

A STUDY ON IMPACT OF VAT ON THE PERFORMANCES OF BUSINESS ENTERPRISES

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ABSTRACT

The writing in regards to VAT is for the most part identified with the large scale parts of the economy from the perspective of open back which requests the income era, value, organization of assessment, misfortunes from the resistance, effect on the general public's poorer segment and numerous others zones concerning essentially to the entire economy.

The part of the effect of the assessment on the business undertakings which are the premise of gathering of expense have been considered regarding the duty consistence or responsibility of cheats. The effect of VAT on business endeavor regarding the perspectives other than consistence of duty is a missing connection in the writing which is a crevice to be satisfied.

The main issue of studies is presumption that business ventures and their basic leadership process is impartial to the burden of VAT. However, business ventures are not impartial and detached substances but instead respond to changes in their condition. Along these lines other than the contribution of VAT on the factors of the economy overall which shapes the full scale see, there is a need to concentrate the effect of VAT on the business ventures which frames a small scale see remembering that VAT is not an impartial assessment as for the business undertakings and is in this way, shapes a vital variable for business endeavors.

Along these lines this review is an unobtrusive endeavor to fill the crevice and finish the missing connection in writing and study the presentation of VAT from business perspective rather than open back perspective to which this region really has a place with. In a way VAT will be examined in connection to the conduct of business associations to investigate the progressions got by them their procedures and execution upon its presentation. This will be a commendable commitment to concentrate the impacts of VAT on the different procedures of business undertakings like buy, deal, global exchanges and likewise impact of progress in business forms on the execution of business endeavors.

Keywords: Value Added Tax, Business performance, Business enterprises

I. INTRODUCTION

VAT was initially presented in 1939 by the Tamil Nadu Government and was in this way received by many states. The arrangement of offers expense experienced numerous issues, for example, falling impacts, tax avoidance by covering deals by merchants and so forth. VAT was the answer for the above issues. It is to be noticed that France was the principal nation to receive VAT in 1954. In this manner, around 160 nations including Pakistan, Bangladesh, Sri Lanka and Nepal have presented VAT. In 1999, the Empowered Committee of State Chief Ministers opened up the subject of VAT. Despite the fact that VAT would have been presented in 2003, certain improvements including a cautious investigation of the issue of CST deferred its presentation. At long last, in January 2005 Mr P Chidambaram discharged a White Paper on VAT, recording a guide to exact uniform state-level expense crosswise over dominant part of the states from April first 2005. India has a very much created assess structure with unmistakably divided expert amongst Central and State Governments and nearby bodies. Focal Government demands charges on wage (aside from expense on farming wage, which the State Governments can require), traditions obligations, focal extract and administration impose. Esteem Added Tax (VAT), stamp obligation, arrive income and assessment on callings are exacted by the State Governments. Nearby bodies are enabled to exact assessment on properties and for utilities like water supply, waste and so forth. In last 10-15 years, Indian tax collection framework has experienced huge changes. The expense rates have been justified and impose laws have been rearranged bringing about better consistence, simplicity of duty installment and better authorization. The procedure of justification of assessment organization is on-going in India. In India VAT was initially presented by Haryana on first April 2003. At that point after on first April 2005, 18 conditions of India presented it. Another two states presented the VAT on first Oct. 2005, Jharkhand on first Jan. 2006; another four states presented VAT on first April 2006. Tamilnadu state presented VAT on first Jan 2007 and last state to present VAT was UP on first Jan 2008.

1.1 Concept of VAT

VAT is a kind of roundabout duty that is forced on products and ventures. VAT implies the duty which is payable just on esteem included. It is multi-point impose framework however without the impact of twofold tax assessment. Value is added to the items, which an association purchases from different associations, for example, crude materials, halfway completed merchandise and so on. In the wake of purchasing the association

applies its own work and machine to fabricate the last items. VAT is an assessment, which is forced at each phase of creation i.e. from generation level to retail level. Under VAT, expense is ascertained on esteem included where value included is the contrast between deals value and buy value.

With sales tax			With VAT	
Detail	A	B	A	B
Purchases	-	110	-	100
Value Added	100	40	100	40
Sub total	100	150	100	140
Add Tax 10%	10	15	10	14
Total(Sale Price)	110	165	110	154
Tax Revenue		25		14

Ideally, VAT should be subjected to a single rate of tax. Though this is not possible, it is certain that there should be minimum varieties of rates; however, for the time being, three floor rates, viz. Exempted, 4% & 12.5% have been recommended. Special rate for gold is also applicable.

1.2 VAT on Business Enterprises

From the expansive view Value Added Tax has replaced the effectively existing deals and consequently it passed on to the clients without influencing the business forms. The real worry of the government is regarding the smooth requirement, accumulation of the expense and direction of the assessment. Be that as it may, for an endeavor, VAT is not only a substitution of offers duty but rather a data contribution for their business which can change the entire picture of business choices. It is an adjustment in business systems and influences each stroll of life in business. Government directions constitute a key component in the outside condition of business and business official or the director can't bear to disregard this essential component. He needs to work out the systems so as to satisfy the govt's. controls and also business needs. He should fuse this data into their business framework. The business forms which were tunes as per the old arrangement of offers duty would need to be changed by the new arrangement of VAT.

Business undertakings is a piece of the greater condition where it is associating with others sub frameworks. It gets the contribution to the type of Value Added Tax from the subsystem of government. Since the contribution of expense has originated from the administration, it is important to consolidate it in the business framework. On joining the data input endeavor would change and change its procedures like buy, deal, bookkeeping and others suitably to alter with the new info in order to augment the benefit or limits the misfortunes. This change would change the plan of action and demonstrate the effect of such changes on the execution of the endeavor which can be seen concerning changes in the turnover, benefits, trades and so on.

II. REVIEW OF LITERATURE

Sopkova (2010) analyzed that Value Added Tax included a more extensive scope of issues of general backhanded tax assessment in the Slovak Republic. An essential conclusion was that organizations are not ready to evaluate the genuine caused cost of VAT tax assessment. They do not have any technique to take after, enlist and evaluate them regardless of the way that they are a piece of regular monetary reality. As far as the measured cost of the procedure of VAT private companies' regulatory weight was five circumstances as much as that of vast organizations and three circumstances higher in correlation with medium-sized organizations. The outcomes demonstrated that regardless of the enduring push to improve the tax assessment handle in the Slovak Republic, its enactment ought to likewise consider other streamlining plans of applying quality included duty, particularly with independent ventures.

Unegbu and Ireferin (2011) concentrated the effect of Value Added Tax (VAT) on financial advancements of rising countries from 2001 to 2009 as VAT is getting to be distinctly imperative wellspring of income. The extent of study was fixated on Adamawa State of Nigeria. Information were gathered from both essential and auxiliary sources. Relapse, discriminant examination and ANOVA were utilized as a part of testing the speculations. They discovered that VAT designations alone records for 91.2% of the varieties in consumption example of Adamawa State. The truths acquired by means of optional information authenticate an extremely critical VAT affect on monetary and human improvement of the State from 2001 to 2009 however information got from essential sources propose least VAT affect.

Qamruz (2011) clarified that utilization based, Value Added Tax (VAT) has been commended for a considerable length of time for its capacity to produce incomes. Associations and specialists asserted it to be a compelling type of tax collection. In any case, their claim depended on evaluation of simple created economies

and its usage in creating/immature economies was disregarded. Subsequently, this paper is gone for breaking down the effect of VAT when upheld in an immature nation, for example, Pakistan. Utilizing family study information, the paper tries to get a handle on the impact of this duty on social and financial existence of the general public. Comes about recommended that VAT would irritate financial request of the general public and consequently the idea was improper in current situation.

Smith et al. (2011) concentrated the essential structure of VAT arrangement of Bangladesh and endeavor to examination the commitment and execution of VAT in Bangladesh as contrasting with other creating nations and furthermore endeavor to recognize and give a few proposals in conceivable range where consideration and enhanced execution are required to improve the commitment of VAT in monetary advancement of Bangladesh. The important information demonstrate that the execution of VAT was very acceptable in the underlying years - however in this way VAT gathering has stayed dormant at a specific level. Accordingly, VAT can't meet the targets for which it was presented. The explanations for this execution are numerous, for example, a moderately modest number of VAT citizens, a general absence of mindfulness, and a powerless checking framework and so forth. There is still degree for enhancing the income gathering from VAT: by expanding the quantity of VAT citizens; changing the VAT organization; making escalated mindfulness among the general population, returning to the rundown of VAT exempted things and expanding the proficiency of the observing framework.

□ **Indian Perspective**

Agarwal (2005) proposed that an all inclusive expense framework which disposes of conceivable tax avoidance is required for better organization of VAT. VAT will screen the expense framework in India. In the meantime, the merchant and vender additionally get a few advantages through this framework. Subsequently the legislature ought to find a way to elucidate questions about VAT to dealers and general society.

Kapoor and Dhaliwal (2009) talked about the different procedural changes under VAT in India with unique reference to Punjab Value Added Tax Act 2005. It concentrated the working of significant worth included assessment, occurrence of duty, information charge credit component, installment of VAT, recording of profits and discount technique under VAT. The paper endeavored to study and analyze the present state esteem included duty and before state deal impose on the premise of frequency of assessment and other procedural prerequisites. Under prior deals assess structure, before product was delivered, information sources were initially burdened and afterward exhausted again with information charge stack after ware was created along these lines bringing on an out of line twofold tax collection with falling impacts. Then again, under the VAT, set-off is given for information assess and additionally charge paid on past buys. Facilitate, there was variety of duties in a few states like turnover duty, extra charge on deals impose, extra additional charge and so on. Be that as it may, with presentation of VAT, these different duties have been abrogated bringing about general justification of taxation rate. Additionally, VAT has supplanted the before arrangement of examination by an arrangement of inherent self-appraisal by the merchants. The review inferred that the present state esteem included expense arrangement of tax collection is more basic and straightforward when contrasted with the before state deal charge arrangement of tax assessment.

Tripathi et al. (2011) assessed that Value Added Tax would change the way of exchange the coming years, however the medium level of exchange would confront issues. Additionally, little retail merchants would be required to keep up more records or pay synthesis cash which can't be gathered from the clients. The present arrangement of focal deals duty and Value Added Tax can't go together. After the cancelation of focal deals assess the immediate showcasing idea may make progress and the need of having stockroom, go downs and so forth in all states may reduction or wrap up. Esteem included duty in India has been presented in altered variations in the course of recent decades. Be that as it may, Value Added Tax in its unique shape is yet to be presented in India, at Central or State level. After the negative and positive effect on the Indian shoppers, Value Added Tax has been distinguished as the genuine objective creator by the Indian government in the coming years to cultivate development and success in the nation. The adjustment in the standard of livings has expanded the buying force of the high class society however the medium and the poor class society needs to buckle down keeping in mind the end goal to accomplish their living and meet luxuries.

Deshmukh (2012) broke down the effect of VAT on gainfulness of assembling Industries in Maharashtra. This paper uncovered that the share of BST/VAT has expanded from 52.2 for every penny to 64.8 for each penny amid 2001-02 to 2009-10 in deals impose income net receipts of the Maharashtra. MST and CST has turned into the second and third biggest giver after BST/VAT in deals impose income net receipts of Maharashtra. This paper proposed that it would be in light of a legitimate concern for both state governments and citizens to have uniform laws and systems for expense organization. In the medium term, an agreement charge organization act will significantly decrease the cost and will prompt increment in the gainfulness of an association. The current VAT framework has expanded the duty income and additionally the productivity of the association. VAT has rearranged the printed material, ended up being easy to understand, diminished exchange expenses and time since e-enlistment has been made necessary for each merchant. It is proposed and accentuated that VAT diminishes the falling impact. Hence, as opposed to recommending diverse rates for various products, a uniform

VAT will enhance financial effectiveness. It is recommended to set up the infrastructural setup imperative for sufficient computerization in assessment organization before the GST execution.

Jay Kumar (2012) concentrated the significance of significant worth included expense in the Indian culture, its effect and the future prospect for item and administration industry in India. This review uncovered that there is the prerequisite of straightforwardness in VAT in every one of the conditions of India. The review depends on both essential and auxiliary information. The essential information gathered from the Tax Officials, Chartered Accountants, Wholesalers, Retailers and Consumers. The outcomes recommended that

□ Since the Consumers and Retailers are unconscious of specific parts of execution procedure of Value included expense. It is recommended the administration ought to accompany straightforward standards to illuminate the retailers and purchasers.

□ The concentrate determined greatest advantage to the administration through Value Added Tax framework. So it is firmly prescribed to have inventive piece framework appropriate for Wholesalers, Retailers and Consumers.

□ A straightforward approach rate of expense, discount methodology, keeping up and enhancing bookkeeping strategy are the prompt requirement for 60 minutes. It is unequivocally suggested that the assessment advisor and the legislature ought to intermittently to screen the technique.

Singh and Agarwal (2012) recognized similitude and disparity in the view of the citizens with respect to the profits and appraisal perspectives under VAT in Assam and to find the issues of comparability and contrasts in the recognition. The review depended on the essential information gathered from the citizens of Tinsukia town of Assam by the methods for survey. It is found that the view of the citizens with respect to the profits and evaluation perspective is similarly partitioned, good for specific angles and negative for certain viewpoint. In this way, there is a requirement for social showcasing apparatus to instruct the citizens in regard of the things of which their observation is troublesome.

III. OBJECTIVES OF STUDY

The Objective of Study is as follows: -

To study the impact of VAT on Performances of business enterprises i.e. Impact of VAT on

- Sales Revenues
- Profit
- Cost of Tax Compliance
- Cost of Working Capital

IV. RESEARCH DESIGN

The research design for present study is **descriptive** in nature as the focus of the study is to find out the association of different aspect of enterprise's attitude towards VAT. The size of the sample for present study is 488. As it is impossible to examine the whole universe, the responses are sought from the business enterprises located in NCR like

V. RESEARCH TOOLS & TECHNIQUES

The five point Likert scale is used to measure the attitudes of business executives towards the selected variables. The respondents were asked to rate the variables using five point Likert scale which ranges from strongly agree to strongly disagree. The collected data is analysed & interpreted with the help of various statistical tools and techniques such as tabulation, diagrammatic representation, descriptive analysis and **Logit Regression** which is suitable for this study.

VI. DATA ANALYSIS & INTERPRETATION

• **Combined Impact of all variables of performances of business enterprises on introduction of VAT**

On comparing the relationship of the variables of performances of business enterprises with that of introduction of VAT, it is found that there is a significant relationship between the two aforesaid dimensions. The combined effect of all the variables related to the performances of business enterprises on the introduction of VAT has shown that there is a significant relationship between the performances of business enterprises variables with that of introduction of VAT. This statement is supported by the value of Chi Square that is $(16, N=528) = 357.147$ significant at 5% level of statistical significance as shown in Table 6.1(a).

The value of -2 Log likelihood of the full model is 290.614 (Table 6.1(b)) which has been reduced by the significant value of Chi square showing the goodness of fit if the overall model. The model is able to show the strength of association to the extent of .492 by Cox & Snell R square and .696 by Nagelkerke R square as shown in Table 6.1 (b).

The classification index shown in Table 6.1 (c) indicates that the sensitivity of the prediction is 91.3%, specificity of prediction is 75% and the overall classification rate to be 86.4%. This suggests that the

classification of all the variables of the capital management and the introduction of VAT to be correct. Therefore, there is a significant relationship between the dimensions of performances of business enterprises with that of introduction of VAT.

The analysis of the individual variables of the performances of business enterprises indicates that there is one variable which is significant with regard to the implementation of VAT.

The variable being talked about above is increase in sales turnover as shown in Table 6.1 (d). This variable is significant at 5% level of statistical significance. The odds in favour of the variable are .000 times such that the probability of success is higher than the probability of failure. Statistic $e^{-18.008} = .000$ represents that the sign of parameter estimate $b = -18.008$ is negative. The result indicates that there is a significant impact of the aforesaid variable in the introduction of VAT in context of the performances of business enterprises variable, however, individual impact may be absent or insignificant. The contribution of increase in sales turnover towards the total impact of the variable is 40.397 keeping other variables constant as shown by the Wald value in Table 6.1 (d).

Table 6.1 (a) Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Step 1 Step	357.147	16	.000
Block	357.147	16	.000
Model	357.147	16	.000

Table 6.1 (b) Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	290.614 ^a	.492	.696

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Table 6.1 (c) Classification Table^a

Observed			Predicted		Percentage Correct
			VAT should be phased out		
			Yes	No	
Step 1	VAT should be phased out	Yes	120	40	75.0
		No	32	336	91.3
Overall Percentage					86.4

a. The cut value is .500

Table 6.1 (d) Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	
Step 1 ^a			40.397	4	.000		
	incsalesturnover						
	incsalesturnover(1)	.890	1.500E4	.000	1	1.000	2.435
	incsalesturnover(2)	-21.261	4.813E3	.000	1	.996	.000
	incsalesturnover(3)	-20.568	4.813E3	.000	1	.997	.000
	incsalesturnover(4)	-18.008	4.813E3	.000	1	.997	.000
	incprofitbeforetax		.552	4	.968		
	incprofitbeforetax(1)	-39.024	1.449E4	.000	1	.998	.000
	incprofitbeforetax(2)	-18.190	2.853E3	.000	1	.995	.000
	incprofitbeforetax(3)	-18.319	2.853E3	.000	1	.995	.000
	incprofitbeforetax(4)	-18.571	2.853E3	.000	1	.995	.000
	taxcompliancecost		7.303	4	.121		

taxcompliancecost(1)	-39.670	9.852E3	.000	1	.997	.000
taxcompliancecost(2)	-17.300	3.867E3	.000	1	.996	.000
taxcompliancecost(3)	-16.789	3.867E3	.000	1	.997	.000
taxcompliancecost(4)	-18.263	3.867E3	.000	1	.996	.000
dectotalcostofwc			.772	4	.942	
dectotalcostofwc(1)	-39.914	2.482E4	.000	1	.999	.000
dectotalcostofwc(2)	-18.213	3.174E3	.000	1	.995	.000
dectotalcostofwc(3)	-17.754	3.174E3	.000	1	.996	.000
dectotalcostofwc(4)	-18.274	3.174E3	.000	1	.995	.000
Constant	74.146	7.505E3	.000	1	.992	1.589E32

a. Variable(s) entered on step 1: incsalesturnover, incprofitbeforetax, taxcompliancecost, dectotalcostofwc.

Observation

From the above results, it is observed that there is a significant relationship between the performances of business enterprises with that of the implementation of VAT. This statement is valid as one of the variables of the performances of business enterprises show a combined impact on the implementation of VAT, the variable being increase in sales turnover.

- **Impact of sales revenue of the business enterprises with that of the introduction of VAT**

In order to test the relationship between sales revenue of the business enterprises with that of the introduction of VAT, the following hypothesis has been formulated:

- **H₀: There is no significant relationship between the sales revenue of the business enterprises with that of the introduction of VAT.**
- **H_a: There is a significant relationship between the sales revenue of the business enterprises with that of the introduction of VAT.**

On comparing the relationship between sales revenue of the business enterprises with that of the introduction of VAT, it is found that there is a significant relationship between the two aforesaid dimensions. The goodness of fit of the model is well established. This statement is supported by the value of Chi Square that is (4, N=528) = 223.169 significant at 5% level of statistical significance as shown in Table 6.2(a).

The value of -2 Log likelihood of the full model is 424.592 (Table 6.2(b)) which has been reduced by the significant value of Chi square showing the goodness of fit of the overall model. The model is able to show the strength of association to the extent of .345 by Cox & Snell R square and .488 by Nagelkerke R square as shown in Table 6.2 (b).

The classification index shown in Table 6.2 (c) indicates that the sensitivity of the prediction is 87%, specificity of prediction is 75% and the overall classification rate to be 83.3%. This suggests that the classification to be correct.

The analysis of the individual variable prices of inputs in local markets of the business enterprises indicates that there is a significant relationship with regard to the implementation of VAT. This variable is significant at 5% level of statistical significance. The odds in favour of the variable are .000 times such that the probability of success is higher than the probability of failure. Statistic $e^{-19.093} = .000$ represents that the sign of parameter estimate $b = -19.093$ is negative. The result indicates that there is a significant impact of the aforesaid variable in the introduction of VAT; however there may be absence of the impact of this variable when the combined impact is observed. The contribution of the sales revenue of the business enterprises towards the total impact of the variable is 143.548 keeping other variables constant as shown by the Wald value in Table 6.2 (d).

Table 6.2 (a) Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	223.169	4	.000
	Block	223.169	4	.000
	Model	223.169	4	.000

Table 6.2 (b) Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	424.592 ^a	.345	.488

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Table 6.2 (c) Classification Table^a

Observed		Predicted			
		VAT should be phased out		Percentage Correct	
		Yes	No		
Step 1	VAT should be phased out	Yes	120	40	75.0
		No	48	320	87.0
Overall Percentage					83.3

a. The cut value is .500

Table 6.2 (d) Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	
Step 1 ^a			143.548	4	.000		
	incsalesturnover						
	incsalesturnover(1)	-21.203	5.801E3	.000	1	.997	.000
	incsalesturnover(2)	-22.302	5.801E3	.000	1	.997	.000
	incsalesturnover(3)	-21.896	5.801E3	.000	1	.997	.000
	incsalesturnover(4)	-19.093	5.801E3	.000	1	.997	.000
	Constant	21.203	5.801E3	.000	1	.997	1.615E9

a. Variable(s) entered on step 1: incsalesturnover.

Observation

From the above results, the null hypothesis is rejected and it is observed that there is a significant relationship between sales revenue of the business enterprises with that of the introduction of VAT, however there may be absence of impact due to negativity in probability.

- **Impact of profit of the business enterprises with that of the introduction of VAT**

In order to test the relationship between profits of the business enterprises with that of the introduction of VAT, the following hypothesis has been formulated:

- **H₀: There is no significant relationship between the profit of the business enterprises with that of the introduction of VAT.**
- **H_b: There is a significant relationship between the profit of the business enterprises with that of the introduction of VAT.**

On comparing the relationship between profits of the business enterprises with that of the introduction of VAT, it is found that there is a significant relationship between the two aforesaid dimensions. The goodness of fit of the model is well established. This statement is supported by the value of Chi Square that is (4, N=528) = 176.768 significant at 5% level of statistical significance as shown in Table 6.3(a).

The value of -2 Log likelihood of the full model is 470.993 (Table 6.3(b)) which has been reduced by the significant value of Chi square showing the goodness of fit if the overall model. The model is able to show the strength of association to the extent of .285 by Cox & Snell R square and .403 by Nagelkerke R square as shown in Table 6.3 (b).

The classification index shown in Table 6.3 (c) indicates that the sensitivity of the prediction is 93.5%, specificity of prediction is 35% and the overall classification rate to be 75.8%. This suggests that the classification to be correct.

The analysis of the individual variable prices of inputs in local markets of the business enterprises indicates that there is a significant relationship with regard to the implementation of VAT. This variable is significant at 5%

level of statistical significance. The odds in favour of the variable are .000 times such that the probability of success is higher than the probability of failure. Statistic $e^{-20.404} = .000$ represents that the sign of parameter estimate $b = -20.404$ is negative. The result indicates that there is a significant impact of the aforesaid variable in the introduction of VAT; however there may be absence of the impact of this variable when the combined impact is observed. The contribution of the sales revenue of the business enterprises towards the total impact of the variable is 20.778 keeping other variables constant as shown by the Wald value in Table 6.3 (d).

Table 6.3 (a) Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	176.768	4	.000
	Block	176.768	4	.000
	Model	176.768	4	.000

Table 6.3 (b) Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	470.993 ^a	.285	.403

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Table 6.3 (c) Classification Table^a

Observed		Predicted		Percentage Correct
		VAT should be phased out		
		Yes	No	
Step 1	VAT should be phased out	56	104	35.0
		24	344	93.5
Overall Percentage				75.8

a. The cut value is .500

Table 6.3 (d) Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	
Step 1 ^a	incprofitbeforetax		20.778	4	.000		
	incprofitbeforetax(1)	-42.406	1.059E4	.000	1	.997	.000
	incprofitbeforetax(2)	-21.714	3.349E3	.000	1	.995	.000
	incprofitbeforetax(3)	-20.980	3.349E3	.000	1	.995	.000
	incprofitbeforetax(4)	-20.404	3.349E3	.000	1	.995	.000
	Constant	21.203	3.349E3	.000	1	.995	1.615E9

a. Variable(s) entered on step 1: incprofitbeforetax.

Observation

From the above results, the null hypothesis is rejected and it is observed that there is a significant relationship between profits of the business enterprises with that of the introduction of VAT, however there may be absence of impact due to negativity in probability.

- **Impact of cost of tax compliance of the business enterprises with that of the introduction of VAT**

In order to test the relationship between cost of tax compliance of the business enterprises with that of the introduction of VAT, the following hypothesis has been formulated:

- **H0: There is no significant relationship between the cost of tax compliance of the business enterprises with that of the introduction of VAT.**
- **Hc: There is a significant relationship between the cost of tax compliance of the business enterprises with that of the introduction of VAT.**

On comparing the relationship between cost of tax compliance of the business enterprises with that of the introduction of VAT, it is found that there is a significant relationship between the two aforesaid dimensions. The goodness of fit of the model is well established. This statement is supported by the value of Chi Square that is $(4, N=528) = 124.929$ significant at 5% level of statistical significance as shown in Table 6.4(a).

The value of -2 Log likelihood of the full model is 522.832 (Table 6.4(b)) which has been reduced by the significant value of Chi square showing the goodness of fit of the overall model. The model is able to show the strength of association to the extent of .211 by Cox & Snell R square and .298 by Nagelkerke R square as shown in Table 6.4 (b).

The classification index shown in Table 6.4 (c) indicates that the sensitivity of the prediction is 100%, specificity of prediction is 10% and the overall classification rate to be 72.7%. This suggests that the classification to be correct.

The analysis of the individual variable prices of inputs in local markets of the business enterprises indicates that there is a significant relationship with regard to the implementation of VAT. This variable is significant at 5% level of statistical significance. The odds in favour of the variable are .000 times such that the probability of success is higher than the probability of failure. Statistic $e^{-19.987} = .000$ represents that the sign of parameter estimate $b = -19.987$ is negative. The result indicates that there is a significant impact of the aforesaid variable in the introduction of VAT; however there may be absence of the impact of this variable when the combined impact is observed. The contribution of the sales revenue of the business enterprises towards the total impact of the variable is 32.695 keeping other variables constant as shown by the Wald value in Table 6.4 (d).

Table 6.4 (a) Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Step 1 Step	124.929	4	.000
Block	124.929	4	.000
Model	124.929	4	.000

Table 6.4 (b) Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	522.832 ^a	.211	.298

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Table 6.4 (c) Classification Table^a

Observed			Predicted		Percentage Correct
			VAT should be phased out		
			Yes	No	
Step 1	VAT should be phased out	Yes	16	144	10.0
		No	0	368	100.0
Overall Percentage					72.7

a. The cut value is .500

Table 6.4 (d) Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a taxcompliancecost			32.695	4	.000	
taxcompliancecost(1)	-42.406	1.111E4	.000	1	.997	.000
taxcompliancecost(2)	-21.203	4.737E3	.000	1	.996	.000
taxcompliancecost(3)	-21.203	4.737E3	.000	1	.996	.000
taxcompliancecost(4)	-19.987	4.737E3	.000	1	.997	.000
Constant	21.203	4.737E3	.000	1	.996	1.615E9

a. Variable(s) entered on step 1: taxcompliancecost.

Observation

From the above results, the null hypothesis is rejected and it is observed that there is a significant relationship between cost of tax compliance of the business enterprises with that of the introduction of VAT, however there may be absence of impact due to negativity in probability.

- **Impact of cost of working capital of the business enterprises with that of the introduction of VAT**

In order to test the relationship between cost of working capital of the business enterprises with that of the introduction of VAT, the following hypothesis has been formulated:

- **H0: There is no significant relationship between the cost of working capital of the business enterprises with that of the introduction of VAT.**
- **Hd: There is a significant relationship between the cost of working capital of the business enterprises with that of the introduction of VAT.**

On comparing the relationship between cost of working capital of the business enterprises with that of the introduction of VAT, it is found that there is a significant relationship between the two aforesaid dimensions. The goodness of fit of the model is well established. This statement is supported by the value of Chi Square that is $(4, N=528) = 121.987$ significant at 5% level of statistical significance as shown in Table 6.5(a).

The value of -2 Log likelihood of the full model is 525.774 (Table 6.5(b)) which has been reduced by the significant value of Chi square showing the goodness of fit if the overall model. The model is able to show the strength of association to the extent of .206 by Cox & Snell R square and .292 by Nagelkerke R square as shown in Table 6.5 (b).

The classification index shown in Table 6.5 (c) indicates that the sensitivity of the prediction is 95.7%, specificity of prediction is 20% and the overall classification rate to be 72.7%. This suggests that the classification to be correct.

The analysis of the individual variable prices of inputs in local markets of the business enterprises indicates that there is a significant relationship with regard to the implementation of VAT. This variable is significant at 5% level of statistical significance. The odds in favour of the variable are .000 times such that the probability of success is higher than the probability of failure. Statistic $e^{-20.469} = .000$ represents that the sign of parameter estimate $b = -20.469$ is negative. The result indicates that there is a significant impact of the aforesaid variable in the introduction of VAT; however there may be absence of the impact of this variable when the combined impact is observed. The contribution of the sales revenue of the business enterprises towards the total impact of the variable is 12.798 keeping other variables constant as shown by the Wald value in Table 6.5 (d).

Table 6.5 (a) Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	121.987	4	.000
	Block	121.987	4	.000
	Model	121.987	4	.000

Table 6.5 (b) Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	525.774 ^a	.206	.292

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Table 6.5 (c) Classification Table^a

Observed			Predicted		Percentage Correct
			VAT should be phased out	Yes	
Step 1	VAT should be phased out	Yes	32	128	20.0
		No	16	352	95.7
Overall Percentage					72.7

a. The cut value is .500

Table 6.5 (d) Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a dectotalcostofwc			12.758	4	.013	
dectotalcostofwc(1)	-42.406	1.471E4	.000	1	.998	.000
dectotalcostofwc(2)	-21.608	3.798E3	.000	1	.995	.000
dectotalcostofwc(3)	-20.980	3.798E3	.000	1	.996	.000
dectotalcostofwc(4)	-20.469	3.798E3	.000	1	.996	.000
Constant	21.203	3.798E3	.000	1	.996	1.615E9

a. Variable(s) entered on step 1: dectotalcostofwc.

Observation

From the above results, the null hypothesis is rejected and it is observed that there is a significant relationship between costs of working capital of the business enterprises with that of the introduction of VAT, however there may be absence of impact due to negativity in probability.

- **The overall relationship between the variables of performance of business and introduction of VAT**

In order to test the relationship between the variables of performance of business with that of the introduction of VAT, the following hypotheses have been formulated:

H0: There is no significant relationship between the performances of the business enterprises with that of introduction of VAT.

H1: There is a significant relationship between the performances of the business enterprises with that of introduction of VAT.

On comparing the relationship of the variables of performance of business with that of introduction of VAT, it is found that there is no significant relationship between the two aforesaid dimensions. The combined effect of all the variables related to the performance of business on the introduction of VAT has shown that there is no significant relationship between the performance of business variables with that of introduction of VAT. This statement is supported by the value of Chi Square that is (15, N=528) = 366.860 significant at 5% level of statistical significance as shown in Table 6.6 (a).

The value of -2 Log likelihood of the full model is 280.901 (Table 6.6 (b)) which has been reduced by the significant value of Chi square showing the goodness of fit if the overall model. The model is able to show the strength of association to the extent of .501 by Cox & Snell R square and .709 by Nagelkerke R square as shown in Table 6.6 (b).

The classification index shown in Table 6.6 (c) indicates that the sensitivity of the prediction is 91.3%, specificity of prediction is 75% and the overall classification rate to be 86.4%. This suggests that the classification of all the variables of performance of business and the introduction of VAT to be correct. Therefore, there is no significant relationship between the dimensions of performance of business with that of introduction of VAT.

The analysis of the individual variables of performance of business indicates that there are no variables which are significant with regard to the implementation of VAT.

Table 6.6 (a) Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	366.860	15	.000
	Block	366.860	15	.000
	Model	366.860	15	.000

Table 6.6 (b) Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	280.901 ^a	.501	.709

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Table 6.6(c) Classification Table^a

Observed			Predicted		Percentage Correct
			VAT should be phased out		
			Yes	No	
Step 1	VAT should be phased out	Yes	120	40	75.0
		No	32	336	91.3
Overall Percentage					86.4

a. The cut value is .500

Table 6.6 (d) Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a			2.119	4	.714	
incsalesturnover						
incsalesturnover(1)	-2.829	1.620E4	.000	1	1.000	.059
incsalesturnover(2)	-2.057	5.754E3	.000	1	1.000	.128
incsalesturnover(3)	-24.017	7.772E3	.000	1	.998	.000
incsalesturnover(4)	-1.093	5.754E3	.000	1	1.000	.335
decincostincurred			1.217	3	.749	
decincostincurred(1)	4.031	6.203E3	.000	1	.999	56.299
decincostincurred(2)	3.149	6.203E3	.000	1	1.000	23.302
decincostincurred(3)	-18.330	3.344E3	.000	1	.996	.000
incprofitbeforetax			2.896	4	.575	
incprofitbeforetax(1)	-39.644	1.450E4	.000	1	.998	.000
incprofitbeforetax(2)	-39.237	5.972E3	.000	1	.995	.000
incprofitbeforetax(3)	-17.358	2.893E3	.000	1	.995	.000
incprofitbeforetax(4)	-18.641	2.893E3	.000	1	.995	.000
dectotalcostofwc			4.869	4	.301	
dectotalcostofwc(1)	-39.327	2.486E4	.000	1	.999	.000
dectotalcostofwc(2)	-19.207	3.501E3	.000	1	.996	.000
dectotalcostofwc(3)	-18.651	3.501E3	.000	1	.996	.000
dectotalcostofwc(4)	-17.739	3.501E3	.000	1	.996	.000
Constant	56.567	6.416E3	.000	1	.993	3.687E24

a. Variable(s) entered on step 1: incsalesturnover, decincostincurred, incprofitbeforetax, dectotalcostofwc.

Observation

On the basis of above analysis, the null hypothesis is accepted. Therefore, there is no relationship between the performance of businesswith that of the implementation of VAT in the business enterprises.

VIII. CONCLUSIONS

On comparing the relationship of the variables of performances of business enterpriseswith that of introduction of VAT, it is found that there is a significant relationship between the two aforesaid dimensions. The combined effect of all the variables related to the performances of business enterprises on the introduction of VAT has shown that there is a significant relationship between the performances of business enterprisesvariables with that of introduction of VAT. This statement is supported by the value of Chi Sqaure that is (16, N=528) = 357.147 significant at 5% level of statistical significance

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