained for all the four categories coefficients of concordance were also calculated in order to determine the degrees of concordance between the various ranks. The coefficient of concordance for the four ranks is 0.4945. The coefficient of concordance varies between 0 and 1. Since the calculated value is 0.4945, it can be concluded that there is concordance a between various ranks.

5.4 Analysis of Financial Sub-variables with Assigning Proportionate Weights

The proportion of VAT assessees preferring major financial variables is analyzed. Similarly the criteria for financial management policies decisions i.e. 13 financial sub-variables are also analyzed. But it may be argued that, in the previous analysis each variable and criteria for each financial variable (financial sub-variables) are taken separately. Therefore, in this part a method of ranking among the criteria is done by taking into consideration the variables which exerted decisive influence in framing financial management policies under the VAT system of taxation and all the criteria together.

From the ranks of four VAT assessees groups, coefficient concordance is calculated to measure the extent of differences among the VAT assessees groups as regards their preferences while designing financial management policies.
1. LIT group, VAT assessees give more importance to ‘Input Tax Credit Practices.’ In HIT group also, VAT assessees give preference to ‘Input Tax Credit Practices.’ In LIT group, the second priority is given to ‘Credibility’ and in HIT group the second priority is given to ‘Selling Practices’ while framing financial management policies of their firm under the VAT system. LIM and HIT give high priority to ‘Input Tax Credit Practices,’ while framing their financial management policies under the VAT system.

2. The results of the rank correlation coefficients show that there is negative correlation between LIT and HIM (-0.352) and between HIM and HIT (-0.313). The highest positive correlation is between HIT and LIT (0.940) and between LIM and HIM (0.247).

3. The coefficient of concordance for the four ranks is 0.4145. The coefficient of concordance varies between 0 and 1. Since the calculated value is 0.4145, it can be concluded that there is concordance between the various ranks.

5.5 Probability Analysis of Financial Management Variables, Assigning Pattern of Financial Management Decisions as Weight

It has been hypothesized that, there is no significant variation among the different categories of the VAT assessees of Kerala as regards their pattern of financial management decisions under the VAT system of taxation. The major financial variables selected for the study are financial decision, investment decision, liquidity decision and profit decision. Different patterns of these financial variables have been identified and tested using probability. The weights assigned to different financial patterns by the VAT assessees are summarized below.
TABLE 123
Proportion of Time Each Major Factors Occurs in the Patterns Decided by the Different Groups

<table>
<thead>
<tr>
<th>Major Factors</th>
<th>LIT</th>
<th>HIT</th>
<th>LIM</th>
<th>HIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Decision</td>
<td>4/7</td>
<td>5/8</td>
<td>4/9</td>
<td>2/8</td>
</tr>
<tr>
<td>Investment Decision</td>
<td>4/7</td>
<td>1/8</td>
<td>8/9</td>
<td>6/8</td>
</tr>
<tr>
<td>Liquidity Decision</td>
<td>5/9</td>
<td>5/8</td>
<td>4/9</td>
<td>2/8</td>
</tr>
<tr>
<td>Profit Decision</td>
<td>4/7</td>
<td>3/8</td>
<td>5/9</td>
<td>4/8</td>
</tr>
</tbody>
</table>

Source: Direct Survey; Processed by SPSS

The result of the above analysis shows that there is significant variation among the different categories of VAT assessees as regards their pattern of financial management decisions under the VAT system of taxation. Therefore the null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is significant variation among the different categories of the VAT assessees of Kerala as regards their pattern of financial management decisions under the VAT system of taxation. Further analysis gives the following results.

**LIT Category**

LIT give the greatest importance to ‘Expenditure Pattern’ in their Financial Management Decision Patterns. They give the least importance to the ‘Cost of Capital’ in their financial management decisions.

**HIT Category**

HIT give the greatest importance to ‘Input Tax Credit Practices’ in their Financial Management Decision Patterns. They give the least importance to the ‘Competitive Position’ in their financial management decisions.
LIM Category

LIM give the greatest importance to ‘Competitive Position’ in their Financial Management Decision Patterns, and the least importance to the ‘Output Tax Collection Practices’ in their financial management decisions.

HIM Category

HIM give the greatest importance to ‘Input Tax Credit Practices’ in their Financial Management Decision Patterns and the least importance to the ‘Financial Behavioral Changes’ in their financial management decisions.

The result of the rank correlation coefficient shows that there is negative correlation between HIM and HIT (-0.659), HIT and LIT (-0.489), and between HIT and LIM (-0.626). The highest rank correlation is between LIT and LIM (0.621).

The coefficient of concordance for the four ranks is 0.2439. The coefficient of concordance varies between 0 and 1. Since the calculated value is 0.2429, it can be concluded that there is only lower concordance between the various ranks. This means that there exist differences among the different categories of the VAT assessees as regards the impact of various financial sub-variables pattern choice while framing financial management decision pattern.

5.6 Analysis of Variance (ANOVA) of the Major Financial Management Sub-variables

Variances among the impact of VAT on the financial management practices of different category of assessees can be studied with the help of ANOVA. The One-Way ANOVA procedure has been used for the purpose of this study because it can produce a one-way analysis of variance for the selected quantitative dependent
variable (i.e. financial management mean score) by an independent variable (i.e. category of VAT assessees).

1. ANOVA of Financial Behavioural Changes Score

   The F-ratio calculated in case of ‘Financial Behaviour Change Score’ is 8.869, which is greater than table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the financial behavioral mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

2. ANOVA of Credibility Score

   The F-ratio calculated in case of ‘Credibility Score’ is 15.408, which is greater than table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the credibility mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

3. ANOVA of Cost of Capital Score

   The F-ratio calculated in case of ‘Cost of Capital Score’ is 33.767, and the table value is 2.60 at 5% level of significance. As the obtained F value exceeds the table value, the null hypothesis is rejected and the alternative hypothesis is accepted, i.e., there is a significant difference among the cost of capital mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

4. ANOVA of Motivation for Investment Score

   The F-ratio calculated in case of ‘Motivation for Investment Score’ is 100.865, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference
among the motivation for investment mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

5. ANOVA of Capital Expenditure Score

The F-ratio calculated in case of ‘Capital Expenditure Score’ is 99.539, and the table value 2.60 at 5% level of significance. As the obtained F value exceeds the table value, the null hypothesis is rejected and the alternative hypothesis is accepted, i.e., there is a significant difference among the capital expenditure mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

6. ANOVA of Competitive Position Score

The F-ratio calculated in case of ‘Competitive Position Score’ is 244.107, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the competitive position mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

7. ANOVA of Input Tax Credit Practices Score

The F-ratio calculated in case of ‘Input Tax Credit Practices Score’ is 35.402, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the input tax credit practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

8. ANOVA of Purchasing Practices Score

The F-ratio calculated for ‘Purchasing Practices Score’ is 5.915, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the purchasing
practice mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

9. ANOVA of Selling Practices Score

The F-ratio calculated for ‘Selling Practices Score’ is 5.428, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the selling practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

10. ANOVA of Output Tax Collection Practices

The F-ratio calculated in case of ‘Output Tax Collection Practices’ is 1.742, which is less than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is accepted, i.e., there is no significant difference among the output tax collection practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

11. ANOVA of Income Recognition Score

The F-ratio calculated for ‘Income Recognition Score’ is 57.484, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the income recognition mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

12. ANOVA of Expenditure Pattern Score

The F-ratio calculated in case of ‘Expenditure Pattern Score’ is 8.487, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the expenditure pattern mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.
13. ANOVA of Profit Reinvestment Score

The F-ratio calculated for ‘Profit Reinvestment Score’ is 230.358, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the profit reinvestment mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

Therefore, it can be concluded that there is a significant difference among the financial management mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.”

5.7 Simple Regression Analysis

The simple regression results of the four financial management variable score, such as Financial Decision Score, Investment Decision Score, Liquidity Decision Score and Profit Decision Score are consolidated in the following table.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Predictor Equation</th>
<th>Multiple Regression</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Decision</td>
<td>2.286 +(X ×0.277)</td>
<td>0.365</td>
</tr>
<tr>
<td>Investment Decision</td>
<td>2.180 +(X ×0.335)</td>
<td>0.688</td>
</tr>
<tr>
<td>Liquidity Decision</td>
<td>2.285 +(X ×0.278)</td>
<td>0.493</td>
</tr>
<tr>
<td>Profit Decision</td>
<td>2.080 +(X ×0.334)</td>
<td>0.641</td>
</tr>
</tbody>
</table>

Source: Direct Survey; processed by SPSS
From the above analysis, it is concluded that financial management variable scores exert varying role in predicting the financial management decisions of the VAT assessees of Kerala.

5.8 Multiple Regression Analysis

Stepwise regression explains that, if financial management decisions have to be measured based on only one of the four independent variables, ‘Investment Decision’ is most appropriate and could do the best. If financial management decisions have to be measured on the basis of two independent variables, ‘Investment Decision’ and ‘Profit Decision’ can be used. If financial management decisions have to be measured on the basis of three independent variables, ‘Investment Decision,’ ‘Profit Decision’ and ‘Liquidity Decision’ can be used. If financial management decisions have to be measured on the basis of all independent variables, the independent variable that enters into the analysis at the final stage is ‘Financial Decision.’ The stepwise regression shows that the important financial management variables which can be used for predicting the financial management decisions of VAT assessees are ‘Investment Decision’ and ‘Profit Decision.’

5.9 Tenability of Hypotheses

The main hypothesis formulated for the study is that “VAT system of taxation has no significant impact on the financial management practices of the VAT assessees of Kerala.” The impact of financial management practices can be judged based on the impact of VAT on the various financial variables and their sub-variables. The financial variables and their sub-variables have been analysed at different stages by using appropriate statistical techniques such as percentages, mean, variance, range, chi-square test, standard deviation, reliability coefficients, probability, correlation analysis, coefficient of concordance, analysis of variance (ANOVA), simple regression analysis and multiple regression analysis. All the analyses conducted revealed that VAT has exerted influence on the main financial
management variables i.e. Financial Decision, Investment Decision, Liquidity Decision and Profit Decision, and on their sub variables. Therefore the main hypothesis is rejected and alternative hypothesis is accepted i.e., VAT system of taxation has a significant impact on the financial management practices of the VAT assesses of Kerala.

5.10 Analysis of Tax-Management Variables

The group scores of four respondent group viz. Lower Income Traders, High Income Traders, Lower Income Manufacturers and High Income Manufacturers have been calculated with the help of Statistical Package for Social Sciences in order to have a comparative analysis of different groups. The individual score assigned by all the respondents falling within a group score. On the basis of average group scores thus arrived at, all the variables have been ranked in the order of their impact on and the importance in the tax management practices under VAT system of taxation.

LIT Category

From the analysis, it become clear that ‘Output Tax Collection Practices’ and ‘Penalty Payment Practices’ are the most important tax management variables influencing the framing of tax management policies among the Lower Income Traders. Other influencing tax management variables in the order of impact are ‘Accounting Practices,’ ‘Transaction Practices,’ ‘Input Tax Credit Practices,’ ‘Tax Rates and Schedules’ and ‘Return Filing Practices.’ The tax management variables which exert least influence on formulating tax management policies among Lower Income Traders are ‘Tax Refunding Practices,’ ‘Appeal Filing Practices’ and ‘Registration Practices.’
HIT Category

From the analysis, it becomes clear that ‘Accounting Practices’ and ‘Output Tax Collection Practices’ are the most important tax management variables influencing the framing of tax management policies among the High Income Traders. Other influencing tax management variables in the order of impact are ‘Input Tax Credit Practices,’ ‘Assessment Practices,’ ‘Return Filing Practices,’ ‘Transaction Practices’ and ‘Appeal Filing Practices.’ The tax management variables which exert least influence on formulating tax management policies among High Income Traders are ‘Tax Refunding Practices,’ ‘Tax Rates and Schedules’ and ‘Registration Practices.’

LIM Category


HIM Category

The analysis revealed that, ‘Input Tax Credit Practices’ and ‘Accounting Practices’ are the most important tax management variables influencing the framing of tax management policies among the High Income Manufacturers. Other influencing tax management variables in the order of impact are ‘Transaction Practices,’ ‘Special Rebate Practices,’ ‘Output Tax Collection Practices,’ ‘Appeal

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Filing Practices’ and ‘Assessment Practices.’ The tax management variables which exert least influence on formulating tax management policies among High Income Manufacturers are ‘Tax Refunding Practices’ and ‘Registration Practices.’

**Total Score Analysis**

The total score analysis revealed that, ‘Output Tax Collection Practices’ and ‘Accounting Practices’ are the most important tax management variables in designing tax management practices among VAT assesses in Kerala. ‘Input Tax Credit Practices,’ ‘Penalty Payment Practices,’ ‘Transaction Practices,’ ‘Assessment Practices’ and ‘Return Filing Practices’ have moderate influence the framing of their Tax management policies under VAT system. The tax management variables which exert least influence on formulating tax management policies under VAT system are ‘Tax Refunding Practices’ and ‘Registration Practices.’

In order to have a comparative analysis of the impact of tax management variables on the tax management practices of different groups of VAT assesses in Kerala, rank correlation coefficients were obtained for all the four groups viz. Lower Income Traders, High Income Traders, Lower Income Manufacturers and High Income Manufacturers. Rank Correlation Coefficient shows that there is positive correlation among different groups of VAT assesses as regards the impact of various tax management variables on framing their tax management practices. The highest positive correlation is between LIT and LIM (0.830) and between HIT and HIM (0.762). The least correlation is between LIM and HIT (0.431).

From the rank order of the tax management variables obtained for all the four groups co-efficient of concordance were also calculated in order to determine the degree of concordance between the various ranks. The coefficient of concordance for the four ranks is 0.6925. The coefficient of concordance varies between 0 and 1. Since the calculated value is 0.6925, it can be concluded that there is a concordance between various ranks.
5.11 Analysis of variance (ANOVA) of Major Tax-Management Variables

Variances among the impact of VAT on the tax management practices of different category of assessees can be easily studied with the help of ANOVA. The One-Way ANOVA procedure has been used for the purpose of this study because it can produce a one-way analysis of variance for the selected quantitative dependent variable (i.e. tax management mean score) by an independent variable (i.e. category of VAT assessees).

1. ANOVA of Registration Practices Score

The F-ratio calculated for ‘Registration Practices Score’ is 10.586, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the registration practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

2. ANOVA of Accounting Practices Score

The F-ratio calculated in case of ‘Accounting Practices Score’ is 28.002, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the accounting practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

3. ANOVA of Assessment Practices Score

The F-ratio calculated in case of ‘Assessment Practices Score’ is 54.103, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the assessment practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.
4. **ANOVA of Transaction Practices Score**

The F-ratio calculated for ‘Transaction Practices Score’ is 48.601, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the transaction practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

5. **ANOVA of Tax Rates and Schedule Score**

The F-ratio calculated for ‘Tax Rates and Schedule Score’ is 11.737, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the tax rates and schedules mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

6. **ANOVA of Input Tax Credit Practices Scores**

The F-ratio calculated in case of ‘Input Tax Credit Practices Scores’ is 104.707, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the input tax credit practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

7. **ANOVA of Special Rebate Practices Score**

The F-ratio calculated for ‘Special Rebate Practices Score’ is 20.841, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the special rebate practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.
8. ANOVA of Output Tax Collection Practices Scores

The F-ratio calculated in case of ‘Output Tax Collection Practices Scores’ is 3.160, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the output tax collection practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

9. ANOVA of Return Filing Practices Score

The F-ratio calculated for ‘Return Filing Practices Score’ is 26.423, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the return filing practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

10. ANOVA of Penalty Payment Practices Score

The F-ratio calculated for ‘Penalty Payment Practices Score’ is 15.927, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the penalty payment practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

11. ANOVA of Appeal Filing Practices Score

The F-ratio calculated for ‘Appeal Filing Practices Score’ is 31.439, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the appeal filing practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.
12. ANOVA of Tax Refunding Practices Score

The F-ratio calculated in case of ‘Tax Refunding Practices Score’ is 7.796, which is greater than the table value 2.60 at 5% level of significance. Therefore, the null hypothesis is rejected, i.e., there is a significant difference among the tax refunding practices mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.

Therefore, it can be concluded that there is a significant difference among the tax management mean scores of VAT assessees, in relation to the amount of variation between category-wise samples.”

5.12 Simple Regression Analysis

The simple regression results of the twelve tax management variable score, such as Registration Practices Score, Accounting Practices Score, Assessment Practices Score, Transaction Practices Score, Tax Rates and Schedules Score, Input Tax Credit Practices Score, Special Rebate Practices Score, Output tax Collection Practices Score, Return Filing Practices Score, Penalty Payment Practices Score, Appeal Filing Practices Score, and Tax Refunding Practices Score are as follows:
### TABLE 125

**Results of Simple Regression Analysis**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Predictor Equation</th>
<th>Multiple Regression</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Practices</td>
<td>3.060 + (X × 0.120)</td>
<td>0.397</td>
</tr>
<tr>
<td>Accounting Practices</td>
<td>2.803 + (X × 0.174)</td>
<td>0.413</td>
</tr>
<tr>
<td>Assessment Practices</td>
<td>2.758 + (X × 0.195)</td>
<td>0.491</td>
</tr>
<tr>
<td>Transaction Practices</td>
<td>2.855 + (X × 0.166)</td>
<td>0.311</td>
</tr>
<tr>
<td>Tax Rates and Schedules</td>
<td>3.191 + (X × 7.460E-02)</td>
<td>0.166</td>
</tr>
<tr>
<td>Input Tax Credit Practices</td>
<td>2.710 + (X × 0.200)</td>
<td>0.431</td>
</tr>
<tr>
<td>Special Rebate Practices</td>
<td>2.884 + (X × 0.141)</td>
<td>0.192</td>
</tr>
<tr>
<td>Output Tax Collection</td>
<td>3.170 + (X × 7.151E-02)</td>
<td>0.187</td>
</tr>
<tr>
<td>Practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return Filing Practices</td>
<td>3.077 + (X × 0.103)</td>
<td>0.253</td>
</tr>
<tr>
<td>Penalty Payment Practices</td>
<td>3.111 + (X × 8.490E-02)</td>
<td>0.379</td>
</tr>
<tr>
<td>Appeal Filing Practices</td>
<td>2.919 + (X × 0.150)</td>
<td>0.473</td>
</tr>
<tr>
<td>Tax Refunding Practices</td>
<td>3.168 + (X × 9.721E-02)</td>
<td>0.301</td>
</tr>
</tbody>
</table>

Source: Direct Survey; processed by SPSS

From the above analysis, it is clear that tax management variables exert varying role in predicting the tax management decision of the VAT assessees of Kerala.
5.13. Multiple Regression Analysis

Stepwise regression explains that if tax management decisions have to be measured based on only one of the twelve independent variables; ‘Assessment Practices’ is most appropriate and could do the best. If tax management decisions have to be measured on the basis of two independent variables, ‘Assessment Practices’ and ‘Appeal Filing Practices’ can be used. If tax management decisions have to be measured on the basis of three independent variables, ‘Assessment Practices,’ ‘Appeal Filing Practices’ and ‘Registration Practices’ can be used. If tax management decisions have to be measured on the basis of four independent variables, ‘Assessment Practices,’ ‘Appeal Filing Practices,’ ‘Registration Practices’ and ‘Penalty Payment Practices’ can be used. If tax management decisions have to be measured on the basis of five independent variables, ‘Assessment Practices’, ‘Appeal Filing Practices,’ ‘Registration Practices,’ ‘Penalty Payment Practices’ and ‘Accounting Practices’ can be used. If tax management decisions have to be measured on the basis of six independent variables, ‘Assessment Practices,’ ‘Appeal Filing Practices,’ ‘Registration Practices,’ ‘Penalty Payment Practices,’ ‘Accounting Practices’ and ‘Tax Refunding Practices’ can be used. If tax management decisions have to be measured on the basis of all independent variables, the independent variable that enters into the analysis at the final stage is ‘Transaction Practices.’ The stepwise regression shows that the important tax management variables which can be used for predicting the tax management decisions of VAT assessees are ‘Assessment Practices and ‘Appeal Provisions.’

5.14. Tenability of Hypotheses

The main hypothesis formulated for the study is that “VAT system of taxation has no significant impact on the tax management practices of the VAT assessees of Kerala.” The impact of tax management practices can be judged based on the impact of VAT on various tax management variables. The tax variables have
been analyzed at different stages by using appropriate statistical techniques such as mean, variance, range, standard deviation, reliability coefficients, correlation analysis, coefficient of concordance, analysis of variance (ANOVA), simple regression analysis and multiple regression analysis. All the analyses conducted reveal that VAT has exerted influence on the main tax management variables i.e. Registration Practices, Accounting Practices, Assessment Practices, Transaction Practices, Tax Rates and Schedules, Input Tax Credit Practices, Special Rebate Practices, Output tax Collection Practices, Return Filing Practices, Penalty Payment Practices, Appeal Filing Practices and Tax Refunding Practices. Therefore the main hypothesis is rejected and the alternative hypothesis is accepted i.e. VAT system of taxation has a significant impact on the tax management practices of the VAT assessees of Kerala.