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**A study on Taxation Awareness Amongst MBA student's v/s other Core Professional courses students.**

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**Abstract:** The paper is an attempt of an exploratory research carried out by the researcher to understand the taxation awareness in India amongst the MBA students with special reference to Mumbai city. MBA graduates enter into the business world in the management cadre where they are expected to take a lot of business decisions which have financial implications. When the decisions are in Indian context, taxation structure in India is an integral part of it. Sound knowledge about the Country's taxation policy helps in decision making. Keeping the objective in mind to understand the current level of awareness and some measure to improve it the research is carried out.

**Keywords:** *Specific Taxation, GST, Central Excise, VAT.*

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**Introduction**

Business decisions involves various financial decisions. Taxation is the most important areas which affect the profitability of the business when it comes to returns on investments. Normally, for those who study finance as specialization, it is covered in their curricula but the students have less about the taxation policy of India especially MBA students when it's compared with other Core Professional courses. Every Individual of the country earning income in India is liable to pay Income Tax after the basic exemption limit is crossed. Similarly, every consumer of produce or service covered under respective tax laws is indirectly paying the tax on it.

The MBA graduates – who are the business policymakers down the line – must have adequate knowledge of taxation as their decisions not only affect their business but also the society at large. The direct taxes may affect income earners only but the indirect taxes are influencing the life of every common citizen of the country. In this context, first understanding the present knowledge level and suggesting the measures for the enhancing it are attempted in this research. Professional institutes like CA, Cost Accountant need to take active part in this social awareness program which will help the profession and also the country as a whole. Chartered Accountants play active role in the field of direct taxation whereas Cost Accountants are always instrumental in indirect tax field and considered as experts in these taxes which form the major part of the economy of the country.

### **Objective of the study:**

- To understand the awareness level of MBA students about Indian Taxation system as future business managers and decision makers.
- To identify the gap between the expected level of understanding and the actual gauged through the response collected.
- To suggest the remedial measures to bridge the gap, if any

### **Review of Literature:**

- *Rafi Mohammed (2009)*, *The study reveals that* Understanding of taxes is not a luxury but a necessity of any business decision makers. The experts and tax consultants are always available but a business decision maker needs to understand whom to approach and at what time with his tax- problem. The study reveals the necessity of awareness about taxation policy of a country.
- There are two types of users of taxes—one who pay taxes i.e. citizens, and one who guide for taxes, i.e. tax professionals as studied by (*Govindan, N.S., 2008*). Both the set of people need tax awareness at different levels as revealed by (*Vaitheeswaran, K., 2008*), Professionals follow the stringent guidelines of the taxes (*Jain, R. K. 2007*), whereas the fundamentals are adhered to (*Raghuraman V. & Hiregange., 2007*), Managers are required to take decisions—that is not the time to go back to books (*Kohli, D. N., 2007*); in this scenario the fundamentals of taxes do play significant role (*Sarangi, G., 2007*).

**Research Methodology:** The research is conducted based on Exploratory study and data collection is done through the questionnaire distributed to students of MBA Finance students, ICWAI ,CA Students Thus the sample consists of all the students who have studied Finance Assuming the same level of understanding, no gender specific information is collected so as to infer about taxation awareness. The average age of the respondents is 20-30 years. Sample size is 200 respondents where 100 respondents comprising of MBA Finance students, 100 comprising of CA and ICWAI students. . Data analysis is done with the help of descriptive statistics such as mean, frequency etc. Chi Square statistical tool would be applied to approve hypothesis testing.

### **Hypothesis of the Study:**

H0: MBA finance students and other core professional students possess equal awareness about taxation aspects.

H1: MBA Finance students possess less awareness about taxation aspects.

**Chi Square statistical tool would be applied to prove hypothesis testing.**

### Findings of the study, Data Analysis and Interpretation

The geographical boundary of the study is restricted to Mumbai city. The questionnaire was circulated amongst all 200 students. 200 amongst the collected in were chosen randomly based on which the data analysis and interpretation was carried out.

A questionnaire consisting basic level question on taxation was prepared and circulated amongst the students. The questions were covering the direct and indirect taxes such as Income Tax, Excise Duty, VAT, Service Tax, and Customs Duty. Considering the attributes of the sample of students the questions were more focusing on the present understanding, the willingness and attitude of students to gain knowledge about taxation and also to understand whether there respondents are aware of the sources of information which are available now about taxes in India.

The questionnaire for the purpose of analysis was divided in four levels. Considering the understanding level of questions it was expected that more than 85% of sample will respond accurate answers.

#### 1. Basic Understanding / Awareness about Indian Taxation:

1.1. What type of tax structure is followed in India? – Flat rate tax structure is Progressive tax structure.

72 percent of the respondents amongst other core professional course respondent it correctly whereas 68% amongst MBA finance students could answer it correctly. This indicates that reasonably educated students still need to know about the taxation structure of the company.

MBA Finance students	–	Other Core professional Course students
68%-Correct		72%-Correct
32%-Incorrect		28%-Incorrect

Actual Data			
	MBA Finance Students	Other Core Professionals Course Students	Total
Correct	68	72	140
Incorrect	32	28	60
	100	100	200

Expected Data		
	MBA Finance Students	Other Core Professionals Course Students
Correct	70	70
Incorrect	30	30

Chi Sq	0.537093978
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Based on the above value it signifies that there is no difference between the MBA finance students and other core professionals course students in terms of Basic Awareness of Taxation Aspects.

1.2. Classify taxes as Direct tax or applicable? Indirect tax. List of taxes was given as Income Tax, Service tax etc.

On an average 69 percent could give correct answers amongst other core professional course respondent it correctly whereas 60% amongst MBA finance students could answer it correctly even classifying the tax as Direct or Indirect Difference between the direct and indirect tax is not very clear to the students. This may lead to unintentional tax evasion or avoidance.

MBA Finance students	Other Core professional Course students
60%-Correct	69%-Incorrect
40%-In Correct	31%-In Correct

Observed Data		MBA –Finance students	Other Core professional Course students	Total
Correct		60	69	129
In Correct		40	31	71
		100	100	200
Expected Data		MBA –Finance students	Other Core professional Course students	
Correct		64.5	64.5	
In Correct		35.5	35.5	

**Chi Sq 0.183536598**

Based on the above value it signifies that there is no difference between the MBA finance students and other core professionals course students in terms of Basic Awareness of Taxation Aspects.

1.3. Who levies and collect taxes in India?

Central Government, State Government etc.

71 percent students could answer it correctly amongst other core professional course respondent, whereas as 70 percent amongst MBA finance students could answer it correctly It correctly .The federal tax structure followed in India is required to be explained to the students who are future business managers in order to systematizing the revenue collection for government.

MBA – Finance students	Other Core professional Course students
70%-Correct	71%-Correct
30%-Incorrect	29%-Incorrect

**Observed Data**

	MBA –Finance students	Other Core professional Course students	Total
Correct	70	71	141
Incorrect	30	29	59
	100	100	200

**Expected Data**

	MBA –Finance students	Other Core professional Course students
Correct	70.5	70.5
Incorrect	29.5	29.5

<b>Chi Sq</b>	<b>0.876779742</b>
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Based on the above value it signifies that there is no difference between the MBA finance students and other core professionals course students in terms of Basic Awareness of Taxation Aspects.

**H0 is accepted.**

**2. Specific tax related questions:**

2.1. When Central Excise duty is applicable?

52 percent students could answer it correctly amongst other core professional course respondent, whereas as 40 percent amongst MBA finance students could answer it correctly .Students were not aware about the applicability of Central Excise Duty.

Other Core professional Course students	MBA Finance students	–
52%-Correct	40%-Incorrect	
48%-Incorrect	60%-Incorrect	

<b>Observed Data</b>			
	<b>Other Core professional Course students</b>	<b>MBA –Finance students</b>	<b>Total</b>
Correct	<b>52</b>	<b>40</b>	<b>92</b>
Incorrect	<b>48</b>	<b>60</b>	<b>108</b>
	<b>100</b>	<b>100</b>	<b>200</b>

<b>Expected Data</b>		
	<b>Other Core professional Course students</b>	<b>MBA –Finance students</b>
Correct	46	46
Incorrect	54	54

<b>Chi Square</b>	<b>0.088659232</b>
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Based on the above value it signifies that there is no significant difference between the MBA finance students and other core professionals course students in terms of Specific Awareness about Taxation Aspects.

### 2.2. Who is liable to pay Central Excise Duty?

64 percent students could answer it correctly amongst other core professional course respondent, whereas as 30 percent amongst MBA finance students could answer it correctly. Who is liable for excise duty payment is very vital in manufacturing business and the managers of future are required to be trained about it.

MBA – Finance students	Other Core professional Course students
30%-Correct	64%-Correct
70%-Incorrect	36%-Incorrect

Observed Data			
	MBA –Finance students	Other Core professional Course students	Total
Correct	30	64	94
Incorrect	70	36	106
	100	100	200

Expected Data		
	MBA –Finance students	Other Core professional Course students
Correct	47	47
Incorrect	53	53

**CHI Sq 1.45729E-06**

Based on the above value it signifies that there is significant difference between the MBA finance students and other core professionals course students in terms of Specific Awareness about Taxation Aspects.

**2.3. When is VAT payable?**

67 percent students could answer it correctly amongst other core professional course respondent, whereas as 32 percent amongst MBA finance students could answer it correctly. When liability under the respective taxes arises should be known to the business managers in order to avoid the non – compliance.

MBA Finance students	–	Other Core professional Course students
32%-Correct		67%-Correct
68%-Incorrect		33%-Incorrect

<b>Observed Data</b>				
	<b>MBA Finance students</b>	<b>–</b>	<b>Other Core professional Course students</b>	
Correct	<b>32</b>		<b>67</b>	<b>99</b>
Incorrect	<b>68</b>		<b>33</b>	<b>101</b>
	<b>100</b>		<b>100</b>	<b>200</b>
<b>Expected Data</b>				
	MBA Finance students	–	Other Core professional Course students	
Correct	49.5		49.5	
Incorrect	50.5		50.5	

**CHI SQ 7.42154E-07**

Based on the above value it signifies that there is significant difference between the MBA finance students and other core professionals course students in terms of Specific Awareness about Taxation Aspects.

**2.4. Who is liable to pay Sales Tax to Government?**

64 percent students could answer it correctly amongst other core professional course respondent, whereas as 35 percent amongst MBA finance students could answer it correctly. Students were not informed about the concept of State Sales Tax and Central Sales Tax with difference between the two.



MBA Finance students	–	Other Core professional Course students
35%-Correct		64%-Correct
65%-Incorrect		36%-Incorrect

<b>Observed Data</b>				
	MBA Finance students	–	Other Core professional Course students	
Correct	<b>35</b>		<b>64</b>	<b>99</b>
Incorrect	<b>65</b>		<b>36</b>	<b>101</b>
	<b>100</b>		<b>100</b>	<b>200</b>

<b>Expected Data</b>				
	MBA Finance students	–	Other Core professional Course students	
Correct	49.5		49.5	
Incorrect	50.5		50.5	

**CHI SQ 4.10615E-05**

Based on the above value it signifies that there is significant difference between the MBA finance students and other core professionals course students in terms of Specific Awareness about Taxation Aspects.

2.5 - Questions asked to people who filled out their own tax returns a) How many times have you had to fill out a tax return? b) Were you able to submit your tax return on time?

MBA Finance students	Other Core professional Course students
30%-Correct	75%-Correct
70%-Incorrect	25%-Incorrect

30 % percent of MBA students could file their own Income tax and on time ,large number could do with the help of consultant, whereas 75 % of Other Core professional Course students could file their own Income tax and on time.

Observed Data	MBA Finance students	Other Core professional Course students	
Correct	30	75	105
Incorrect	70	25	95
	100	100	200

Expected Data	MBA Finance students	Other Core professional Course students
Correct	52.5	52.5
Incorrect	47.5	47.5

**CHI SQ            1.86663E-10**

Based on the above value it signifies that there is significant difference between the MBA finance students and other core professionals course students in terms of Specific Awareness about Taxation Aspects.

2.6 The Govt. exempts income tax upto what income level?

MBA Finance students	–	Other Core professional Course students
45% -Correct		90% -Correct
55%-Incorrect		10%-Incorrect

Only 45 % percent of MBA students could answer it correctly, large number of students were not aware about the exempt limit, whereas 90 % of Other Core professional Course students could answer about the correct exemption limit.

Observed Data			
	MBA –Finance students	Other professional Course students	
Correct	45	90	135
Incorrect	55	10	65
	100	100	200

Expected Data		
	MBA –Finance students	Other professional Course students
Correct	67.5	67.5
Incorrect	32.5	32.5

CHI SQ                      1.09322E-11

Based on the above value it signifies that there is significant difference between the MBA finance students and other core professionals course students in terms of Specific Awareness about Taxation Aspects.

**H0 is rejected, H1 Accepted.**

**3. Attitude and willingness to learn**

3.1. Do you feel that all MBA graduates must know basics of taxes in India irrespective of area of specialization?

90 percent students said yes its required amongst other core professional course respondent, whereas as 95 percent amongst MBA finance students could said yes its required. This shows that the willingness and attitude to know about the taxes is there which can be well attended by proper training workshops.

MBA Finance students	Other Core professional Course students
95%-Strongly Agreed	90%-Strongly Agreed
5%-Strongly Disagreed	10%-Strongly Disagreed

**Observed Data**

	MBA –Finance students	Other Core professional Course students	Total
Strongly Agreed	95	90	185
Strongly Disagreed	5	10	15
	100	100	200

**Expected Data**

	MBA –Finance students	Other Core professional Course students
Strongly Agreed	92.5	92.5
Strongly Disagreed	7.5	7.5

<b>CHI SQ</b>	<b>0.179494818</b>
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Based on the above value it signifies that there is no significant difference between the MBA finance students and other core professional’s course students in terms of attitude and willingness to learn about taxation Aspects.

3.2. The views were collected to understand the willingness to learn more about taxes by attending a workshop, seminar, course etc.

90 percent students said yes its required amongst other core professional course respondent, whereas as 95 percent amongst MBA finance students could said yes its required. The gap between the need to know and current knowledge needs to be bridged.

MBA – Finance students	Other Core professional Course students
95%-Strongly Agreed	90%-Strongly Agreed
5%-Strongly Disagreed	10%-Strongly Disagreed

Observed Data			
	MBA –Finance students	Other Core professional Course students	
Strongly Agreed	<b>95</b>	<b>90</b>	<b>185</b>
Strongly Disagreed	<b>5</b>	<b>10</b>	<b>15</b>
	<b>100</b>	<b>100</b>	<b>200</b>

Expected Data			
	MBA –Finance students	Other Core professional Course students	
Strongly Agreed	92.5	92.5	
Strongly Disagreed	7.5	7.5	

<b>CHI SQ</b>	<b>0.179494818</b>
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Based on the above value it signifies that there is no significant difference between the MBA finance students and other core professional’s course students in terms of attitude and willingness to learn about taxation Aspects.

1.3 Overall, from your experience, how would you rate the advice and information provided by the Tax Office? Would you say it is Good or poor?

MBA – Finance students	Other Core professional Course students
85% - Strongly agreed with Good	90% Strongly agreed with Good
15%-Strongly agreed with poor	10%-Strongly agreed with Poor

85% of MBA Finance students strongly agreed that advice and information provided by the tax office is good, whereas Other Core professional Course students strongly agreed to 90%.

Observed Data	MBA –Finance students	Other Core professional Course students	Total
Strongly agreed with Good	85	90	175
Strongly agreed with poor	15	10	25
	100	100	200

Expected Data	MBA –Finance students	Other Core professional Course students
Strongly agreed with Good	87.5	87.5
Strongly agreed with poor	12.5	12.5

<b>CHI SQ</b>	<b>0.285049407</b>
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Based on the above value it signifies that there is no significant difference between the MBA finance students and other core professional’s course students in terms of attitude and willingness to learn about taxation Aspects.

**H0 is accepted.**

**4. This set of questions was looking for the awareness in terms of resources available to get knowledge about taxes.**

4.1. Question based on the name of the resources to obtain tax information.

General answers such as Internet or News etc were received. It has been observed that the MBA students were not aware of the government official sites where all authenticate information on taxes is available such as [www.cbec.gov.in](http://www.cbec.gov.in) [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) etc.

4.2. When asked about ways to improve knowledge some of the students suggested the inclusion of the subject in curriculum while some suggested that this topic should be made mandatory for MBA as a whole.

### **Findings of the study:**

- Basic awareness with respect to Taxation aspects is almost same amongst MBA students and other core professional course students.
- Specific awareness with respect to Taxation aspects is significant less amongst MBA students compared to other core professional course students.
- Willingness and attitude to learn about taxation aspects is significantly same amongst MBA students and other core professional course students.
- MBA students possess less knowledge about resources available to get information about taxation compared to other core professional students.

### **Suggestions and Remedial measures to bridge the Gap :**

To bridge the gap between what is expected and what exactly is known the training workshops are recommended. The structure of the workshop can be a two-day training with basic and intermediate level of knowledge. The specific objective of the workshop would be to create awareness about taxes amongst MBA students in business perspective.

### **Conclusions:**

The fundamental knowledge's of taxes is inevitable for any person staying in the country and contributing in the business world. The assistance from the experts or consultants can be sought at the later stage where one understands whom to approach and for what.

One of the questions in the questionnaire was to gauge the awareness amongst the students about forthcoming tax i.e. GST; very few MBA students were aware about it.

The Cost Accountant and Chartered Accountants have great role to play in this regime. Similarly, goods and Services Tax (GST) is approaching fast which is based on the principles of VAT and CENVAT of indirect taxes. All these are going to impact the business to a large extend. The professional institutes such as ICWAI, ICSI, ICAI can take the initiative with the help of the well spread chapter offices and offer the training modules in taxation for various management institutes in respective jurisdictions to offer the proposed programs. This will facilitate the growth of the profession and contribute towards growth of the country as well.

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