

THE ACCEPTANCE OF THE E-FILING SYSTEM BY INDIAN TAXPAYERS: A CONCEPTUAL STUDY.

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Tax e-filing is one of the e-government services that have been adopted by many developed countries, where the public has to emancipate their responsibility to the government through online tax filing. Indian economy is at a developing stage and there is still more to come in every stage of its development. The income tax department of India launched the electronic tax filing system of Income Tax Returns in year 2017. Despite the rapid adoption of e- tax filing in many countries, researchers have argued that due to its high perceived risk by public, there is a need to establish an integrated system that is reliable, especially in developing countries like India. The present study focuses on understanding the various aspects of e-taxation in India in the recent past, the present position and the future prospects. The study also tries to explore the factors within the technology acceptance model (TAM) that effects the adoption of e-taxation. The study will serve as a useful guideline for development of strategies in promoting the tax e-filing service in India.

Keywords – e-taxation, Income Tax Return, Perceived risk, Internet.

INTRODUCTION

The use of internet has been widespread and has been more diversified. The value-added services of internet will relatively be increased which also benefits the users (Pavlou et al., 2007; Barako et al., 2008). As a result, there are more and more corporations or organizations wish to transmit information or trade via internet (Chi et al., 2007; Haque et al., 2009). e-service refers to the provision of customer services via the internet (Prins and Verhoef, 2007) which is valued by government in every country (Efebera et al., 2004; Briggs, 2008). In this digital era, governments of many countries are using the internet to provide public services to its citizens, known as e-Government. e-government is becoming increasingly more important in today's world due to its effectiveness and applicability in various areas. e-government is a relatively new area of study in the Information Systems (IS) field that is concerned with use of ICT by the government agencies to electronically deliver its services (The World Bank Definition). Yildiz (2007) mentions that e-government refers to the use of ICTs by public administration to create a networked structure for; interconnectivity, service delivery, efficiency, effectiveness, transparency, and accountability. One prominent type of e-government is the introduction of the e-filing system for income tax. Through this system, taxpayers are able to submit their tax returns electronically to the tax authorities. However, this system is slow in gaining acceptance by taxpayers.

In 2007, the income tax department of India started the facility to e-file income tax return (ITR) online for individual taxpayers, under its agenda of e-governance. The overall aim of e-taxation is to replace cumbersome manual, bureaucratic service systems with collaborative, efficient, process-driven and secure online delivery. Cutting edge technologies have made solutions more user-friendly in terms of ease-of-use. Appealing user interface and smooth navigation make the experience easier than ever. Despite the rapid adoption of tax e-filing in many countries, researchers have argued that it is yet to establish an integrated system that is reliable, especially in developing countries.

Definition

Electronic taxation is a new form of tax payment that does not require going to tax authorities and tax payment through information and communication. It is a new electronic government application and a new perspective for public service. System is composed of turning in tax

declaration forms that defines tax owned to tax authorities in an electronic format and pay taxes via electronic environments based on internet through interactive bank accounts or by ATM bank machines. Electronic taxation differs among countries hence the name of the system also differs from country to country. Electronic declaration is named electronic tax filling (Gellis, 1991) in International literature. E-tax payment is also called online taxation payment (UN, 2007) or e-tax lodgement (Turner and Apelt, 2004).

Electronic tax payment first coined and implemented in US (Turner and Apelt, 2004). Today, electronic taxation has been extended to many countries. The major countries having the applications of e-taxation are as follow: Australia, United States, Canada, United Kingdom, Ireland, Germany, France, Italy, Netherlands, Finland, Sweden, Switzerland, Norway, Singapore, Brazil, Mexico, Chile, India, China, Thailand, Taiwan, Malaysia and Turkey.

REVIEW OF LITERATURE

At present, there is very limited literature that focuses on the adoption of e-filing systems. Most of the literature related to e-filing adoption applies and extends the well known technology acceptance model (TAM) by Davis (1989) (Wang, 2002; Chang et al., 2005; Gallant et al., (2009), theory of planned behaviour (TPB) by Fishbein and Ajzen (1975) (Hsu and Chiu, 2004; Hung et al., (2006) and a unified model of both theories (Fu et al., 2006) to assess the adoption intention of the e-filing system. Other literature such as Carter et al. (2008) used the Unified Theory of Acceptance and use of Technology (UTAT), while Wang et al. (2007) used the Innovation Diffusion Theory to observe e-filing adoption among taxpayers. Lofstedt (2005) concluded from her research article that only a 'few studies have explored the core factors that influence citizens adoption of e-services'. Dimitris Gousco (2001), has discussed about the concept of e-government, strategic objectives for electronic services, business planning for electronic services, technologies for delivering electronic services and evaluating the performance of electronic services: penetration and performance.

Bhatnagar S. (2006) discussed about the different perceptions and delivery models of e-government and also about the cases resulting in multiple benefits: improved service delivery, reduced corruption, increased transparency, increased revenue, cost reduction; and

empowerment. Chaudary.S.K. (2008) in his article discussed about the advantages of e-Taxation and provided clarity and certainty on various tax related issues to assesses. Livingston.M.A (2006) in this article titled “Progressive Taxation in Developing Economies: The Experience of China and India” has discussed about the progress of taxation in developing economies especially of India and China. Most of them has discussed about the service of e-taxation, its advantages, process and the technology advancement. (Bhatnagar 2002). Despite India’s economic prosperity and emerging influence in the development of Information Technology (IT) sector in south-east Asia (Bajwa, 2003), there are limited studies that have addressed adoption of e-government services in India.

RATIONALE

In India, e-government research is in its early stages (Gupta and Jana 2003) and a country with huge population can hardly afford to be left behind in harnessing the benefits of implementing e-government. e-filing may be useful but many people may not want to use it because they perceive it to be complex or not easy to use in the initial stage of introduction. This is the reason why the present study delves into understanding the determinants of perceived ease of use. In addition, information systems that users perceive easier to use and less complex will increase the likelihood of its adoption and usage (Teo et al.,1999).

OBJECTIVES OF THE STUDY

- To explore the various aspects of e-taxation in India in the recent past, the present position and the ways to improve the usage of e-taxation.
- To explore the factors within the technology acceptance model (TAM) that effects the adoption of e-taxation in India.

RESEARCH FRAMEWORK

This conceptual paper discuss about the e-filing adoption model, which is derived from the theoretical foundation of previous research in the theories of perceived risk as well as the technology acceptance model (TAM) by Davis (1989). TAM is constructed on the

foundations of perceived usefulness and perceived ease of use. Perceived usefulness refers individual believe improve the degree of job performance through using particular new technology and information system. Perceived ease of use indicates the ease that the individual learn to operate or use new technology or information system (Davis et al., 1989). TAM is widely applied on the researches of information technology. Liu and Arnett (2000) examine the significant variables to build a successful website based on TAM theory. Gefen et al. (2003) combine TAM and trust to propose an integrate model for explaining online consumer behavior. Pavlou (2003) proposes e-commerce acceptance model of online consumers by applying experiment designs and survey

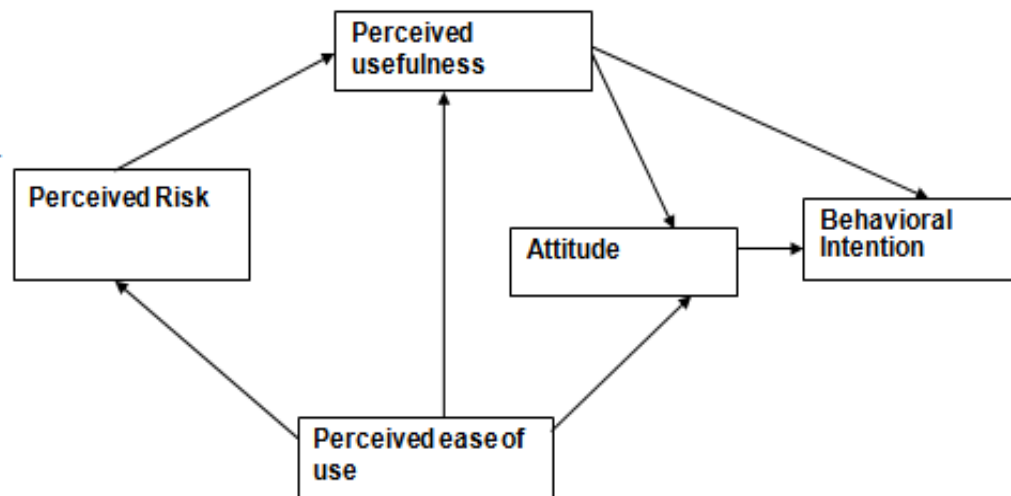


Figure 1. Technology acceptance model.

Source: Davis F.D., Bagozzi R.P., and Warshaw P.R. (1989).

Perceived usefulness, perceived ease of use and perceived risk were shown to be important factors to influence taxpayer's perceptions on the electronic tax-filing system. The model suggests that a system that is useful and easy to use is important for taxpayers to voluntarily e-file their tax returns. Third factor i.e the perceived risk was found to have a negative influence on behavioral intention. Seven different facets of perceived risk are performance risk, financial risk, time risk, psychological risk, privacy risk, social risk and overall risk also influence an individual to adopt or reject the e-filing system (Featherman and Pavlou, 2003). Performance risk means the risk that users are exposed to if the e-filing system malfunctions.

This can happen during the last minute rush to meet the deadline of tax return submission. Financial risk measures monetary loss due keying-in incorrect information in tax returns that may lead to the wrong calculation of tax payable. Time risk measures the amount of time lost trying to learn to operate the e-filing system. Psychological risk means the feelings of frustration or anxiety in using this system by IT illiterate. Social risk means the negative perception that adopters of e-filing may face such as the loss of status in society. Privacy risk occurs when private information such as monthly income, personal addresses, and bank account numbers is transmitted of information through the internet in an e-filing system. e-filing involves the transmission of through the Internet.(Anna A. et al.,2010)

Attitude is classified into two factors namely attitude toward the object and attitude toward the behavior. The latter refers to a person's evaluation of a specified behavior. This evaluation of a specified behavior leads to certain behavioral intention that further results in certain behavioral action. Here the behavioural intention means the adoption of e-taxation.

RECOMMENDATIONS

India is at a developing stage and there is still more to come. Moreover, India's population is still residing in villages but the serious action taken at the grass-root level in terms of e-taxation system ensures the fact that e-Taxation is definitely going a way ahead for its progress. Whatever is the percentage of progress but there is an improvement year-by-year which convincingly shows the positive sign in the development of e-taxation system in India. The government should increase its efforts to promote the usefulness and user-friendliness of the e-filing system (Fu J.R., Farn C.K., and Chao W.P. ,2006).

To increase the perceived usefulness of the system, the government should invest in more advertising campaign that create awareness about the usefulness of e-filing. This campaign should be strategically administered during the tax filing months. The system's ease of use should also be stressed in the advertisement campaign (Anna,Che Azmi and Yusniza ,2010) The user-friendliness of the system can be improved by creating web-based tutorials or videos that guides the taxpayers on how to use the e-filing system. 24 hours online services should be provided during the tax filing months so that the taxpayers could choose to e-file their returns at odd hours also.

Risk reducing strategies could be formulated to encourage e-filing adoption such as improved security features for the user interface. Government could employ multiple firewalls such as, use the latest anti-virus and worm detection software, and all internet transmissions should use SSL (Secure Sockets Layer) encrypted security measures. The embedded security features in the e-filing system need to be communicated to taxpayers so that they become aware that the e-filing system is secure. To raise the trust of taxpayers which will help taxpayers to understand the advantages and outweigh the disadvantages of on-line taxation. The tax authorities could develop several methods of helping tax payers e-file such as a web-based tutorial or a video that guides the taxpayers throughout the e-filing process that can reduce psychological risk (Belanger and Carter,2008). Frequent malfunctions and complex process will discourage any taxpayers who will e-file. Government has to improve the performance of the e-filing system. Usually, tax payers' e-file near the tax deadline which creates a high volume of traffic, authorities has to ensure that the system could cope with the traffic demand. Rebates in taxes can be offered to the taxpayers that e-file their returns early. Outsourcing the e-filing service to private companies could be the alternative.

CONCLUSION

Today governments around the world are increasing the use of information and communication technologies to improve the delivery of public services and the dissemination of public administration information to the public. In India, e-filing of income tax returns is among the most popular facilities introduced by the government. The important aspects of the e-filing system is that it would enhance taxpayers' perceived ease of use, usefulness and reduce the riskiness of the system are essential to increase adoption of the e-filing system. In the Financial Year 2011-12, more than 16 million returns were filed online. However, the adoption of this facility is still to reach its optimum penetration once people realize how secure and easy online tax filing is. e-taxation is like a dark horse in all its respect which has definitely shown some progressive outcome and it's surely going to make its full time place in the Indian Tax System. This research paper was an attempt to explore the four factors of TAM model that are crucial for the adoption of e-government services (Carter, 2008). Accordingly, effective evaluation of the performance of e- taxation services, policy makers can improve strategic planning for e-taxation service investments through monitoring these four factors as intention indicators.

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