

# **A Study on Influencing Duty Consistence in SMES using ICTS**

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**Abstract:** *As the use of e-transparent tools to address tax compliance issues faced by Indian SMEs (small and medium enterprises). The study's background and the issue under investigation are presented at the outset of the discussion. The objectives, significance of the study, and methods used are outlined next to this background. The following sections discuss the positive effects of ICTs on taxpayers' voluntary compliance and the factors that influence it. The study's conclusion is provided in the final section.*

**Keywords:** E-transparency; ICT; Charge Consistence; SMEs

## **I. INTRODUCTION**

**1. Background of the Study** -Any country's economy is heavily influenced by its revenue collection. The government is able to fund a wide range of activities, including administration, infrastructure development, and service delivery, thanks to sufficient revenue. In order to accelerate progress, the study by Ebeke (2010) emphasized the significance of developing nations effectively managing their revenue sources. This is due to the fact that sufficient revenue lessens the government's reliance on donors for its development (Komanya, 2013). Additionally, it gives the government the authority to make various decisions regarding development. Furthermore the government should create an environment that raises taxpayer awareness and encourages voluntary tax refunds in order to increase revenue collection. As a result, it is the responsibility of the government to develop sound legislation that encourages revenue collection activities. The Indian government was able to collect 17.4% more domestic revenue in 2011/2012, despite the international community's focus on helping developing nations achieve greater economic independence (Ministry of Finance of India, 2013). These outcomes were affected by various upgrades in tax collection framework like expanding the quantity of staff, characterizing authoritative blocks and the utilization of Data and Correspondence Advancements (ICTs); Nevertheless, the increase remains below

In further developing the homegrown income assortment process, the Indian income authority utilizes the accompanying mechanical apparatuses: Electronic Monetary Gadgets (EFDs), pay Tax collection (ITAX) framework and Custom Application Online Framework (CULAS). Fundamentally, homegrown income is one of the vital parts of the tax collection framework in India and nations inside SADC and EAC financial blocks. Statistics show that tax collection has improved, but a large number of eligible taxpayers have yet to be reached (Ministry of Finance of India, 2013). According to the literature, the process of collecting revenue in developing nations is hampered by entrepreneurs' amateur records keeping, a lack of tax knowledge, bureaucratic procedures, and corruption. The Indian revenue authority redefined its administration system to include smaller administrative blocks in order to reach a greater number of clients and act more efficiently. Although maximizing efficiency in identifying and managing new customers was the goal of redefining the administrative structure, this objective has not yet been achieved. Through clients' voluntary compliance, it is simple to improve domestic revenue collection. However, it is unfortunate that the majority of customers do not return tax to the revenue authority on their own.

## **II. STATEMENT OF THE PROBLEM**

The growth of any nation is contingent on the capacity of the government to function on the basis of its own revenue sources. As a result, improved development in developing nations necessitates effective income source management. According to India's Ministry of Finance (2013), tax collection has a significant impact on a nation's GDP. As a direct

consequence of this, the government of India makes an effort to ensure that the procedures for collecting revenue are carried out in an efficient manner. The following actions are taken by the Indian government to guarantee efficient tax administration: Work on the abilities of workers through phases of preparation, re-characterize the managerial design in little geographic regions, and change customary techniques for administration arrangement to the utilization of electronic frameworks (India Income Authority, 2013). It is clear that there is a decent advancement in terms of income gathered by the India Income Authority (; India's Ministry of Finance, 2013). However, a number of reports continue to indicate that many TRA clients do not submit their tax returns to the authority . According to Jensen & Wöhlbier's (2012) study, clients' voluntary tax return compliance is the primary success factor for the revenue authority in meeting its statutory obligations. The accompanying things are proposed to give a motivating force in advancing deliberate consistency in income assortment: Education about tax compliance, making assessment more transparent, and finding a balance for employees' roles in the tax process are some examples . This study aims to demonstrate how the use of e-transparent services addresses the issue of low voluntary tax compliance by SMEs in India

### **III. PRIMARY OBJECTIVE**

To demonstrate how e-transparent services influence voluntary tax compliance by taxpayers.

### **IV. SIGNIFICANCE**

The study of significance in the field of revenue collection stems from the following factors:

- i. It measures the impact that employees' honesty, awareness of tax laws, and administrative protocol have on taxpayers' voluntary compliance.
- ii. It describes the catalytic behavior of e-transparent services in overcoming obstacles posed by low employee integrity,
- iii a lack of awareness of tax laws, and the revenue authority's administrative protocol in encouraging taxpayer voluntary compliance.

### **V. METHODOLOGY**

The study used a combination of methods to collect its data AND, information were gathered from clients and workers of different regions rural and urban as well as focus on locals. Additionally, a survey questionnaire served as the instrument for data collection in the study. Ten employees and a total of 100 SMEs were surveyed. The accompanying qualities of the example were noticed:- Orientation - 61% of the individuals from the example were male and 39% were female. Education: 23% of respondents had a college degree, while 77% did not. Business Experience: 40% had more than three years of business experience, while 60% had less than three years. The utilization of existing literature that addresses difficulties associated with voluntary compliance by taxpayers is one additional source of data..

### **VI. VOLUNTARY TAX COMPLIANCE IN SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)**

The Indian government intends to require that all taxpayers annually voluntarily submit information about their business for evaluation. This empowers the income position to evaluate the business to lay out charge liabilities. The study conducted an analysis to determine the percentage of SMEs in the sample that were registered with the revenue authority. Around 42% of respondents are enlisted with the income authority. Only a few small and medium-sized businesses have registered with the Indian tax authority. Extra investigation shows that around 76% of respondents who are enlisted with TRA records their government forms reliably. Only 32% of all respondents consistently file tax returns. Even among clients who are registered with the revenue authority, a significant percentage of taxpayers default on their taxes.

The percentage of potential taxpayers who do not file taxes rises as a result of the majority of them not being registered with the revenue authority. In general, 68% of the revenue authority's clients do not file their tax returns as required by law. During the interview, the study discovered that the following factors influence the rate at which SMEs file tax returns: These things include the education levels of taxpayers, business experience, awareness of tax laws, and employees' honesty. However, there was no significant correlation between respondents' education levels and the pattern of clients filing tax returns.

### **THE Mindfulness of the Laws and Regulations**

This section determines whether voluntary tax returns are influenced by potential taxpayers' awareness of tax laws. According to the descriptive analysis of the data, approximately 32% of respondents are aware of the laws requiring them to file tax returns annually. The data indicate that the majority of respondents are not well-versed in the legal requirement to file tax returns each year. The revenue authority created the taxpayers education department, which implements various strategies for increasing taxpayer education, in response to the need to raise taxpayer awareness of the requirements of various tax laws; However, its impact is still minimal. The attitude of taxpayers toward complying with tax laws is thought to be influenced by the experience of tax clients who own SMEs.

**The Influence of Business Experience on Tax Compliance-** It is thought that business owners with less experience have a better understanding of the business environment than those with a lot of experience. Laws and regulations pertaining to business operations are part of these environments. According to the study's analysis, 60% of respondents have less than three years of business experience. Because of this, it's likely that the majority of taxpayers don't know enough about taxes. The fact that the majority of taxpayers acknowledge that they were never visited by revenue officials from taxpayer education demonstrates this. A further analysis revealed that 23% of taxpayers with less than three years of business experience and 45% of taxpayers with more than three years of business experience consistently file tax returns.

### **The influence of the Integrity of Employees of the Revenue Authority to Clients' -**

**Voluntary Compliance** The integrity of employees is essential in ensuring that the organization meets its objectives. This may be the result of reasons such as receiving training, seminars, and visits from revenue officers. Representatives with great uprightness guarantee that they offer types of assistance in debasement free conditions. Only 39% of taxpayers admitted in the study's analysis that the integrity of revenue authority employees has never affected their level of compliance. According to the information, the majority of customers of the revenue authority are uneasy about employees' honesty. Respondents who admitted that they were requested to bribe tax officers in order to receive tax relief are acknowledged in the study. The influence of training on voluntary tax compliance Training is helpful in raising the awareness of clients of the revenue authority on a variety of topics, including the significance of voluntary compliance in taxation. New employees also acknowledged that experienced employees operated in a secretive environment. The dissemination of tax education to clients is the responsibility of the department for taxpayers' education in the Indian revenue authority. This department organizes numerous periodic trainings for TRA customers and distributes tax education materials in the form of leaflets, brochures, and advertisements. The investigation of the review saw that around 68% of respondents were undeveloped. They have never gotten charge training from specialists through a technique. As a result, it is possible that a large number of respondents are unaware of taxation regulations and do not follow them. Additionally, it was observed that 23% of trained customers and 9% of untrained customers regularly submit returns on their own initiative. This demonstrates that preparation stages presented by TRA to SMEs brought about progress in the willful consistency mentality of citizens.

### **How Does the Utilization of ICT Address Difficulties of Deliberate Tax assessment?**

The discussion presented in the preceding sections of this paper revealed a number of factors that influence clients' decisions to voluntarily comply with India's tax systems. How effectively the challenges are addressed determines the government's revenue collection success. In this segment, the review shows how the utilization of e-straightforward administrations in the administration of assessment exercises address difficulties related with deliberate consistency of SMEs to the Indian tax collection framework.

**A lack of familiarity with tax regulations -** The majority of tax clients in SMEs own mobile phones, and some have computers connected to them. The income authority can work on the consciousness of clients about charge regulations by scattering educational data using cell phones. The web-based framework should permit clients to buy in for educative messages; The data ought to be made available for no cost or at a low cost. The revenue authority currently

provides support to two main services for ordinary mobile phone users: they pay the financial institution directly by phone and online. The provision of tax education-related services requires expansion.

**Limited Business Experience** -According to reports, clients' inability to make decisions regarding voluntary compliance by SMEs is impacted by limited business experience. Individual taxpayers can benefit from the use of e-transparent services by being able to inquire about and gain access to information that enhances their comprehension of the advantages of voluntarily submitting tax returns.

**The revenue authority's employees lack integrity.**- Workers assume an imperative part in guaranteeing that the income authority gathers its expenses from clients brilliantly. Additionally, they make certain that their customers are well-versed in business taxation. Low uprightness to workers is accounted for to influence endeavors by the income authority toward further developing income assortment altogether. Generally, the utilization of ICTs in the Indian income authority has tended to test the corruptive way of behaving by representatives. In regions, for example, custom offices, clients can direct claim evaluations. However, ICT use is low in domestic revenue, even when SMEs are taken into account. For assessment, clients rely on employees, and this assessment is dependent on employees' rational ability and integrity. The issue of employees' honesty is addressed and voluntary compliance is encouraged through the use of ICTs for self-assessment.

**Tax officers-** rarely visit small and medium-sized businesses (SMEs), which make up the majority of the country's business owners. It is unfortunate that tax officials have never visited the majority of SMEs for a business assessment. This is because there aren't enough workers. The justification behind such appearance is to give schooling important to willful consistency in addition to other assessment related authoritative exercises. Clients can access these services without employees having to visit them thanks to the use of ICTs. These services will essentially be provided by employees in their offices.

**Needs for Training-** Training is necessary because it equips clients with the skills they need to change their attitude toward voluntarily complying with tax systems. Employees at the Indian revenue authority hold seminars to inform stakeholders about the advantages of voluntary tax compliance. However, a lot of respondents admitted that they had never been trained by tax officials. This is in part because there aren't enough employees. The versatile advancements can be valuable in giving preparation stages to SMEs using instant messages. The utilization of cell phones could be stretched out to incorporate the arrangement of educational data to clients.

## **VII. CONCLUSION.**

The purpose of the study was to demonstrate how e-transparent services address the issue of SMEs in India voluntary tax compliance. The review noticed the accompanying elements to impact deliberate consistence: Familiarity with charge regulations, business experience, the trustworthiness of workers, low recurrence of appearance by charge officials and preparing needs. The income authority should utilize pertinent ICT instruments to advance these elements emphatically; As a result, taxpayers' ability to voluntarily file tax returns will be improved.

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