CHAPTER I

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NEED FOR COMPUTERISATION

Numerous organisations have purchased or leased computer systems in recent years to assist management personnel by generating information which is used in business operations. However, studies have disclosed that only a few organisations have developed sophisticated Computer Based Information System (CBIS) to provide such information. In fact, most computerized systems are clerical processing, functionally-isolated data systems. These automated systems provide the companies with direct savings, such as savings in clerical labour and reduced general administrative and selling expenses.

In order to maximize the computer's service potential, computer users must develop and implement computer-based information systems designed to improve management decision making. In addition to direct benefits, these systems should provide indirect benefits, including improved customer service, improved planning, improved management and operational control, and other indirect benefits which depend on management use of the system. Fundamental to the philosophy of information is that information is the catalyst of management, and is unifying ingredient of the management functions of planning, operating, decision-making and controlling. All the studies reported till date in literature support the fact that Computer Based Information System (CBIS) have met with little success because of so many human, technical, economical & social factors. In India, this area has especially not received any attention in the Income Tax Department. Therefore, a fundamental consideration in the design and development of an information needed for maintaining and extending the organisation at desired levels of stability and growth.
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. The CBDT has a Chairman and five Members. The field organisation is divided into 25 territorial regions each headed by a Chief Commissioner (CC). Further, there are eight Director Generals (DG) of the level of Chief Commissioner heading specialised functional areas. Five DGs head the field investigation wings and three DGs head the functional areas of training, exemptions and trust assessments and audit, examination, organisation and management, recovery and systems. Below them are a hierarchy of officers - Commissioners and Directors of Income-tax, Deputy Commissioners and Deputy Directors of Income-tax, Assistant Commissioners and Assistant Directors of Income-tax and Income-tax Officers. Three categories of officers perform the main assessment and collection functions at the ground level. They are Income-tax Officers, Assistant Commissioners and Deputy Commissioners (Asstt.). The Department has also a very well organised appellate set-up consisting of Commissioners of Income-tax (Appeals) and Deputy Commissioners of Income-tax (Appeals). 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. The state of the functioning of the Department was graphically summarised by the then Chairman, Central Board of Direct Taxes in an address to the Chief Commissioners of Income-tax in 1988 in the following words:

"The Inspection Division has inspected the working of the Department at Bombay, Calcutta, Ahmedabad, Delhi, Agra, Meerut, Ranchi, Patna, Jaipur, and Rohtak and have noticed uniform deterioration in the functioning of the Income-tax Offices and wide spread violation of the instructions of the Board. Workloads are not rationalised, many registers are either not maintained or maintained most carelessly. Challans are kept in bundles. Appeal effects are delayed, statistics furnished are incorrect.

Refunds about which many circulars have been issued and so much criticism is faced from the Public Accounts Committee (PAC) and the public, have been treated with great neglect. Refund vouchers do not accompany the assessment orders; they are served personally. Refund vouchers are issued after long delay (at some places the delay has gone upto 5 years). The officials preparing and checking the vouchers do not put their names and signatures in the counterfoils.

I must caution that the age old system of checks and balances sustained through accurate maintenance of registers and correct reporting will definitely break down if this vital area of office management is neglected. The resulting confusion will not only cost us invaluable manhours in ascertaining the correct facts, but may indirectly benefit the interested persons who would take advantage of the confusion."

Now after full six years there has not been any improvement in the situation. On the other hand more areas have been added to the list where the functioning has become bad such as survey and CIB (Central Information Branch) verification and search and seizure assessments, even though the successive Chairmen have exhorted the field to improve functioning in the strongest of words, the conventional approach has failed.

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 entrepreneurs, contractors, big businessmen and industrialists with unprecedented 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. Apart from cost, providing accommodation and other infrastructure and enforcement of discipline among a growing work force would be an uphill task. After a certain stage the increase in work force becomes counterproductive - Parkinson's law operates to engage the work force with expansion of unproductive work. Even China, the most populous country in the world has taken concrete steps to prune its work force. Second, what is more important, there are certain types of functions, which due to their sheer
beings properly; human beings also loathe to perform certain repetitive 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.

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.

ATTITUDE TOWARDS COMPUTERS:

Thurstone (1929) defines attitude as the degree of positive or negative affect associated with some psychological object. An individual who has associated positive affect or feeling with some psychological object is said to like that object or to have a favourable or positive attitude towards that object. An individual who has associated negative affect with the same psychological object would be said to dislike that object or to have an unfavourable attitude towards that object.

Although computers have been in demand, and there are
distinct advantages of computers, because of several factors, the attitude towards computers range from very favourable to very unfavourable (Pareek, Ghose & Sarupia 1975). The successful introduction of computers, although heavily influenced by traditional, technical and administrative practices, is also directly affected by the attitudinal reactions of the organisational members. Zuboff (1982) points out some consequences of poor coordination and attention to these attitudinal reactions in computerisation:

"What happens when a group of people are suddenly made to feel powerless and undervalued because of the introduction of computer technology. First there are obvious problems of morale and motivation. If employees depend upon the computer system in order to accomplish their work, but the system experienced as an enemy, than the quality of the work must suffer."

The reactions of the employees to the introduction of computers generally fall within one of the three broad categories. Those, who are enthusiastic and supportive of the technology, those who are very resistant to its introduction and a vast majority are ambivalent and generally take a wait-and-see attitude. The variation in the attitude is dependent upon several factors including prior experience with the electronic technology, employee age, length of employment and degree of task frustration experienced under the manual system of work (Fallik 1988). The employees who have grown up with computers, who have not spent a great deal of skill or knowledge in learning manual tasks or those who viewed manual performance as a frustrating, time consuming, tend to be positive about the introduction of computers. In contrast, the older employees who have spent years of experience in learning the intricacies of the manual system, who doubt their competence with electronic systems, or who see themselves as having achieved successful performance with the manual system, are much less likely to greet the introduction of computers.

Little in the way of literature exists on capitalizing on the positive attitudes of those employees who see
computerisation as a positive force. The literature is rife with information regarding resistance to change. Therefore, it must be recognised that computerisation does not necessarily imply placing of sophisticated equipment at all offices straight-way. This is not possible either. What is more important is the inculcation of new attitudes all round and the spreading of an awareness about the existence of new tools, creating the urge in employees to use them and training them to do so (Joshi 1987).

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. Innumerable social commentators and researchers have investigated similar problems in other industries many times. The focus thus has been on the question: has society, including management and workers, been able to handle the problems resulting from industrial computerisation more effectively. If such a change has occurred, it should be reflected in the attitudes at the various levels. The extent of computerisation adopted and the handling of the resulting problems depend largely on the perceptions of departemental
personnel about the benefits versus the disadvantages accompanying it (Asgharpour 1981).

USE OF COMPUTERS

Questions need to be asked about the benefits gained by the Income-tax Department with the use of computers. Most of the other organisations have been benefitted with the use of computers in public as well as private sector industries. With the use of computers, over load of office work has reduced. Profits of the organisations has increased. Management was getting up to date information with the use of computer. Efficiency in work has increased. Most of the industrial units were increasing the use of computers as long as they were becoming more aware about the utilisaiton of the computers. Industrial units were expanding the use of computers in every sphere of the industry according to their requirement in every department of the industry. The scope here revolves around the Income-tax Department.

PERCEPTIONS ABOUT EMPLOYMENT OPPORTUNITIES:

After late seventies it has been observed that the number of computer professionals was going up increasingly. It has been found that there was an exponential growth of computer professionals of all type i.e. Data Entry Operators, Computer Operators, Programmers, Software Engineers, System Analysts, Senior System Analysts, System Managers, Database Managers, EDP manager in industrial units both in public as well as private sectors.

Despite all this we know that the Employees' Federations has been protesting against the computerisation plans demanding against the (1) massive computerisation of manual industrial operations, (2) non-filling of existing vacancies, (3) the ban on fresh recruitments and (4) mass transfer of employees. The union maintains that computerisation will take away roughly 25,000 new jobs every year and will render 50,000
employees surplus in the first two years alone (Computers Today) 1985). Though industry authorities have constantly held that automation will only change the nature of jobs, not remove them altogether, the Employees' Federations remains unconvinced.

Infact, immediately when the Indian Banks' Association had reached a settlement with the unions of the bank/industrial employees regarding the limited use of computers in metropolitan and big urban branches of Indian banks/industries, a section of the employees perceived of and hence made a hue and cry that the employment opportunities will go down if man is replaced by machine and they point out the case of Life Insurance Corporation of India as an example where there had been no fresh recruitments at the clerical level for the past one decade. Whereas, the experts perception is that as the banking system develops, employment opportunities will increase. Added to the manpower required to handle so many areas (in which the industries are still to enter), industries will need some different personnel too, like programmers, computer operators etc. It is only when the major banks got nationalised and the social obligation of the banks redefined, different classes of people like engineers, charted accountants, agricultural scientists and the like entered the banking. The same way, the introduction of computers in industry will bring a boom in employment opportunities too (Sethumadhavi 1984). The same is not true for the West, where the industrial activities are already well diversified and so the men are getting replaced by machines.

Thus there is a vital controversy between two stream of thinkers. One perceived that computer will guarantee employment, while another group of people perceived that too much of blind reliance will not only lead to economic problems of unemployment, but also, have a social disharmony in the economy (Malhotra 1987). In an underdeveloped economy like India, the biggest fear that is held out towards the comming computers is that machine will increase the unemployment
problem to an unmanageable proportions.

Another important fact is that whatever the fears about
the computerisation, most of them unfounded, stem largely as
a result of "unknown" and "reluctance" to change. Few perhaps
remember, that when the typewriter was introduced, there were
loud protests from labour. Writers and clerks feared it would
take away their jobs (Kanwar 1980). It was the same when the
Railways came in. Horse and Bullock-cart drivers saw in it an
end of their working life. But the Railways have grown to be
amongst the largest job providing organisations in India.
Similarly, when it comes to computerisation of Income-tax
Department services, quite logically, it could be predicted
that it shall not result in decrease in the employment
opportunities. Initially, there may be lessening of jobs, but,
under the cover of administrative assurance that "none shall
be retrenched or displaced", employees should take a broad
perspective in mind and wait for the transition period to be
over.

This study deals with the impact of computers on
employment in Income-tax Department in a comprehensive manner
based on primary data. The analysis is focused on the
perception of Income-tax Departmental personnel on the
quantum, actual composition and quality of employment
generated on account of usage of computers. An overall
assessment of the net impact of the computer on employment is
made by taking into account its short and long run effects on
jobs created as well as jobs displaced.

PERCEPTIONS ABOUT DISPLACEMENT:

A worker is counted as unemployed when he cannot find
another job. Displacement refers to the elimination of jobs as
a result of technological change (Asgharpour 1981). Displacement has several forms. First, the direct form of
displacement involves transfer of the displaced worker to
another department in the same organisation. Second, indirect
displacement may result through vertical integration due to computerisation. Third, indirect displacement may arise when automation causes horizontal integration by increasing optimum plant size to the extent that smaller organisations are phased out of the market by competition. The fourth form of displacement is downgrading. Since the computerisation creates high demand for the new skills which may require extensive training and education, workers may not be able to move easily into new jobs. When they cannot, they are often downgraded in work without reducing their pay.

The skill and educational requirements cause the workers to be displaced. Computerised organisations become a technological lockout for the common man since such organisations need super skilled workers and specialists and not the ordinary workers.

It is generally perceived that the most displaced personnel by computerisation would be those engaged in the clerical job. Rosemary Stewart (1971) argues that the computer potentially contribute towards: (a) reduction in the clerical staff, (b) more work with the same staff, (c) displacement of the clerical staff, i.e. loss of potential employment. On the other hand he contends that since the computerisation mean more systematic, accurate and faster work, hence it may lead to more employment opportunities and more displaced staff shall get adjusted. Based on past experience with technological change, certain issues have been summed up by Michael Rose (1969):

The general issue of the employment and manpower effects of the computer divides into three main composite questions. Firstly, how severe have its effect been on the total number of jobs available to clerical workers, and how severe they be in future. Furthermore, what does it do to the contents of the clerical jobs which remain; how does it affect the clerk's prospects of promotion. Secondly, how are it effects seen and interpreted by clerical workers themselves. Is there infact any important difference between what the computer actually does to the employment and what it is perceived to do. Thirdly, what results
follow from the actual and perceived consequences of computerisation from an industrial relations point of view. Do affected workers welcome or resist the change, and does resistance take an individual or a collective form?

PERCEPTIONS ABOUT SKILL REQUIREMENTS AND TRAINING:

The bedrock upon which any organisation is built is the people who staff it. Their competencies, motivations and commitments to the organisation are the pivot points around which the success or failure of any programme is built. So far as the computerised systems in the Income-tax Department was concerned, the fundamental personnel related issues were of three types. First was the necessity to recruit and hire a sufficient number of employees to fully staff each office. Second was the issue of employee skill required to competently perform computerised functions. Third was the issue of maintaining appropriate staffing levels of competent employees over time.

Computerisation in general have three consequences for the demand of skills in the labour force (Asgharpour 1981). First, some existing skills are rendered obsolete. Second, are diluted by a further division of labour. Third there will be a demand for new skills, usually of higher order; however, the net effect on individual worker is likely to be downgrading unless they can be retrained in new skills.

Walton (1979) gave following behavioural generalisations that describe some of the "common organisational consequences of office application of the microprocessor technology":

1. If the computer system results in perception of decreasing skill requirements, the meaning of work may become trivial, and a loss of motivation, status and self-esteem may result. In some circumstances those who shall suffer, counter attack the system.

2. If the system increases the perceived specialization and separates the speciality from interdependent activities, than jobs may become repetitive and isolated, and fail to provide workers with performance feedback. Such jobs
produce alienation and conflict.

(3) If the system is perceived to increase routinization and provides elaborate measurements of work activity, job occupants may resent the loss of autonomy and try to manipulate the measurement system. The fact of measurement can put excessive pressure on individuals and can strain peer relationships. Asgharpour (1981) commenting on skill requirement clearly states that fewer workers will be needed in organisations with routine and monotonous jobs because computers will do the job. Further, the new jobs require less use of muscles and more use of judgement. Computers are often delicate and complex, and consequently a high level of skill is needed to operate them. Workers donot automatically fit into the new jobs.

In both the public and private sector industries, where not many of the fresh recruits were permitted with computers by the agreement reached between the employees and the management, there has to be a greater need for the retraining of employees in the computers. This obviously is one of the concerns of this dissertation alongwith knowing the perceptions of various cadres of employees about the adequacy of retraining and gains in the skill requirements.

The objective of this study, in short, is to suggest methods to improve the entire functioning of the Income-tax Department by the introduction of Computers into appropriate areas of its work.

The broad arguments outlined in the foregoing paras justify the computerisation of the Income-tax Department. Now the problem is how to go about with the job of computerisation and what areas are to be computerised. This is the main objective of the study. The aim is to make a critical analysis of the functioning of the vital areas of work of the Department and identify the areas where computers can be profitably introduced.

As told earlier, in view of the rapidly changing times,
there is no alternative for the Department but to overhaul its system of working. This is probably the most important task for the Department. In fact advanced countries like the U.S.A and the U.K. periodically review and upgrade their systems. Even though the U.S.A is in an advanced stage of computerisation, still it is now in the midst of executing a massive plan to substantially improve its computerised system. Since overhauling of the system in our country is long overdue, it is all the more appropriate to choose a subject where the research would lead to recommendation of a detailed computerised procedure of working in the Income-tax Department.

RESEARCH QUESTIONS

On the basis of the above discussion, the following main areas would be addressed to in this dissertation:

(1) Examination of the history of computerisation in the Income-tax Department in order to identify the shortcomings.

(2) Examine the computerisation in the Income-tax Department in the advanced countries like U.S.A, Canada, England and Spain in order to learn from their experience.

(3) Critically examine the functioning of the Income-tax Department in India and identify the bottlenecks, deficiencies and dysfunctionalities in the system.

(4) Examine different parts of the organisational functioning of the Income-tax Department and identify the areas where computer can be introduced to improve the functioning.

It is clarified that the dissertation would not go into the detailed questions of computer capacity and selection of hardware. The object would be to explore different areas of work in the Department where computers can be introduced and to devise detailed computerised procedures from the tax administrators point of view. The usefulness of this approach
is that, once the Department spells out what is to be done, it would be easy for the consultants to develop the software and suggest hardwares.

Because of the nature of the topic, the methodology of the research has been purely analytical to study the organisation and its functions and the computerised systems in the country and abroad. The study has been chiefly theoretical. Apart from this there has been discussions with the concerned officers of the Income-tax Department both at the field and Board level and with officers who visited the U.S.A, Canada, U.K. and Spain to study their systems.