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The Influence of Taxation Objectives Towards Diversifying Profitability For Dividend of The Firm: Business Trends

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Abstract

The taxation system has so complicated itself by covering several topics under a single head, sub-heads and numerous ways of calculations with certain different assumptions become difficult to understand for anyone because of regularly amended, edited many Acts and articles, added more sections and sub- sections, and provisions etc. which make changes in structure, in the rate, and the amount of the slab with the changing of the business environment too. Despite this, it becomes a challenge to choose a topic as keen research by the researcher for the long-lasting valid and effected in the present and future dilemma of research. The research entitled “the influence of taxation objectives towards diversifying profitability for a dividend of the firm: business trends in India” has its trifling nature of research which connected with certain objectives of taxation policies for diversifying profit and fulfilling the promises towards various parties. Profit diversification is the newly born concept in the business scenario with the issue to make it possible to connect with taxation especially its objectives for the payment of dividends by the firm or organization. It is the responsibility of the corporate assesses not only to check the prevailing provisions in the Acts and past effects on their profit, how to diversify and fulfill the commitment towards various parties especially for the payment of dividends to the shareholders or the investors. They want to get more and more tax benefits from the recent avail of fundamental with new provisions of taxation objectives of the Income Tax Act for tax avoidance. Many researchers work on these concepts of taxation differently i.e., taxation objectives, diversification, profitability, profit diversification, and dividend differently, and few combined one and another whereas few concepts are left un-touch and not fully solved. I have tried to connect all concepts in a significant way to make meaning full values for research and try to exist the relationship which will make it unique itself. The influence of taxation objectives towards profit diversification for the dividend of the firm which type of relationship has existed based on the empirical investigation of the research. The qualitative and quantitative both are found necessary to make proof the research authentic and valid which is considered for the significant research to go ahead as mixed approaches. The data of the Indian taxation system has been compiled in a manner by using sophisticated tools for analyzing the research in simplest form from complicated abundant data by dividing the period as traditional and modern taxation policies period has three decades each.

Keywords: Taxation objectives, dividend, profit diversification, capital structure, reconstruction.

1. INTRODUCTION

The influence of taxation objectives towards diversifying profitability for the dividend of the firm: business trends have its prospect significance in the corporate sector for the exposure of the business and the searching of new directions by way of modification, to get the enhancement in the light of the benefits of new taxation objectives with its tax avoidance system and make possible to give more dividends than the expectation of the shareholders or the previous paid. The taxation policies are always keen consideration for the management for planning and deciding strategies for encouraging the achievement of long-term corporate goals i.e., profit or wealth maximization of shareholders through changing the scale of operation for productivity with the edge of an increasingly competitive environment by knowing responsibilities towards various parties as per new accounting norms, especially for the shareholders. The companies must plan meticulously in every part of financial criteria of capital reconstruction whether to increase the capital structure or decrease the capital structure in a specific manner as per swifting benefits of objectives of new taxation policies by comparatively recalling the last objectives of taxation policies by the management and their amendments.

No doubt taxation policies have changed continuously not in a decade but year to year lots of provisions and amendment has been edited regularly. Various aspect of taxation has been keen criteria of every researcher to find out new research, scope, issues, and challenges to develop and try to sort out the new concept from old or modern, the technique in a modest manner based on certain hypothesis and assumptions in the quantitative or the qualitative form of approach but here mixed approach has considered. It's just exposure for searching newest techniques from the oldest methodology applicability by the knowing tools from knowing unknown facts. The data is too bulky and complicated due to a lot of changes and provisions that take place year after year as well as many Acts as a part of the Income-tax Act every half of the decades. Sometimes it is found very difficult when data is not available. So, in this research taxation objectives and policies of the corporate taxation system have been considered from the traditional period to the modern period. The division of the two periods makes the research from complicated to the simplest form and easy to analyze by taking the certain hypothesis to find out the fruitful result of the pre-decided methods from unknown factors. The pre decided traditional period is taken just from the Income-tax Act 1961 introduction before the initiation of economic policies whereas the modern period covers after the introduction of liberalization, privatization, and globalization1 till 2020 because the two phases are the great benchmark of the Indian Economy.

This research paper tries to connect the two periods with the basic objectives of taxation policies to the amended (modified) objectives of taxation policies not only to the profit but diversification of profitability as the new era of the recent business scenario by considering the prevailing rate of corporate tax to the domestic and foreign companies and their indices of SENSEX, EBIT, and techniques are to fulfill the criteria of the long term promises to the investors more and more of payment of dividend than their expectation i.e., depending on types of share hold by shareholders as well as achievement of the organizational objectives too. The data has been collected through various primary sources, secondary published sources, and the research work of the other researchers, and their opinions as per the investigation of research objective of the research paper. After the collection of data, various techniques are used to sort out the data in a specific manner and use the hypothesis to prove it. The management is always predictable to be able to produce strategic decisions that encourage the achievement of long-term corporate goals. The objective of this research paper is;

- To establish a relationship between the objectives of taxation policies towards profitability diversification for the dividend of the firm in recent trends.

All Four authors have played a significant role by doing their contribution towards the pragmatic investigation of the research. This type of research has required to apply sophisticated tools and more practical exposure to do work together from the collection of the data to analyze the hypothetical testing, result, and till to the conclusion with its scope. The two corresponding authors work together at a time and testify the result one by one and check the accuracy too for avoiding the conflict of interest. No doubt the main author has required more responsible to make this type of conducting unique research with the association of the team work of researchers to present the final shape of the research paper. In this paper, the four authors did remarkable work together not only assigned work but with the help to take necessary steps of the other and make comparison and conclusion together which is seeing as it is now. As per the conflict of interest the research purely based on a mixed approach where each researcher placed their best effort for completion of her/his task authentically and discussed each aspect of result one to and all for understanding the other valuable research before giving final shape and sort out the criteria as per assigned value with the predetermined investigation of hypothesis and designed research problem. Every researcher has faced lots of difficulty because of the unavailability of data and founds lots of amendments year after year has the challenging not only the changing business environment but it also raises thousands of issues which are coming to raise every year unsolved that always keep as issues for the further research.

II. Literature Review

Profitability is always an essential objective of any business whether the scale of operation is small or large required for the survival of the organization but the responsibility has become excessive increased when the company will be public and en-listed in the market. The changing objective from profit maximization to wealth maximization has become a critical issue for an organization with the changing trends of new implementing taxes with surcharge, cess, and another form of cess by the government with priority concern of welfare maximization of different assesses2. It is needed to diversify profit of the organization by knowing of the financial responsibilities concerning towards various parties as well as fulfill the objectives of the organization both together like responsibility towards the government to pay taxes as well as pay more dividends as per promise through increasing wealth maximization of shareholders, other payments of any nature remain more stabilized, and enhance credibility in the market for the raising funds in near future. That’s become a challenge for the management for designing and restructuring capital and adopting decision-making criteria that opt and answer thousand un-answer questions. How to remedying the decision-making criteria for profit diversification? What are the prevailing taxation objectives of the corporate sector? What type of amendments and provisions takes place this year? What is the credibility rate of the own organization? How much the organizational target can achievable? And so many more questions always arise again and again during whole of the research.

The taxation system has multidisciplinary aspects which makes research more exciting yet too complicated. The research on taxation can be difficult not only because of modification, amendments, provisions, and changes not in a decade but year to year newly implementations has seen. It has to follow tax studies in accounting, tax planning in financial management, finance, economics, and law (through governmental agencies, academic institutions, and policy thinkers), that of different disciplines often use different languages for different perspectives. Economists generally focus on tax compliance, favorable tax policy, incidence of taxes for corporate tax, and investment and economic growth effects such as how taxes affect investment, (for example, whether a consumption tax or an income tax is more effective in reducing distortions). In the world of Miller and Modigliani, taxes are considered a market flaw. This viewpoint leads to research into whether taxes have an impact on firm value (for example, if dividend taxes have an impact on predicted returns), as well as corporate financial policy decisions. (e.g., whether the leverage of the firm affected by taxes), and the decisions for the investor's portfolio (e.g., the role of international tax considerations in portfolio allocation) and so on1. Even though the fundamental goal of taxation policies must always be to fund government spending, the tax system of developing countries like India should be used for a variety of other objects which placed a significant share of total income in the economy attempts should often be made to use taxes both to redistribute the income and to influence the growth rate of the economy. The basic taxation objectives which consider a significant role for designing taxation policies are as follows;

1. Redistributing income: The distributive goals are usually wanted through the use of progressive rate structures—the imposition of high taxes on those with greater ability to pay and lower may pay low taxes vice versa and get government benefits and other services at a lower cost.

2. Influencing the Economy: Taxes should also be used to influence faster economic growth and dampen the size of a cyclical downturn. Tax cuts should be used (i) to stimulate the economy by putting more money in taxpayers' pockets, and (ii) to provide an incentive for work and saving.

3. Equality: Equality means equal among those with equal ability to pay taxes, all other things being equal, and should pay the same tax as per law.

4. Efficiency: The harmful impacts of taxation should be reduced to a minimum for its taxpayers to make efficient. Taxes should not be used randomly to favor certain types of consumption, income, or any output.

5. Simplicity: The tax system should be simple to save the waste of time and restrict the amount and resources taken from taxpayers in compliance expenses, as well as to allow tax end enforcement to be used for other purposes.

6. Other goals: Taxes should also serve various other socio-economic purposes like raising revenue.

As J.F. Due puts it: "Most governmental activities, under their community benefits, must be financed by taxation".

Taxation affects the volume of total investment, the total volume of production and consumption, choice of industrial location and techniques used, the balance of payments, distribution of income, and so on. Other goals of taxation objectives are as follows;

(i) Taxes are imposed due to the protection of domestic industries from the foreign competition: It makes possible through import substitution where the government provides subsidies to domestic industries to produce that type of goods which importing outside and increase demand in the competitive world by reducing its price and raising its export and the correct balance of payment.

(ii) Fiscal policy especially tax programs are often wont to enhance growth by encouraging the efficient use of any given amount of scarce resources: For bringing efficiency various ventures take place to increase income and attract capital by using taxes to increase the market forces which lead to efficient use of scarce resources.

(iii) There is always a compulsion to pay taxes for reducing the inequality in the distribution of income which is a characteristic of all modern mixed economies where all factors of production are privately owned: That's why taxes make possible to impose in progressive form.

(iv) Taxes are also used to raise the pool of investment of the private corporate sector: There are various methods or devices like initial allowances, investment subsidies, free depreciation, investment grants, and investment allowances, etc. may reduce tax rates on business enterprise get a reduction of taxes on profits or relief grant on capital investment in some other ways.

(v) Tax policy is also employed to guarantee that regional development is balanced: Entrepreneurs desiring to establish industries in underdeveloped areas of a country are given special tax breaks or tax holidays, which may last for many years, to entice them to relocate to those areas.

(vi) Taxation also can be wont to ensure price stability: when taxes impose to reduce the disposable income of assesses then purchasing power automatically less and the pressure on the commodity markets may reduce in the traditional market. High indirect taxes, such as excise duty or sales tax, cause inflation by raising the prices of taxable commodities.

(vii) Taxes are also used for exercising control over the behavior of consumers: It is sometimes used to discourage the unnecessary consumption of harmful items like liquors, tobacco, and certain drugs, etc. The resources released thereby are devoted to the production of necessary goods may possible to produce more from scare resources.

(viii) Taxes like customs duties are also used to control imports of definite goods which are domestically available like durable FMCG (refrigerators, motor cars machinery, Television sets, wines, and other luxurious goods.) The idea is to cut the import amount while, simultaneously, encouraging domestic production of import substitutes.

(ix) Duty framework is additionally used to advance vertical combination among firms. This should be possible by aggregate extract obligation. This duty is imposed on the complete worth of each company's yield. This implies that merchandise may be burdened commonly throughout creation in case there are a few in an upward direction for un-incorporated firms associated with their creation3.

With the effect of taxation objectives, taxation policies have found change year after year from legalization policies until the Income-Tax Act 1961 has been introduced. There are lots of provisions and amendments taking place in the Income-tax Act as per the changing requirements of the business environment and need of corporate exploration whether the domestic company or international Company is existing in India fully or partially working must pay corporate tax as per their residential status. The base corporate tax rate as per main taxation objectives during the traditional period are found as follows;

Table 1 - *Sources: 1909-2001: World Tax Database, Office of Tax Policy Research, Oct 17, 2002*

Years	1961-63	1964-65	1965-67	1968-70	1970-71	1971-78	1979-87	1987-88	1988-90
Tax rate in percentage(%)	52	50	48	52.8	49.2	48	46	40	34

The tax structure was again modified with the introduction of economic policies in 1991 and the above-cited taxation objectives have been modified with the changing environment of business. During the expansion of business from traditional to a modern market, national to international economic scenario has liberalized, privatized and globalized which has again changed continuously in corporate tax rate till to 2019-20 the assumed period. After making the taxation system legal and becoming enforcement of the law so, may Act to introduce a part of Income-tax that makes it elastic in the Indian taxation system. It was not sufficient many committees have set up to glance at the hindrance of taxation policies in prevailing taxation system with certain taxation objectives affect of another system directly or indirectly on monetary and fiscal policies, exchange rate system, foreign direct investment, Industrial policies, trading policies, and so on4. After finding how more benefits can be provided to various assesses has become recommendations of committees and evidence of change in tax reforms by Raja Chelliah Committee.

Before making the existing prevailing taxation system many Acts has introduced and amended much time as per the requirement of the economy are a part of somewhere else connected with the income of the corporate Assesses. A corporate assessment or organization charge is an immediate duty forced by a purview on the pay or the capital of enterprises or undifferentiated from legitimate substances of an association. No doubt before the implementation of the Income-tax Act other types of taxes exist on the Companies like Municipal Taxation Act 1881, Public debt Act 1944 (Government securities), Central Excise Act 1944, The Professional Tax limitation (Amendment and validation) 1949, Wealth Tax 1Act 951, The sales Tax Laws Validation Act 1956, The securities Contract (Regulation) Act 1956, The Company Act 1956, and The Wealth Tax 1957 were existing on Corporate. But from the duration of the coverage of cited Traditional period from Income-tax Act 1961 till to the introduction of Economic policies 1991, the other types of taxes introduce like The Custom Act 1962, The Taxation Laws (Amendment and Miscellaneous Provisions) Act 1965, Taxation Laws (Continuation and validation of recovery proceedings) Act 1964, The Companies (Profits) Surtax Act 1964, The Delhi sales Tax Act 1975, The interest Tax Act 1974, The Taxation Laws (Extension to Jammu and Kashmir) Act 1972, The Sick Industrial Companies Act 1985 (Special provisions) and Minimum Alternative Tax (MAT) in 1987 under Finance Act, and so many others have brings many provisions and amendments in Income-tax Act 19615.

With the survival of the corporate sector the new corporate tax other taxes like Minimum Alternative Tax (MAT)6 has introduced in India by the Finance Act 1987 vide section 115J of the Income-tax Act 1961, to facilitate the taxation of Zero taxation Companies but many times discontinued before the period of 1997-98, the surcharge has introduced 1964, Educational cess has introduced in 2004, and secondary higher educational cess has introduced in 2007 under Finance Act are only together to make a part of an effective tax rate of corporate Income-tax existing these days. But the question arises how many other Acts include being a part of the Income-tax Act after economic policies extension? There are numerous Acts like The cess and other Taxes on Minerals (Validation) Act 1992, The Depositories Act 1996, The Direct–Tax Law (Miscellaneous) Repeal Act 2000, The Competition Act 2002, The Prevention Money Laundering Act 2002, The sick Industrial Companies (Special Provisions) Repeal Act 2003, The Customs and Central Excise Laws (Repeal) Act 2004, The National Tax Tribunal Act 2005, The Government Securities Act 2006, Dividend Distribution Tax in 2007, The Integrated Goods and Services Tax Act 2017, The Integrated Goods and Services Tax Act (extension to Jammu and Kasmir) 2017, The Central Goods and Services Tax Act 2017, etc7 sections, sub-sections are amended and some are nullified. How the existing corporate effective tax rates have fluctuated can be seen in the below table 02 with the modifying taxation objectives that have been considered a part of assumed modern taxation policies.

Table 2: *Effective Tax Rates – Tax structure (Domestic & Foreign Company), MAT, Surcharge, Educational Cess, and SHEC8**

Year / Tax Rate	**1991-94**	**1994-96**	**1996-97**	**1997-98**	**1998-99**	**1999-04**	**2004 - 06**	**2006-07**	**2007 - 10**	**2010-11**	**2011-12**	**2012 - 15**	**2015-17**	**2017-19**	**2019-20**
Domestic Co. (Pvt. Or Public) Tax %	**50**	**40**	**40**	**35**	**35**	**35**	**35**	**35**	**30**	**30**	**30**	**30**	**30**	**25**	**22**
Foreign Co.- Tax %	**65**	**55**	**50**	**48**	**48**	**48**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**
MAT – Rate %	**---**	**---**	**---**	**^30**	**30**	**7.5**	**7.5**	**7.5**	**10**	**15**	**18**	**18.5**	**18.5**	**15**	**15**

Sur-Charge-Rate %	---	---	---	**Abolish-ed**	**10**	**10-15 in (02-03) then 2%**	**5(01-05) then 2.5**	**2.5**	**10**	**10**	**7.5**	**10 in (12-13) & 5 (13-15)**	**7-12 & 2-5 for Foreign Co.**	**7-12 &2-5 for Foreign Co.**	**7-12 &2-5 for Foreign Co.**
Edu. Cess - Rate %	---	---	---	---	---	---	**2-4**	**2**	2 & 3 in 2010	**3**	**3**	**3**	**2**	**4**	**4**
SHEC- Rate %	---	---	---	---	---	---	---	**01**	**01**	**01**	**01**	**01**	**01**	**01**	**01**

Diversification is the process of expansion of business by penetrating and developing an existing market, the introduction of new products and their modification and innovation, merger, joint venture, amalgamation, reconstruction of business, reconstruction of financial structure, and so on. When any type of diversification takes place that required the exposure of capital, reconstruction of capital structure and new funding techniques must need to decide by the entrepreneurs by considering certain affected elements like reducing the risk of failure, decreasing competitive price pressure, and increasing cut throat competition for the company etc9. Diversification not only increases various responsibilities i.e., financial and non-financial responsibility towards various parties by the following of Accounting standards and norms with the increasing profitability. Once capital structure changes or reconstructed enhanced that make more responsible to the financial management to take diversified decisions by assuming additional risk in the recessed market. The feasible profit has diversified with the diversification of business in ‘n’ number of areas. Diversification brings together all sorts of financial needs, development of human skills, and material resources because diversification makes it necessary both to identify new sources of financing and to recruit new human possessions and/or external executives10. With the expansion and reconstruction of the enterprises through diversification can mean an enhance in financial compensation and the prestige of executives, a promotion to a higher position within the company, and even a reduction in the personal risk for the job loss, long lasting guaranteeing one’s place in the company. All the activities for the diversification required funds. Sources of funds are the arrangement of finance for “n” number of reasons for the n-activities whether small or large of any organization. There are various sources of finance which can avail from the different markets. The financing of funds depends on the requirement that can be classified and easily understood with the help of diagrammatic presentation.

Classification 1.

Based on the period are a. The long-term sources of financing involve long terms debts and financial obligations on a business which covered the period from 05-10years. The components of long-term finance are Equity Share, debenture, Preference Share, loans from financial institutions, Retained Earnings, and Mutual Funds, etc.

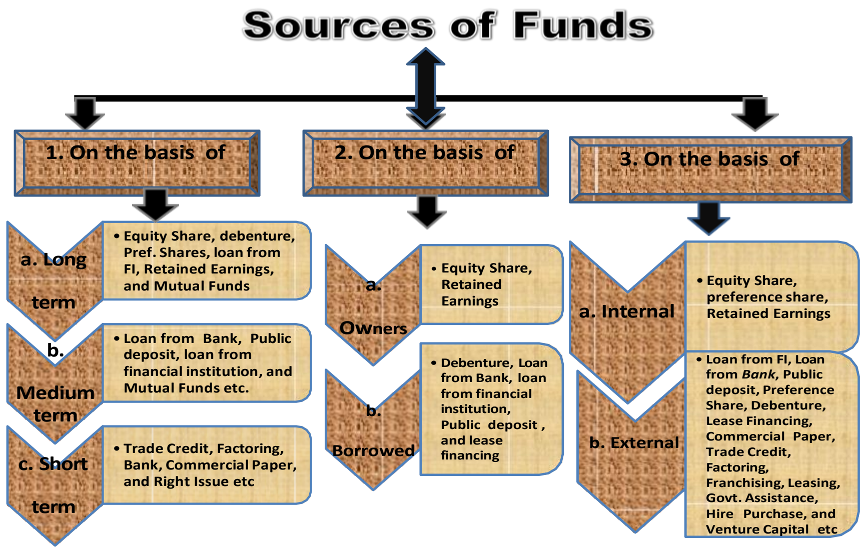

fig. 1: Sources of Finance and its components

b. The Medium-term sources of financing were a requirement of funds for one year but less than five years. The components of medium-term sources are Loans from banks, Public deposits, loans from a financial institution, and Mutual Funds, etc. whereas the c. short term Sources of finance required funds not exceeding one year. The components of short-term sources are Trade Credit, Factoring, Bank, Commercial Paper, and Right Issue, etc. The funds can also classify 2. Based on OWNERSHIP as a. Borrowed sources raise funds to inform of loan which is highest risky as well create first most important liability before the owned funds. The important factors of borrowed funds are Debenture, Loan from Bank, loan from a financial institution, Public deposit, and lease financing, etc. b. Owned fund sources are less risky as well as create little liability towards their holders. The important factors of owned funds are equity share and retained earnings. The sources are classified 3. Based on GENERATION of finance has divided as a. External Sources are those sources where the arrangement of funds outside of the organization which has certain components are Financial Institution, Loan from Bank, Public deposit, Preference Share, Debenture, Lease Financing, Commercial Paper, Trade Credit, Factoring, Franchising, Leasing, Govt. Assistance, Hire Purchase, and Venture Capital, etc. b. Internal sources are the sources where funds are managed and borrowed from inside the organization. The components are covered under internal sources as Equity Share and retained earnings11.

Profitability shows the ability of a company to generate surplus money from diversified activities in an accounting period. According to Mahendra (2011) states that profitability is one of the factors that evidence of profitability having a positive influence on dividend policy. The higher the value of profitability, the payment of the dividends can increase and diversified12. Profits indicate to the investors which are the most efficient firms and credibility rate in the capital market. Therefore, the investors need to decide in which firms they have to invest or not. It also indicates to the firms which products to produce and which production processes make more economical use of scarce resources can easily raise profit after sold and fulfill the requirement influence dividend policy. Nurhayati (2013) research and Lestari and Sulistyawati (2017) obtained empirical of finance.

A tax system that accentuates the differentials between the profitable and the non-profitable usually helps wrestle resources into the most efficient firms and processes and into the most rapidly growing sectors of the economy. Whereas dividend is the part of the profit which is paid to the shareholders as per priority concern depending on the types of shares invested in the firm by investors. If net present value of positive opportunities, i.e. projects where returns exceed the hurdle rate, and excess cash surplus is not needed, then finance theory suggests management should revisit some or all of the excess cash to shareholders as dividends8. If there is no profit (Loss) or net present value must be lesser as compared to the actual amount of investment. At that time organization is not liable to pay a dividend to the equity shareholders. The company can freely move for deciding and relaxing for the payment of dividend or not or retain, if it has less profit. It can also retain the amount of profit which will go to distribute for dividend as their financial requirement has to filed change capital structures and need to reconstitute time to time. That's a reason this type of amount of investment is called own funds, not borrowed funds. There are four types of dividend policies prevailing in India.1. Under the Regular Dividend Policy, the dividend is paid on regular basis i.e., yearly at a standard rate. These types of policies are adopted by the company whose earrings are stable profit. The shareholders get more dividends if the company earns abnormal than extra profit retain for the time where the company goes for a loss. That extra and sometime abnormal profit is used for the payment of dividends. 2. Under the Stable Dividend Policy, the company follows the procedure to pay-out a pre-defined fixed parentage of profit as a dividend per year. The company creates reserve funds for the payment of dividends at the pay-out ratio. It helps in stabilizing the market value. 3. Under the Irregular Dividend Policy, the organization does not commit to delivering profit to the investors. The board of directors will decide the quantum and rate of dividend as per present earning of the profit and to maintain liquidity in the firm by gaining the confidence of investors. 4. Under No Dividend, Policy Company decides not to pay a dividend in the loss or profit scenario. So the pay-out ratio will be 0%. The company retains the whole of the profit and uses the organization for expansion because of the cheapest source of financing13.

III. Research Methodology

Research Methodology is the scientific technique that uses various types of values to solve the research problems systematically in a way to get the rigorous result through the qualitative or quantitative approach. The purpose of the research is to contribute a very significant aspect for the influence of taxation objectives towards diversifying profitability for a dividend of the firm in the business scenario concerning India. This research is based on a qualitative approach with the help of some sophisticated quantitative tools. In other words qualitative approach a subjective way to deal with research is worried about the emotional appraisal of perspectives, suppositions, and conduct. Research in such a situation is a function of researchers' insights and impressive. Such sorts of exploration produce results either in non- amounts structure or in the structure which are not exposed to thorough quantitative investigation. Various techniques follow under the qualitative approach in this research paper the tools that are used as observation, deep analysis, and others' opinions. Whereas quantitative research strategy focuses on quantifying the collection of data and analysis of numerical values. Where the tools are used to find results are patterns, averages, make predictions test by hypothesis for knowing casual relationships, and generalize data. The research problem has connected taxation to establish a relationship between the objectives of taxation policies existing to the traditional system towards profitability diversification for the dividend of the firm in recent trends for the organization.

The objectives of taxation policies try to assess through corporate tax structure for knowing existing relationship towards profit diversification for a dividend of a company. So, the SENSEX Index variability has been assessed for knowing profitability in terms of wealth maximization to check-in Hypothesis testing. This type of research problem creates various research questions like, Are taxation objectives always fruitful for corporate enhancement? Why effective corporate tax becomes auxiliary than basic corporate tax? Are older taxation policies better than new existing taxation policies or not? If the government reduces the tax rate so, what's a need to implement cess and another cess on every assesses? If the taxable amount becomes high so, how a company is payable more dividends? When a business diversifies then, is there a chance for more profit and its diversification? If profit is diversified then a company payable high dividend? Is a company can safe from the liability of paying taxes? Is the credit rating assure profit diversification of the company for more dividends to shareholders?

Under this type of research follows some statistical tools like averages, variables, EBIT technique, and hypothesis testing and creates some diagram for analysis and prediction through published available data. The average or mean refers to the arithmetic mean that constitutes the result obtained by adding several amounts/values together and then dividing by the number of amounts. The variable is a symbol that works as a placeholder for expression or quantities that may vary, that used to represent the argument of a function or an arbitrary element of a set. EBIT is an analyzing technique for the calculation of the total amount of dividend and earnings per share. Hypothesis testing is a measurable test used to decide if the speculation expected for the instance of information stands suitable and valid for the whole populace or not. The following assumed hypothesis of the cited research objective formulated is as ;

H0: There maybe exist a positive relationship between objectives of taxation policies towards diversifying profitability of the dividend of the firm of recent trends that have expected to pose a high level of growth and vice versa.

H1: There may exist a negative relationship between objectives of taxation policies towards diversifying profitability of the dividend of the firm, the recent trends that have expected to pose a low level of growth, and vice versa.

In the null hypothesis when any firm or organization once extend its existing conditions by way of diversification not only increase growth in terms of profit and make it more responsible to pay more corporate tax as well as fulfill the promise by paying more dividends to the shareholders. That's why objectives of taxation policies adhere the profit diversification make possible to pay more and more dividends to the shareholders may exist positive relationship, the SENSEX is the evidence for the statement to make valid for the null hypothesis. That not only gives high growth rate to business and expansions make possible to achieve up to the pre-decided goal. If the null hypothesis becomes wrong then the alternative hypothesis becomes valid automatically where objectives of taxation policies reduce the profit for the payment of dividends to the shareholders and growth rate of business also not only reduce and diversification of profit is not possible.

IV. Results

Data analysis is the method of the crackdown, transforming, and modeling of data to uncover valuable knowledge for business decision-making within specific predefined criteria. It breaks substance or complex aspects into smaller parts to gain a better understands of them logically and mathematically. The cited taxation objectives have been designed in a manner for giving more benefits and extra services to the new as well as existing companies whether domestic or foreign companies. The various types of taxes have been seen before the making of Income-tax Act 1961of legal framework of structure found continuously wide-ranging every decade. In the first decade 1961-1970 corporate tax rate start decreasing and increased in last two previous years in the same decade from 52% - 48%-52.8%, whereas second decades 1970-1980 corporate tax rate again started decreased from 52.8% - 46%, in a third decade 1981- 1990 corporate tax rate again started decreased from 46%-34%. But after the introduction of Economic Policy or LPG Policy 1991 found again corporate tax varied from 34% to 50% corporate tax rate again started increased in the fourth decade i.e., 1990-2000, again the corporate tax rate decreased from 50%- 35%, in the fifth decade 2000-2010 the corporate tax rate decreased from 35%-30%, in the sixth decade 2010-2020 the corporate tax rate decreased from 30%-22% for the domestic companies. That shows corporate tax rate for domestic companies decreased most of the years in every decade except few years found increased only. When the Indian economy has globalized given the freedom of foreign companies to enter easily for their working fully or partially. The foreign corporate tax rate in the first decade 1991- 2000 has been seen decreased from 65%- 48%, in the second decade 2000-2010 foreign corporate tax rate decreased again from 48% - 40%, in three-decade 2010-2020 foreign corporate tax rate constant and stable from 40% - 40%. It is also found that the highest gap of the variable decline of domestic corporate tax was 15% in 1991-2000 within six decades whereas in highest corporate tax rate gap variability was 8% for the foreign companies and comparably more constant of the domestic companies. The overall gap of corporate tax from its existence to the legal entities to 2020 is 30% for domestic companies and 25% for foreign companies. The existing corporate tax system before and after the introduction of Economic policies was not much efficient as per the changing business environment and the pre-determined objectives of taxation policies for the domestic and foreign companies were not fruitful as per government policies for protection, an extension of the business, and economic point of view of the growth. So, the Minimum Alternative Tax was introduced for both types of companies but did not exist regularly before 1997- 98 saw more than 30% has found greater variation i.e., first decades tax rates have decreased in 1990-2000, > 30%-7.5%, second decades have seen increased in 2000-2010, 7.5%-10% whereas in third decades 2010-2020 becomes 15%-18.5%-15%. When the surcharge was implemented has abolished first time in 1997-98 after its introduction was not regular. It is also a part of minimum alternative tax with cess and Senior Higher Educational Cess too. The rate of surcharge in 1998-2003 were increased from 10%-15% whereas in 2003-2005 became 02 %-05% and in 2005-2011 varied 2.5% -10% but in 2012-15 became 10%- 05% and 2015-20 became 7-12%. It has also analyzed that minimum surcharge was 2.5% and maximum 15% but the last five year period found constant as 7%-12% whereas surcharge for the foreign company was 2%-5% only found in the previous half-decade. The educational cess has targeted since 2004-2020 was 2-4% and senior higher educational cess kept remain constant throughout since 2006-2020 was 1%. The MAT is the substitute for corporate tax with the compulsion of surcharge plus educational cess plus higher educational cess for both types of companies whether they domestic or foreign company as per the earning range of profit with the residential status of them.

The Index of BSE SENSEX and NIFTY weighted average Index is the evidence of increasing profit as increasing points year after year since after their introduction. When the BSE SENSEX was introduced in 1974-75 with the assumed 100 points reached to 1975-80 with 129 points, in 1980-90

increased by 781 points, in 1990-2000 increased by 5001 points, in 2000-10 increased by 17,528 points, and in 2010-20 increased by 46373.34. It shows first time increased 29% within four years, in the second decade increased 605.42%, but in the third decade increased 641.10%, and in fourth decades increased 350.49%. Thus, BSE SENSEX has regularly increased each year. No doubt Sensex fluctuate every single second but the highest increase in the thirds decades 1990-2000 is 641.10%. When NIFTY weighted average Index was introduced in April 1996 with 100 points reached to 1996-2000 with 1263.55 points, and in 2010-20 increased by 6147.3 points, and in 2010-20 increased by 14024.85 points. It shows a first- time increased of index by 1263.55% within four years, in the second decade increased index by 486.51%, and in third decades increased 228.1%. The NIFTY weighted average Index regularly increased but the highest increased in the second decade after introduction i.e., 1263.55 points.

After analyzing of data it is true to say that the objectives of taxation policies towards profitability diversification for the dividend of the firm in recent trends have existed positive relationship that has expected to pose a high level of growth for various parties which make H0 authentic, true, valid and acceptable. Hence H1 Indirectly becomes invalid and rejected automatically. That has increased not only profit for the companies and give options to different businessman and entrepreneur for the diversification of profit and amend the financial restructure or change investment portfolio in such a manner more that make more returns possible to the investors especially to the payment of a dividend to the shareholders has shown the evidence in table 03 as proof.

Table 3: *Comparative analysis taxation Policies with Indexes*

Taxation Policies								
Years	**Domestic Company**		**Foreign Company**		**Minimum Alternative Tax**		**BSE SENSE X (Points)**	**NIFTY Index weighted av. (Points)**
	Tax rate %	**Average tax rate %**	**Tax rate %**	**Average tax rate %**	**Base rate %**	**Average Tax rate%**		
1960-1970	52 - 52.5	50.75	--	--	--	--	--	--
1970-1980	49.2 - 46	47.6	--	--	--	--	Since 1975 129	--
1980-1990	46 - 34	43	--	--	--	--	781	--
1990-2000	50 - 35	43	65- 48	53.37	Since1995 30 - 7.5	22.5	5001	Since 1995 12.6355
2000-2010	35- 30	33.5	48 - 40	42.4	7.5 - 10	8.25	17,528	61.473
2010-2020	30-22	28	40 - 40	40	15-18.5-15	17. 05	46373.34	140.2485

All the cited calculations in tables and the diagram of figure 2 presented help to understand the information and easy to analyze the data simply. When the taxation policies consider the tax rate on the average basis between the domestic and foreign companies with minimum alternative tax found decreasing at the decreasing rate the three of them. It is also seen that the average percentage of corporate tax rate per decade for the domestic Companies decreased throughout all six decades. It is decreasing at decreasing rate but slowly decreased in first two decades then decreasing at a constant rate for next two decades and again decrease at a faster rate in last two decades of the assumed two periods. It is also found the average percentage of corporate tax rate per decade for the foreign companies decreasing throughout in all three decades continuously in the modern period. In the first-decade decrease average corporate tax rate decrease at a faster rate than the decrease at a slower rate in the second decade and the same in the third decade too. But in the case of a minimum compared with domestic and foreign companies that have to decrease at a slower rate, decrease at a faster rate, and increase at a faster rate that has double the rate of the average percentage rate of minimum alternative tax of the second decade in the third decade seen in the modern period. The average percentage of corporate tax of the two periods of the domestic company is 38.82% which is less than the average percentage per decade in all five decades whereas in six decades it becomes more i.e., 28% only. The average percentage of corporate tax of the modern period of the foreign company is 44.37% which is more than the average tax rate in the first decade but in the next two decades becomes lesser i.e., 42.4% & 40% respectively

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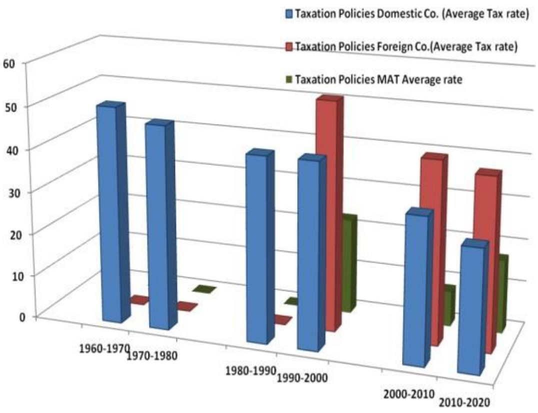

Fig.2: *Comparative Analysis ; basis on average percentage*

V. Discussion and Conclusion

The taxation objectives are designed in such a manner to give maximum benefits to every type of taxpayer or assess especially corporate assesses in form of corporate tax or the implementation of minimum alternative tax with surcharge, educational cess, and another educational cess for domestic and foreign companies at a different rate with the earning of the total profit. These objectives enhance the profits that make many options for corporate assesses to utilize and diversify in a manner for giving more return to investors especially for the payment of dividends. The effective corporate tax becomes more than a basic corporate tax because the effective tax rate is the submission of surcharge, cess, and other cesses are combined. The taxation policies are always modified from time to time by considering various environmental factors and attach with other policies like fiscal policies, industrial policies, monetary policies, trade policies, foreign exchange policies, and so on to make liberalize the corporate tax rates. The various cited and un-cited questions can be answered through figures, tables, and diagrams used in the research paper.

In the cyclic figure 3, the objectives of taxation policies have been drafted since legalization to date added more sections and sub-sections. Once taxation policy liberalize which reduces the taxation rate that opens new directions for diversifying business more into a single form of a company like umbrella branding. That objective of taxation policy also raises profit as well as raises corporate value with the expansion of business by decreasing corporate tax rates.

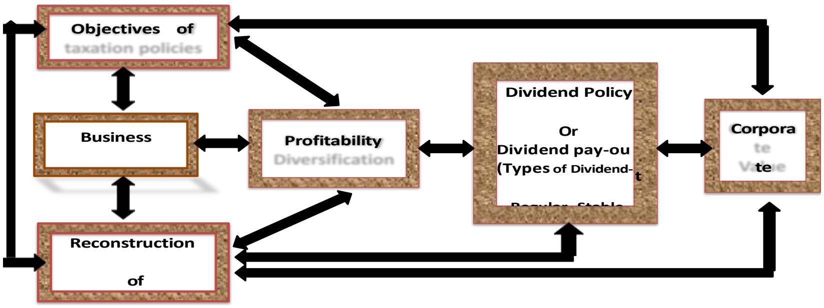

Fig.3: *Comparative analysis of taxation policies & other components*

If a company diversified its business then needs to restructure the capital which automatically diversified the profit. When once profit diversified then the profit become more than ever before. When once the profit is diversified then the portfolio manager becomes more liable to set new criteria for the investors especially for deciding the criteria for dividend policy as per promise for the payment of the type of dividend or setting of the payout ratio more. The highest payout ratio increases the credibility of the company and enhances its corporate image better and boosts the corporate value. These types of decisions are always to implement by knowing the business environment and the objectives of corporate taxation policy with its new decreasing rates by mew amended objectives if any. The corporate value helps to reconstruct capital structure by considering payout ratio for the payment of the types of dividend as well as knowing expected profitability in the diversified business scenario of new prevailing trends. Whereas the corporate value helps to affect the objectives of taxation policies decided by government whether amend or newly introduce by considering dividend payment as well as knowing profitability rate in the diversified business with the changing environment indirectly for giving more benefits to the organization too. The objectives of taxation policies directly or indirectly affect the reconstruction of capital structure i.e., increase or decrease capital or change the components of capital with different ratios or some components that need to remove. This step is necessary to take the sustainability and protection of the company in a corporate environment. It is seen that all factors of figure 2 are directly or indirectly connected to one and all and their connectivity will improve the performance of each factor. The figure has been drawn and designed after the study of literature thoroughly that helps to analyze the value of each factor, their dependency, and working efficiently at an effective rate.

The surcharge has found more fluctuation within each decade year after year throughout decades and becomes stabilize in the sixth half-decade and varied far from expectation. The domestic corporate tax rate always found at a decreasing rate except in the year 1968-71 only increase whereas foreign corporate tax rate is seen decreasing at a decreasing rate but becomes stagnant in last half two decades. It is also found average corporate tax rate for the domestic company as per the availability of data is 38.82 which is reclining more than the minimum corporate basic tax rate of 22% and a maximum of 52.8% make responsible for profit diversification. The cess and other cesses always remain stagnant throughout every decade at the lowest rate. It is not affected by increasing or decreasing corporate tax for domestic or foreign companies or the introduction of minimum alternative tax and amendment or the provisions to connect with the taxation system. Another example can prove the hypothesis for the effect of the reconstitution of components of capital structure. Suppose a company has received a profit Rs.1000 fund collected from all sources Rs. 500@10% from borrowed and Rs.500 from equity at Rs.1 per share and corporate tax @50%. The company is liable to pay borrowed funds first Rs.1000-50 = 950 then taxed Rs. 950-475=475. So, the per-share price of equity share will be Rs. 0.95. If sources of funds of borrowed restructured and reconstituted as Rs. 250@10% and equity will Rs. 750@Rs.1 with decreasing tax 25%. Then Rs. 1000-25=975 and taxed Rs.975-243.5=731.25. Now EPS will be Rs.0.975. If corporate tax decreases by 20% with the same structure of funds in the first case; then the EPS will be in the first case Rs.1.52 and second case Rs.1.04. If the profit diversified to 1500 with the fund collected from all sources Rs. 500@10% from borrowed and Rs.500 from equity at Rs.1 per share and corporate tax @50%. Then EPS will be 1500 – 50 – 725 ÷ 500 (Rs.) = Rs. 1.45 and other cited case 1500 – 25 - 368.75 ÷ 750 (Rs.) = Rs. 1.475. The earnings per share are always affected based on types of shares and decided types of dividend-paying to the shareholders. It is also found by the analysis of the whole process proved that H0 is automatically authentic, make valid, and acceptable thus, H1 is rejected indirectly. The influence of taxation objectives with the reconstruction of capital structure, with the diversification of business, made diversify the profit that enhances the credibility of the company and increase the corporate value as it has proved through SENSEX indexing as a piece of evidence too.

VI. Limitation and Scope for further research

The present study borrows data from Books, Income tax Acts, Articles and digital published data, various research papers, and world database research, Government reports, working papers on the different titles to become make possible significant research work on the influence of taxation objectives towards diversifying profitability for the dividend of the firm: business trends. Hence, the validity of the data may be questioned because of lots of amendments and coverage of a longer period of research. That’s why data has been divided into two periods to become simplest and easiest to design the research with its pre-determined goal and hypothesis to prove and analyze ahead. It's a very difficult issue and challenging task to combine many titles under a single head and make the possible significant connection to the abundant data where that has always been found by critics and researchers to study more and more for the collection of data. Sometimes it is again a challenging issue for the creation of the data as well as to fill the missing data values too. Due to this controversial nature of taxation policies towards dividends, it is often called the dividend riddle. All over again various models have been developed to help firms scrutinize and evaluate the perfect dividend policy in different modes of time. Lots of exposure has taken place many times during the longer existence of research coverage which has played a significant role but applicable only that period not found good in another period. There is no conformity between those schools of thought over the relationship between dividends and the value of the shares or the wealth of the shareholders in other words. Buying up one's suppliers and the companies to whom one sells one's goods can result in significant tax savings. If it is believed that vertical integration is the most efficient way to organize industrial production, then the introduction of cumulative excise duty will, if it is large enough, induce the desired integration in the taxation system.

The sources of finance always played a significant role for the organization because this is the main component that is required for each step for fulfilling the raising needs. It is not only for a base for the establishment and remains a priority concern until the return to the shareholders. Every researcher has fetched the idea of innovation of research that attracts other researchers too to do that type of research and swift the new research from the same concept has already approved. But the cited research has always connectivity of various keen topics together to open a new dimension of research not only for the researcher, organization whether profitable or non-profitable, whether small or large, whether private to public companies, different other types of organizations which conduct survey or consultancies, even other parties for knowing the phenomena of diversifying the profitability with the changing tax rules and create new paradigm that may possible to pay dividend more by diversifying of its profit. That makes a more innovative concept of research by the time of expansion to the large scale of business in the era of liberalism of taxation objectives in favor of productive action of the firm.

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