CHAPTER VI

CONCLUSIONS

The chief function of the Income-tax Department is collection of direct taxes for the country through the administration of direct taxes laws such as Income-tax Act, Wealth-tax Act, Gift-tax Act, Expenditure-tax Act and Interest-tax Act. The Department is headed by the Central Board of Direct Taxes (CBDT) which is a part of the Department of Revenue in the Ministry of Finance. About 60,000 employees spread over about 400 offices constitute the total work-force of the Department.

The achievements of the Department leave much to be desired. Though the collections have doubled in the last four years, it is only 27% of the total tax revenue. The collections of direct taxes would be about three-eighth of the collections from indirect taxes. In any developed economy the proportion of direct taxes is generally much more.

From the foregoing discussions, it would be observed that the country has a very great stake in the effective and efficient functioning of the Income-tax Department. In face of this daunting and formidable task. The Income-tax Department has a very weak and inefficient machinery.

Before attempting the improvement of the system, it is necessary to find out the principal causes of its inefficiency. For this purpose the entire Income-tax Department may be visualised as a large system comprising about 60,000 work force and other infrastructure and equipments set to achieve certain goals. A macro view of this system would at once reveal the chief cause of its inefficiency. The Department continues to function with a system designed decades ago even though during this period much water has flown through the Ganges and the volume and complexity of the work-load has increased manifold. With the development of the economy, trade and commerce,
a large class of neo rich have emerged in the forms of enterp­
reneurs, contractors, big businessmen and industrialists with unprece­
dented scales of operation. Old traditional sources of income and wealth have been replaced by new sources. Science and technology, which has made tremendous strides during this period, has revolutionised the communication system, added great speed to financial operations and has placed in the hands of the tax evaders modern techniques of tax evasion. The best brains of the country are now available to aid and advise the powerful tax evaders to thwart the efforts of the Department. It is, no wonder, therefore, that the archaic tax collection machinery has proved woefully inadequate to the job and has also developed serious dysfunctionalities. With bullock cart at its disposal, it has given up the race to chase the jet plane.

It needs to be stressed that increase in personnel alone would not produce a successful system, though it is necessary. First, it is not possible to go on increasing the manpower indefinitely. Second, what is more important, there are certain types of functions, which due to their sheer magnitude and complexity cannot be performed by the human beings properly; human beings also loathe to perform certain repet­
tive and monotonous functions; this has become more prominent with the changing outlook and perception of the modern man. These are certain limitations of the manual system. Hence Income-tax Department must have to introduce massive applicat­ion of computers in its increasing and complex workload.

We can approach the issue of computerisation from another angle. It has been mentioned earlier that inspite of the strong efforts from successive Chairmen, there has hardly been any improvement in the functioning of the Department over the years. To interpret this phenomenon, we may borrow a term from Economics called Production Possibility Frontier (PPF). At a certain time a country can reach a certain maximum level of productivity with the available technology. The maximum poten­tial of production is given by the Production Possibility
Curve. The productivity cannot go beyond this curve with the available technology. The curve can shift outwards signifying increase in the potential of productivity only if the technology is upgraded. Extending this analogy to the isolated Income-tax Department system, there would, thus, be no difficulty in proving that technological input and computerisation are sine qua non for increasing its production possibility frontier and enabling it to make a quantum jump in its output, productivity and efficiency.

The viewpoint of the employees of the Income-tax Department have reportedly remained negative from the very beginning. Not because they had earlier known the consequences of similar introduction of new work technology or they had any example to refer to, rather the idea propagated automatically in the department that computerisation is going to be detrimental to their interests. Little concerned with the socio-economic conditions that are prevalent in the western countries, union leaders have been often quoting western examples to not only make people suspicious, but also in establishing a wrong model about computers in the minds of the fellow employees.

This study investigated the attitudes held by employees of the Income-tax Department using or not using computers for some or whole of its operations, towards the conflict between the positive gains from computerisation and the problems that result. This conflict is not new but has been present since the computers invaded the Income-tax Department in the late 70's.

The Department is not being able to function properly and is unable to tackle the menace of blackmoney which is eating into vitals of the economy. A brief outline also has been given on the evils of blackmoney to emphasis that the country has a great stake in the efficient functioning of the Department.
It has been tried to point out that the present manual system of working which was designed decades ago is no longer able to work in the changed environment and this is the cause of inefficiency of the Department. And there is imperative need to modernise the Department by introducing computers into appropriate areas of its working. It has been assumed that the computerisation is necessary for improving the efficiency of the Department. Therefore, there is no need to justify computerisation. In the modern age, there is no necessity of making a case for computerisation.

Having assumed that computerisation is necessary for administration, the next step was to identify the areas where computers can be introduced and what works should be assigned to computers. Accordingly the objective of this study was to examine the functioning of the entire department and suggest methods to improve the functioning of different areas of its work with the help of computers.

The second chapter describes history of the computerisation in the Department. Our journey through the past was quite depressing. Though the Income tax Department was one of the few Government Department which has the earliest exposure to computers in late sixties, after nearly 25 years, the Department does not figure in the computer map of India. The Department tried to computerise three of its main functions - allotment of a Permanent Account Number to its taxpayers, processing of returns and processing of challans. But in none of these three areas can it claim to have achieved desirable results.

The experience of computerisation in four advanced countries of the world- USA, Canada, UK and Spain have been discussed in Chapter III. In all these countries computerisation has reached a very advanced stage of development. Almost all functions including the processing of returns and collections are done on computers. The step by step details of pipeline processing of returns have been described for USA and Canada.
For each taxpayer there is a master file located centrally which stores all the important data of the taxpayers and the master file gets updated with processing of returns. Computers are used to select cases for audit. The system of DIF (Discriminant Function) of the USA has been described in detail in this chapter. Electronic filing of returns has been described at length while discussing computerisation in the USA and Canada. Processing of third party information returns and its use in detecting under reporting of income has been discussed.

Tax evasion is rampant at all levels. Growing black money is eroding the economic fabric of the country. The third party information matching with the use of computers can be of great help in this regard. It has been pointed out that whereas the advanced countries have progressed systematically year after year to reach this stage of development in computerisation, India has not made any worthwhile progress during all these years. This is because while in developed countries, the tasks to be performed by computers were identified and defined clearly and computerisation progressed on these lines, in India the objectives of computerisation, i.e. what works should be done and how they should be done with computers could not be spelt out definitely. With this background an attempt was made to explore the areas where computers could be introduced in the Income tax Department and suggest methods of working with computers.

It was stated that each taxpayer should have a unique identification number. With that objective the Department developed a system of Permanent Account Number (PAN) for each taxpayer. But it has not succeeded in allotting a unique PAN to each taxpayer. Some suggestion have been given how to improve the performance in allotment of PANs. It has been highlighted that the computerisation of any tax Department starts with certain of a master file for each taxpayer. In India such a master file should be created with installation of large computers. A suggestion has been given that returns should be issued to the taxpayers by the Department with PAN mentioned
on the returns and challans to bring about a discipline in interacting with the genuine taxpayers. House keeping jobs consume about 4 to 5 months of the time of the Department every year. It has been explained that if computers is used, the work can be done much faster and about 3 to 4 months of the time of the Department can be saved.

In the field of processing of returns and collections with computers, it has been demonstrated that with planned use of computer, much of the time of the clerical staff can be saved from the repetitive monotonous works of calculation and writing of letters and a considerable time of the assessing officer can also be saved. This time can be utilised in doing better quality work paying due attention to collections, etc., and improving the service to the taxpayers. It has been stressed that preoccupation of the officers and staff with routine and repetitive works has led to neglect of important areas of working of the Department. The time saved by the use of computers can be effectively utilised to improve performance in these important areas. Detailed method of processing returns have been described. It has been shown how with pipeline processing a large chunk of the processing work from the field can be taken over by the computer. Computer in the Department are used to process challans. Even though the challans are processed on computers and daily collection registers are prepared, the challans are manually sorted and distributed. It has been recommended that distribution of challans should be stopped. It has also been recommended that all challans should be issued by the Department with PAN mentioned on it to facilitate processing of challans.

The tax deduction at source is a major source of Income-tax collections. Detailed procedures have been suggested for processing TDS challans, monitoring TDS annual returns, checking annual TDS returns. It has been suggested that each and every TDS return should be processed on computer. At present a small fraction of these returns are actually checked. The TDS returns can also be a rich source of new
assessees and they can also be used to detect underreporting of income of the existing assessees. A novel suggestion has been given that with detailed processing of TDS returns, pure salary holders should be exempted from filing of returns.

Verification of third party information is an important instrument to detect new assessee and concealment of existing assessees. But this is one of the most neglected areas. A detailed workable method has been prescribed how to substantially improve performance in this area with the help of computers. The next part of this chapter deals with also another important area of work - survey under section 133B of the Income-tax Act. The functioning of this area, which is also highly neglected, can be improved with the help of computers. Step by step procedures have been suggested.

There is also need to the use of computers in the area of search and seizure and survey. It has been shown how, even in these areas, which are dependent on individual human skills, computers can be used to save time and substantially improve performance.

There is great scope of the use of computers in certain selected areas like selection of cases for audit, scrutiny assessments, judicial reference system, appellate work of CIT (A), career management, statistics, word processing, etc. It has been shown that use of computer in each of these areas would substantially improve performance.

It has been recommended that persons having no other income except salary and income from other sources that is exempt U/S 80L should be relieved of the requirement of filing returns. Only three percent of these employees selected at random or according to certain selection criteria may be called upon to file returns and their cases should be scrutinised.

The non-cooperation of staff and the different aspects
of apprehensions of the staff have been analysed. It has been suggested that with proper dialogue and publicity, the communication gap between the management and the staff unions can be removed. The method adopted in Canada to educate the staff should be used which has been discussed in chapter V.

In Indian Income-tax Department both, the computerisation has not been aggressive because of so many reasons. It has been found that Management considered the lack of technical skills and expertise that did not favour computerisation. In majority, top management either disagreed or was undecided about computers because of the high cost of operation and machines. Most of the officers feared the obsolescence of skills among employees. Also, they did not favour computerisation due to the ignorance about the potential use of computer. People apprehended the fear of loosing jobs and job opportunities and becoming dispensable. Respondents disagreed with the fact that manpower do not warrant the use of computer. Respondents disagreed that scale of operation was too small and procedures & technology did not warrant computers. Most of the persons were undecided about the fear of role change and were not bothered if computer persons had hold over others in Income-tax Department.

Respondents agreed that, the computer would reduce free time and bring in the feeling of inadequacy with powerful system. It has been found that the people were undecided about the reduction in importance of deciding workers, increase in over-head cost, changes in work habits and reduction of human element in work.

Respondents were undecided about the fear that computer may go wrong. Unlike foreign studies, respondents were ignorant about the shift of power in favour of computer personnel and lack of skill to understand computer reports at a later stage. Respondents disagreed about the anti-western feelings and were undecided about the fear of loss of power with computer.
From the results of the Factor Analysis, it was concluded that there were six statistically important factors or general resistance patterns among the Income-tax employees. It may be concluded that there were identifiable patterns among the resistance questions, four of a positive nature (MANAGEMENT-ROLE, JOB-SITUATION, INFORMATION-INPUT and MANAGEMENT-WANTS) and two of the negative nature COMPLEXITY and ADVANCEMENT.

Factor analysis was also used to determine if there were identifiable patterns among the responses of the Income-tax Department towards the resistance to the introduction of computers. It was concluded that there were response patterns, four of a positive nature (JOB-SATISFACTION, SUCCESS, VARIETY-SATISFACTION and SOCIALITY) and three of a negative nature (UNHAPPINESS, ALIENATION, and AGGRESSIVE). Figure-II indicates the relative importance of these response factors. Briefly three resistance factors were involved in more significant relationships than any of the others, viz. COMPLEXITY, MANAGEMENT-ROLE, and INFORMATION-INPUT and together determine whether there will be resistance to the introduction of computers in the Income-tax Department or not:

A possible solution to reduce the COMPLEXITY of the introduction of computers becomes apparent. COMPLEXITY is significantly negatively correlated with both MANAGEMENT-ROLE and INFORMATION-INPUT. Hence, it is suggested that steps be taken to reduce fears about complexity, to encourage the participation of persons affected by the introduction of computers by soliciting their and most importantly, to ensure that management fully carries out their role in the change. Here management must consider taking the following steps (i) demonstrating that they understand their 'role' in the system changes (ii) commit sufficient resources to ensure the success of the system change. Included in these resources are the time and money necessary to provide sufficient training for the employees affected by the computers. (iii) Be willing to listen
to the ideas and suggestions of the employees affected by the computers. Employees are a good input source. They are familiar with the old system and may be able to provide valuable input for the system change. By allowing this input, the employees may more readily accept the change. Reviewing resistance causes, it becomes apparent that a number of the causes of resistance to change come from fears and concerns that are sometimes unwarranted. Many of these fears can be alleviated by maintaining free and open communications (two-way) about the systems change. Facts can do much to alleviate unfounded worry. Having open communications is an excellent way to extensively involve users in planning and implementing the systems change.

The major obstacle to computerisation in the Income-tax Department is staff non-co-operation. Processing of returns which is the crucial function could not be done simply because of staff opposition. Since this vital work could not be done, the system could not develop systematically.

It need to be explained to the staff unions that they are wrong, in principle, in opposing computerisation. Knowing how a part of the globe is advancing with rapid strides using information technology, it would be suicidal to stock to primitive methods of working. But the staff unions have understandable apprehensions. Computer is perceived as a labour saving device. It should be impressed upon the staff unions that computer in the Income-tax Department is a time saving device and not a labour saving device. It should be projected that computer would take away only the boring and monotonous part of the work and provide them better job satisfaction. It need to be highlighted that the manual system has reached a point of break down which boomerangs on each of them when they are unable to work in an inefficient organisation.

It must be appreciated that computerisation gives a shock to the corrupt clerical staff. The fantastic speed with which volumes of work are performed demolishes the old powerbase which thrived on delay, inefficiency and corruption.
Swift operations reduce the scope of manipulation. Lower staff who exercised some power by withholding files, or appeared to oblige by putting up files would find that their placing the files from the cupboard on the boss's table may no longer be required in the electronic office. These are the problems of adjustment which the management must realise and therefore staff who are seriously affected in the process need be handled with care and sympathy. It needs to be clear that staff opposition is one of the most important factors obstructing the progress of computerisation. Therefore this problem must be tackled as a project with due importance. So far hardly anything serious has been done to educate the staff.

Regarding social effects of computers, different persons operating in the Income-tax Department took computerisation in different ways according to their need about computers, thus affecting all of them separately. It was found that with introduction of computers in Income-tax Department, the employee's pride had been lowered by showing that computers could work faster even than a most experienced employee. This contention was agreed to as chi-square value was found to be significant. It was found that the respondents agreed about the fact that the little authority vested in the hands of officers had shifted to computer. As the computer errors were easily detectable the accountability was fixed to the employees. With this, a sense of fear had developed.

Though the computers render certain jobs superfluous, it creates certain jobs as well. The computer manpower is only 1.60 percent of total employment in Income-tax Department. From the year 1985 there was some increase in the computer staff during this time there was no significant increase in total manpower in Income-tax Department. Hence it is evident that during this period the computer jobs have cornered the major share and general category posts were affected. After 1989 the increase in computer manpower slackened. In the 12 years period the total employed in Income-tax Department increased from 50432 in 1983 to 60833 in the year 1995. It
shows approximately 20 percent increase but about 10 percent of the total increase (10401) was contributed by computer staff of 948. A greater proportion of employment of computer staff has been in the category of operational staff (89.50%) and computer officers only 10.5%.

A large number of respondents, didn't provide any meaningful information. Some even reported that it was not possible to assess the displacement effect on account of reasons such as changes in the volume of business, transfers to other sections and even the aptitude test and option to the employees to switch over. Most of the vacancies generated as a result of introduction of computers in the Income-tax Department were filled-up by the fresh recruitments from outside the Income-tax Department and only a small percent was transferred from within the Income-tax Department.

There was a definite perception towards greater need for job retraining. None of the demotions have been reported as result of installation of computer and Income-tax Department median shows computer causing more transfers at the same geographical locations than to different locations. The findings that there is an increased trend towards need for job retraining, suggests, that the computerisation had the net effect of upgrading work skill requirements.

The coefficient of Karl Pearson correlation shows a very high degree of correlation between the duration of computer usage and the mean scores for the need for job retraining, but in the negative direction. This is indicative of the need for job retraining maximum during the initial periods of computer installation and consequently keeps on decreasing with usage. From the equation of the best fit (regression of Y on X) Y=9.76 - 1.286x, for Y to be zero implies that x be equal to 7.589 or qualitatively it can be said that is perceived among the respondents that there shall apparently be no need for job retraining only after 7 to 8 years since the installation of computer. The impact of the computer on employment was greatly
influenced by computer utilization and application. The effect of computer on employment will greatly depend upon the application to which the computer is put.

A question that arises here is the work being done by the computer was done earlier or not. If the work was done earlier, then the computer would have no displacement effect. If, on the other hand, the work taken over by the computer was already being done, the introduction of computer would have a displacement effect in the departments or sections doing the work earlier. As far as the Income-tax Department is concerned, almost all the routine applications like preparation of salary bills etc. have been affected and as such greater displacement, has resulted. This substantiates our earlier observation that more and more interoffice transfers are increasing, to adjust to these displaced personnel.

The most frequently mentioned positive adjectives by the group using computers were that computers are fast, useful, accurate, simple, helpful, economical and having good memory. The group not using the computers quoted the adjectives like computers to be prestigious, fast calculators, time saving and faithful. Similarly, the most quoted negative adjectives by both the groups were that computers create unemployment, are sophisticated and a costly affair. From the adjectives quoted and the frequency attached, the conclusion that can be drawn is that more and more employees have a positive image about the computers.

From the comments given by the respondents, qualitatively it can be said that despite having the positive image about the computers, the users of the computers were highly pessimistic about its operational features, environment and the way of functioning in the Income-tax Department. The non-users on the other hand were highly optimistic with respect to the said aspects of the computerisation. The segregation of the comments along demographic variables, did not show any significant difference in opinions. It shall also be relevant to mention here
that it was not possible to include each and every comment and that too in the same format as given by the respondents because of the limitations of relevancy to the objectives of the study. Some uncalled-for comments, especially showing grudges and personal whims towards respective bosses or colleagues because of one reason or the other, were deliberately eliminated.

On a continuum scale between 20-140, the perception towards computers appear to be quite positive as the mean perception scores are 88.55 and 89.41 for respondents using and not using the computers respectively. The value of \( t = 1.47 \) shows an insignificant difference in the mean perception scores of the two groups using and not using the computers. Figure III gives the profile of the respondents. In order to determine the difference of opinion between users & not-users of computers, the t-test was applied for each adjective of the perception. From the mean values, it is conclusive that those using computers perceived that the computers were more economical, fast sophisticated, but, a curse, difficult to handle, active limited and effective as compared to those who were not using the computers. On the scales, the mean values were in the middle showing that perception was not clear and committed for the adjectives like simple-complex, dispensable-indispensable, limited-extensive, easy-difficult to handle and justifiable or not.

For the respondents using the computers in the Income-tax Department, the overall perception towards computers besides being positive, did not differ significantly among the four categories considered. The difference in the mean scores of four different cadres of the group using computers at various adjectives of perception that were found to be significant were, wasteful-economical, complex-simple, difficult to handle-simple to handle and faithful-unfaithful. On the other hand, adjectives, the mean scores for which were found to be differing significantly cadrewise for the group of respondents not using computers were: accurate-inaccurate, unprofitable-profit-
able, wasteful-economical, non-prestigious-prestigious, slow-fast, unreliable-reliable, problem creating-problem solving.

The younger respondents had positive perception about the computers relative to the perception of adults or those with an age of more than 35 years. The mean scores for three groups differing in experience with computers, suggested, that experience with computers effect the perception about the computers. Those who had more experience over computers tended to have relatively poorer perception about the computers.

The composite scores for attitude towards computers for each of the respondent whether using or not using the computers was calculated and categorized as having positive (favourable), neutral or negative (unfavourable) attitude towards the computers. Of the total of 104 respondents 77 (74.03) were found to have favourable. The age of respondents did affect the attitude being positive, neutral or negative. From the percentage scores, it was evident that all the respondents reported positive attitude in the age group of less than 26 years.

Attitude was found to be independent of cadre of the respondents using computers. The educational qualifications of the respondents and experience with the computers did nothing in altering the attitude scores. Respondents having unfavourable attitude towards computers were more in the group that was having more of experience in the Income-tax Department. For the respondents using computers, income did affect the attitude towards computers. Number of respondents having favourable attitudes were more among those drawing less than Rs. 2000.

From the detailed study, the following conclusions can be drawn:

(1) Income tax Department in India is a virgin field so far as computerisation is concerned. There is enough scope of introduction of computerisation in almost all areas.

(2) The aim of computerisation is to improve the operational
efficiency of the organisation, to cut down delay, to improve the quality of work. Computer should be introduced in the heart of the organisation, not in the periphery.

The attack should be direct on the core areas to remove the cobwebs of inefficiency and delay. The time is gone when computer was surreptitiously introduced through the back door.

(3) Introduction of computers in any area would result in saving of substantial time of the officers and staff which is spent on routine, monotonous and repetitive works. This time can be used for more productive works.

(4) Introduction of computer would substantially improve the efficiency of the organisation in all areas. With this tool the Department can monitor collections, detect concealment and enforce the tax laws effectively and he able to perform many functions which it could not do manually.

(5) With the improvement in the efficiency of the Department the revenue collection would improve.

(6) The administration would be streamlined with computers and there would be better service to the taxpayers.

The study is now concluded with a passing comment on the present infrastructure for computerisation in the Department.

The detailed discussion in chapter two narrating the successive futile attempts on computerisation would show that the need of computerisation has always been felt in the Department. But the ideas have been often nebulous. No systematic study has been made to clearly specify the areas for computerisation and work out the step by step procedure of working. Moreover, since no efforts were made to study system in developed countries, the starting was rather haphazard. The proper course should have been to send a team abroad to study their systems. This has been done now. But the team made a hurried visit. The suggested approach is that a select team should first collect and study the relevant literature and then visit an advanced country and spend some time there to watch the step by step proced-
Second, computerisation in India had been precariously dependent on the initiative of individual officers. So long as a particular officer is there, the system would work. After his transfer his successor does not take that interest and the whole system stops functioning. It is therefore imperative to have a sufficiently large infrastructure at the Board and field level to develop and implement the systems. It is necessary that there should be a full Member in the CBDT in charge of computerisation so that computerisation gets due attention at the highest level.

It is heartening to note that recently the Income-tax Department has given due priority to computerisation. The Finance Minister made a specific and welcome mention of the need of computerisation in the Department in his budget speech. But as has been the running theme of this dissertation, it is extremely essential that the Department clearly specifies what works ought to be done by computer in order to ensure that this project does not meet the fate of the earlier ones.