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Editorial

Dr. K.Thriveni Kumari and Dr. Akhila R Udupa in their paper entitled, **Understanding Factors that Influence Leadership in Disruptive Situations in IT Sector** attempted to understand about the factors that influence leadership in disruptive situations in Information Technology (IT) industry. The study explains about the different factors such as organizational climate, organizational commitment and job satisfaction would be the primary factors that influence leadership in disruptive situation in IT sector.

Dr. Janardhan G Shetty et al. in their paper entitled, **A Study on Problems and Prospects of the Hybrid Work Model** attempted to analyze the problems and prospects of the hybrid work model. Hybrid work is a people- first strategy for workforce management that overcomes the significant drawbacks of remote work, such as social isolation and low morale, while simultaneously boosting productivity and employee happiness.

Dr. Vani.H et al. in their paper entitled, **Impact of Leader- Member Relationships on Academic Performance: A Study on Degree and PG Colleges in Telangana of India** studied the quality relationship of leader-member exchange on the performance of academic staff in higher educational institutions. A survey was done on 85 organizational members working in different higher educational institutions in Telangana. They found that educational institution promoters should not expect their second level leaders, called Heads of the Departments, to facilitate the performance of the faculty members.

Prof. Anushree Banerjee and Dr. Arijit Roy in their paper entitled, **The Circular Economy - A Road to Sustainability** reviewed the discussion related to the relationship between circular economy and sustainable development, and how it is a roadmap for organizations to improvise on their products or services. The conclusions being several big brands are turning towards the Circular Economy model.

Prof. Shilpa K P in her paper entitled, **A Study on Comparative Analysis of Tax Structure Prevailing in India and Sri Lanka with Reference to Retail Textile Marketing** provided the best system of tax following by India and Sri Lanka and comparative analysis of tax structure implementation and its impacts between them with help of secondary data available through different sources of information.

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Understanding Factors that Influence Leadership in Disruptive Situations in IT Sector

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Key Words:

Organisational climate,
Organisational effectiveness,
Organisational Climate,
Job satisfaction,
disruptive situation,
leadership

Abstract:

The current article is to understand about the factors that influence leadership in disruptive situations in Information Technology (IT) industry. The study explains about the different factors such as organizational climate, organizational commitment and job satisfaction would be the primary factors that influence leadership in disruptive situation in IT sector. The study is analyzed by using AMOS and SPSS software.

1. Introduction

Current turbulent times have forced every organisation to find ways to combat their leadership in disruptive situations. Modern technologies, automatic machines are not enough, rather to lead organizations. They need committed, dedicated and reliable leadership. Moreover, absenteeism and employee turnover rate reduces by highly committed and faithful leaders. It is of great significance for organisations and management to find out the ways and measures to boost the leadership commitment during disruptive situation (Arnett, 2009).

Leaders exert more efforts during disruptive situation and are committed towards the organisation and at the same time they wish to maintain membership for the long term (Morrow, 1993), also submit towards organisational goals and cares for assets of the organisation (Meyer & Allen, 1997). Various antecedents such as organisational commitment, job satisfaction, organisational effectiveness and organizational climate are linked with the leadership role (Mathieu & Zajac, 1990). Therefore, the current study is considered to understand these factors that influence leadership during disruptive situations.

2. Review of Literature

Based on the study, the following review literature is collected for the study.

2.1 Organizational commitment

Lee & Jamil, (2003) have found out that to enhance employee commitment job satisfaction is an important factor for the leadership in disruptive situation. As a result of high commitment, employees will be more motivated and job outcomes and behaviour will be positively impacted (Emami, et al., 2012; Meyer & Allen, 1997; LaMastro, 2000; Lim, 2010; Mowday, 1999). Similarly, Liou (2008) proved that organizational commitment enhances the job retention rate, Mathieu & Zajac, (1990) additionally related it with lower absenteeism. A high commitment level instils punctuality and regularity in the employees (Steers, 1977; Tolentino, 2013). With the committed human resources, the full potentials of human resources can be realised. (Chang, 2006). Sonia & Jasmine (2010) suggested that IT employees have fair work fulfilment and the primary motivating variables for the IT workers were job security, appraisal for the job, good wages, promotion, incentives, development and growth, and inspiring work. A noteworthy impact of job

satisfaction on organisational commitment was also found.

2.2 Job satisfaction

Job satisfaction is a very widely studied variable in the literature due to its significant impact on increasing productivity, lowering turnover and absenteeism. Spector (1985) in his research pointed out work environment affects the employees' feelings towards his job. When human resources will be satisfied with the working conditions and job outcomes then they will feel committed to the job. Khalid et al. (2011) measured job satisfaction with nine dimensions as salary, promotion, operating procedures, colleagues, characteristics of the job, supervision, benefits, contingent rewards, and communication. Chiang & Hsieh (2012) in their research identified a growing connection between job satisfaction and leadership. Similarly Gupta & Sharma (2009); Doherty (1998); Srivastava (2008) elaborated the role of environment in the organisation on workers satisfaction and leadership commitment which in turn affects organizational effectiveness in disruptive situation.

2.3 Organizational climate

Forehand & Gilmer (1964) viewed the organisational climate as “a collection of features that expresses an organization, differentiate it from different organizations, is fairly stable for a specific duration as well as can affect the conduct of individuals in it”. Employee's perception is an important factor that explains organisational climate (Tagiuri & Litwin, 1968), furthermore, the climate is the feature of the internal environment of the organisation which can be depicted by its values, sensed by its employees, and ultimately reflects on employee's performance. According to Litwin & Stringer (1968) climate is the observation of the employees working in the organisation for qualities of job settings. Pritchard & Karasick (1973) explained organisational climate as a consistent feature of the inside environment which distinguishes one organisation from another, outcomes from top management conduct and framework, perceived by the employees.

2.4 Organizational effectiveness

Present research emphasises drawing implications to policymakers for finding ways to enhance Organizational effectiveness. Many

types of research in the field of the organisational theory are conducted for the same (Goodman & Pennings, 1977; Biswas, 2010; Noruzi & Rahimi, 2010). According to Rahimi & Noruzi (2011) explaining the meaning of organisational effectiveness accurately is very complex (Cameron & Whetton, 1981). Organisational effectiveness is the ability of an organization to be able to attain its goals in a defined time frame (Fallón & Brinkerhoff, 1996). Present literature explains it as the degree to which the organisation can meet its objectives/goals (Steers, 1977). Due to the multidimensional, multi faced, and dynamic nature of effectiveness (Cameron, 1986), the measure of organizational effectiveness productivity on one hand and goal attainment on another.

2.5 Objectives of the study

The present research is carried to study various factors that influence the leadership during disruptive situations.

3 Research Methodology

3.1 Sample of the study

The study is assessed with 80 managers and working in IT industries across India. They were contacted for filling the structured questionnaire. After carefully scrutinizing 68 responses were considered for study.

3.2 Measures of the study

Standardised tool of C.N. Daftuar (1997) having eleven items measuring six dimensions (organizational attachment, job involvement, consensus, self-control, need for independence, and innovation) was used for access Organisational effectiveness. For measuring organisational climate eight-dimensional scale (Technical support, staff training, staff training, staff training, formalisation, technical assessment, business financial reporting, centralised contact & social security) having eleven items was used. Mowday et al. (1979) has been used to access organisational commitment among employees of the IT sector. Nine statements scale of C.N. Daftuar (1986) was used for measuring six dimensions (effective supervision, salary, career advancement, job security, job satisfaction, company regulations, and policies) of job satisfaction. Having combining all these standardised questionnaire

data was collected.

3.3 Sampling process

Snowball convenient sampling technique was used to reach out to the participants as they were contacted through personal contact. A seven-point liker scale was used in the questionnaire

for collecting the data. IBM SPSS was used for descriptive statistics and AMOS (Analysis of Moment Structure) software were used

4. Analysis

The below table 1 provides the demographic profile of the respondents.

Table 1: Demographic Profile

Demographic variables	Frequency	Percentage
Age group (in years)		
Up to 25 years	0	0
26- 35 years	18	26
Above 35 years	50	74
Nature of Company		
Public	26	38
Private	42	62
Designation		
Middle level	32	49
Senior-level	36	53
Experience		
7-12 years	52	76
Above 12 years	16	24

Table: 2 Reliability Analyses

Factor	Cronbach Alpha	Items
Organizational effectiveness	.95	11
Job satisfaction	.92	9
Organizational climate	.97	17
Organizational commitment	.97	12
Overall	.95	49

Above Table 2 is representing the reliability statistics of all four standardised questionnaires used for collecting the data of public and private sector employees. Cronbach's alpha value was considered to test the reliability of this scale. The Cronbach alpha value for all the constructs is found above .90 which is far above the threshold

value of .70 proving the scale to be producing highly reliable results. The overall reliability of the whole questionnaire is .95 that is suitable to conduct further analysis.

Table: 3 Validity Measurement Index

	CR	AVE	MSV	MaxR (H)	OE	JS	OC	OCM
OE	0.953	0.656	0.066	0.978	0.810			
JS	0.929	0.593	0.468	0.933	0.180	0.770		
OC	0.978	0.730	0.054	0.986	0.133	0.145	0.854	
OCM	0.985	0.849	0.468	0.994	0.256	0.684	0.233	0.921

Note: AWE= average variance explained, CR= composite reliability, JS= job satisfaction, MSV= Maximum shared variance, OC= organizational climate, OE= organizational effectiveness, OCM= organizational commitment

The above Table 3 represents the validity measurement index which is used for checking that the measurement scale reflects exactly what they are meant to measure. As per convergent validity (CV), the construct of the same variable shall be highly correlated. Average variance explained (AVE) and Composite Reliability (CR) are used to confirm convergent validity

(Hair et al., 2010). It is suggested to have the value of composite reliability and average variance explained more than 0.7 and 0.5 respectively. As per the table value, the said criteria are matched. To confirm the degree of differences among factors Discriminate validity is used. There are two ways of assessing it, firstly Maximum shared variance (MSV) shall be lower than AVE value and the second is that the Diagonal values (as highlighted in the table) should be higher than other non-diagonal table values. Here, both the situations are satisfied and thus the scale is valid.

Table: 4 Descriptive Statistics

Factor	Mean	S.D.	N	OCM	OC	OE	JS
OCM	5.61	.35	581	1			
OC	5.67	.44	581	.23**	1		
OE	5.75	.40	581	.26**	.13**	1	
JS	5.94	.45	581	.70**	.15**	.18**	1

Note: ** implies significance at .01 p level.

Table 4 above shows Mean, standard deviation, and correlation between studies factors. The mean score of all the variables is found above 5.60 which indicates that overall job satisfaction and organisational commitment was high along

with a favourable organisational climate. The mean score of organizational effectiveness i.e. dependent variable is also found high and favourable. Though the correlation is found low but still significant having p-value less than .01.

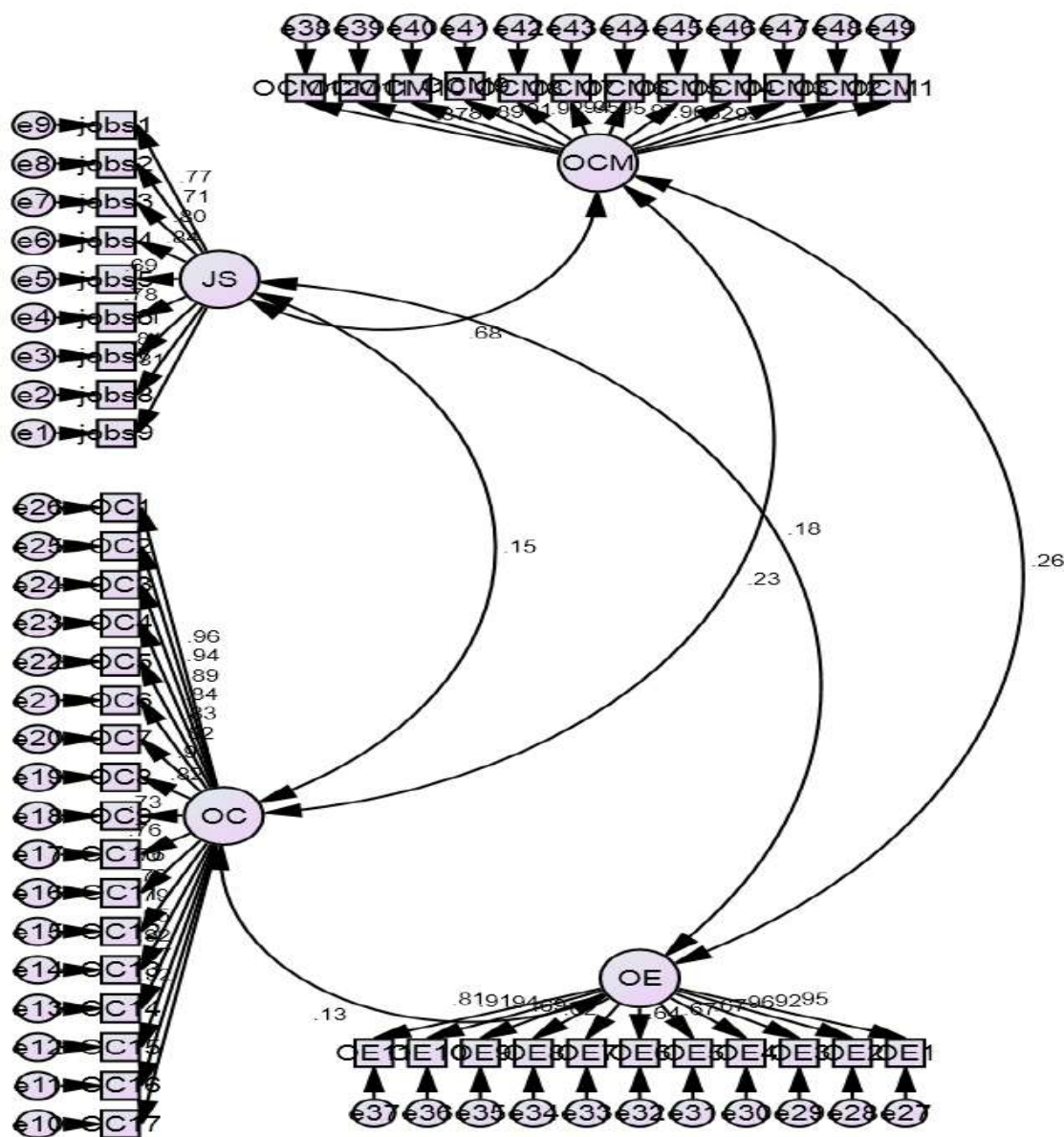
Table: 5 Indices of Model Fit

Model fit indices	CMIN/D F	GFI	NFI	IFI	TLI	CFI	RMR	RMSEA
CFA Model	3.5	.78	.89	.92	.92	.92	.01	.06

After ensuring the reliability and validity of the questionnaire confirmative aspects were used to measure model fitness. Figure 1 shows Confirmatory factor analysis was used to test that variables are related to their construct or not and their relationship (Figure 1). The measurement model has four constructs namely organizational commitment, organizational climate, job satisfaction, and organizational effectiveness, having measured by 49

items. All these items have a p-value less than .01 as shown in figure 1 thus they are significantly related to their construct. Various indices of model fit were also utilized to tabulate the fitness of the framework like NFI, CMIN/DF, RFI, IFI, RMR, GFI, CFI, and RMSEA. The values of all these indices are under the threshold limit as represented in table 5 of model fit indices.

Figure 1: CFA model for the study



5. Analysis

The present research was initiated with the objective of finding the factors that influence leadership during disruptive situations. The study observed that organisational commitment and satisfaction of employees have a positive perception about the effectiveness of the organisation. With the statistical analysis, it was found that job satisfaction and organisational climate had a significant impact on organisational effectiveness (Dutta, 1959; Doherty, 1998; Halim, 1980; Rose, 2001; Srivastava, 2008). Organisational Leadership completely regulates the partnership of job satisfaction and organisational effectiveness (Barik, 2016). Similarly organizational climate and organisational effectiveness having in view the mediating variable the relationship became insignificant that means it is not only the organisational climate that enhances the organizational effectiveness but then again the commitment of employees for the organization plays the significant role for enhancing the organisational effectiveness. Underlying reasons for this could be that leaders when are committed to their job experience positive emotions (Bakker et al., 2011). Employees (leaders/mangers) get a feeling of pride when the working environment loves, caring, and full of empathy and also their performance towards work will enhance. This will naturally lead an organisation to success (Cameron et al., 2003). Highly committed leaders do their work with high involvement and interest which is essential for organisational achievement. Proficient and talented leaders always add rewards to the company they work for. Both intellectual as well as emotional connect of the committed workforce about their job results in extra labour hours and thus predicts effectiveness (Organ, 1988; Gibbons, 2006; Richman et al., 2008).

The research contributes to the knowledge that commitment of employees is necessitating condition for increasing organisational effectiveness also with job satisfaction and a healthy climate. Job satisfaction plays a leading role in the feeling of attachment of employees towards the organization (Steers, 1977; Spector, 1985; Mottaz, 1987; Lee & Jamil, 2003; Sonia & Jasmine, 2010; Madi et al., 2012). Professional assistance, professional management, centralized and formal communication are found as the key factors in the formation of the organisational climate. A people-oriented, smooth and supportive climate helps the organization to lure and sustain the workers for a lengthier duration of time (Moran & Volkwein, 1992; Schneider & Reichers, 1983).

Implications

Enhancing organisational effectiveness has always been a matter of great concern for HR, Management and policymakers. Management should invent such policies and systems that can enhance constructive office customs. Empathy, Trust, integrity, and cooperation are the key elements for helping an organization to earn the commitment of its employees. Organizations should offer support to their employees and fulfil their wishes so that the organization can enhance their commitment (May et al., 2004). Leaders sharing correct and timely information with their employees can perform the allotted task effortlessly. To motivate the employees for achieving the objectives of the leaders and organization must provide suitable rewards, incentives, and promotions based on their performance and achievement.

6. Conclusion

Based on the conclusion of this study that there is a significant relationship between commitment and organisational effectiveness policymakers and management practitioners shall put efforts to recruit employees inclined towards commitment. Present study guides organizations to provide a pleasing and friendly organisational climate which will ensure human resource development and helps in building an environment of high commitment. Psychological and emotional characteristics of the workplace must be understood which may lead to enhance employee motivation to fully invest their effort in organisational effectiveness.

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A Study on Problems and Prospects of the Hybrid Work Model

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Key Words:

Awareness,
Critical Thinking,
Communication,
Hybrid work, Trust

Abstract:

The study analyzed the problems and prospects of the hybrid work model. Hybrid work is a people- first strategy for workforce management that overcomes the significant drawbacks of remote work, such as social isolation and low morale, while simultaneously boosting productivity and employee happiness. The future of work should be a top focus for any organization that wants to succeed in today's competitive and ever-changing business climate. Businesses are taking their time to create a more secure working environment, even though other nations have eased the lockdown in their states. While some users are remote, most are currently utilizing the hybrid system. The epidemic has served as a sobering reminder of the importance of preparing ahead and staying current with technology and organizational developments if businesses are to continue growing and thriving in the face of adversity. Further, it teaches the need to change and adapt to new situations on the job.

If the future of work is to be prioritized, the hybrid workplace paradigm must be adopted. The hybrid workplace paradigm may very well be the last workplace type ever. Each business's settings, events, and strategies will determine whether future work models are adopted. For the best outcomes for employees, businesses, and society, however, companies must craft regulations that consider their workforce's unique requirements.

1. Introduction

In a hybrid workplace, employees may be a mix of in-office, at-home, and on-the-go types. It liberates workers to spend time at their most efficient locations and use their preferred methods.

Hybrid work is a people-first strategy for workforce management that overcomes the significant drawbacks of remote work, such as social isolation and low morale, while simultaneously boosting productivity and employee happiness. Hybrid employment models provide workers more freedom to do their jobs from wherever they are most productive, whether at home or on the go. By combining in-office time with remote and coworking hours, employees no longer need to be physically present in a single location to get their jobs done. Individuals in the team are free to move about the workspace as they see fit. Employees in a hybrid workforce split their time between working from home and coming into a central hub for meetings and other activities. Employees have the option to work from either

location or to split their time between the two. This means that some workers will do their jobs entirely away from the office, while others will do it from home, and still, others may do a mix of both. Because of our desire for social connection, the hybrid model is ideal; for instance, most individuals would like to work Monday through Wednesday from home and then spend Thursday and Friday at the office (Apollo Technical, 2021).

2. Types of Hybrid Working Models

2.1. Flexible Hybrid Work Model

The individual's preferences determine the location and hours of employment for each employee. People can work remotely from their homes or a local coffee shop if they need to concentrate on a specific task. They can go in if they want to feel part of a group, get work done, meet with their team, get some training, or participate in a town hall.

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Advantages:

1. The option to set one's schedule and the location at work fosters mutual respect between employers and staff, boosting morale and productivity.
2. Increases access to a broader range of

candidates, which fosters a more comprehensive range of perspectives.

3. Boosts profitability by decreasing expenses for rent, fuel, and travel.

Challenges:

1. Employees have difficulty coordinating a time and place for face-to-face cooperation.
2. There is no way to tell how many people will be coming into work and whether or not the facility can accommodate them.

2.2. Fixed Hybrid Work Model

The company decides which days and hours each employee can work from home. Some groups may report to work on Mondays and Wednesdays, while others may want to come in on Tuesdays and Thursdays. Alternatively, a company may permit telecommuting on a set number of days each week.

Advantages:

1. Improves the likelihood of face-to-face interaction and teamwork.
 2. Allows workers to take time off during the week for appointments and errands.
- Provides an easy method for predicting office capacity needs.

Challenges:

1. The inability to tailor one's work environment to one's specific demands might result in lower productivity.
2. Incapacity to downsize office.

2.3. Office-First Hybrid Work Model

Though regular attendance at the office is required, employees are permitted to work from home a few days per week.

Advantages:

1. Allows for variety and personal preference.
- Assists in keeping the company's community and ethos strong.

Challenges:

1. Employees cannot know who and when will be present at work.
2. Impossibility to predict with any degree of certainty how many workers will be present at the workplace on any day.

2.4. Remote-First Hybrid Work Model

Employees frequently work away from the office, only coming in for meetings, training, and social events at co-working places and the main office. In this setup, the firm might not have a central office but instead relies on its employees to meet when they see fit.

Advantages:

1. Improves efficiency and morale for workers who choose to spend most of their time away from the office.
2. Allows for reducing or eliminating office space, which can significantly cut expenditures.

Challenges:

1. Possible solitary confinement for workers.
2. Maintaining a cohesive and supportive workplace culture became more difficult.

3. Prospects of Hybrid Work Model

Even though many people are worn out from working from home, most firms, no matter how small, will eventually have to return to traditional office settings. Many people enjoy coming into the office as much as they enjoy working from home. Companies still need to provide a place for employee events, company meetings, and information sharing. It's in our nature to interact with others, so it's no surprise that many employees would miss the familiar faces and atmosphere of the on-site workplace. Therefore, it is conceivable that offices will reopen under different rules. First, the precautions against COVID-19, including social isolation, shall be strictly enforced and kept in place. There will also be a shift in the local to off-site employees' ratio. Virtual workplaces and hybrid models of work organization are the way of the future. Hybridity aims to balance conventional office settings and remote work (Thorpe & Gordon, 2012). The essential advantage of this approach is its ability to generate higher value with reduced inputs. Given this new fact of life, acquiring the competencies necessary to succeed in a hybrid workplace is crucial.

Trust: In a hybrid workplace, the ability to trust others is crucial. This trust must be mutual. Trust in someone allows you to communicate effectively even when they are not physically there. It might be unnerving for team leaders and supervisors when they can't be physically there to check in on team members and ensure they're

completing their work. If left unchecked for too long, anxiety may breed impatience, which can spark fights that might have been prevented. Leaders must trust their teams to complete tasks when they are not there to monitor every move (Smith et al., 2019). Like how anxious you become when your team members aren't around, this might indicate how well you're leading. If you're having trouble trusting your employees, maybe it's time to investigate why. But if you can build trust with your team, you can confidently direct their efforts and give them the drive they need to succeed with little oversight.

The team's goal-setting efforts would benefit from further assistance, particularly the allocation of clear roles and duties that would ensure everyone is aware of their contribution and how it fits into the whole. As an employee, you must trust your superior's ability to carry out your instructions. This confidence in him as a leader stems from an innate conviction in his ability to carry out his vision. Everybody knows they fit in with the group and are sure that they will not do anything to hurt the business. Team members need to feel safe confiding in one another for the group to flourish.

Communication: Effective communication is a must in today's hybrid workplaces. Trust is built on a foundation of communication. The hybrid configuration might lead to ambiguity on several levels. Because it is more challenging to remember what was spoken in person when it comes time to work remotely, the condition may be more common in a hybrid workplace than in a purely remote one. For instance, a group in the same room might have a productive conversation, yet the results of that chat might not be broadcast to the rest of the platform where the rest of the group can see them. People who aren't there may misinterpret what was said or, worse, feel left out of the conversation if there are communication breakdowns. Team members must clearly define their communication channels in a hybrid workplace to avoid ambiguity (Rahaman et al., 2020). Establishing a clear transmission line would ensure that all messages arrive promptly and in the proper sequence. Moreover, the group's leader must guarantee that all information is conveyed repeatedly. The goal is to ensure that all team members get to the heart of the topic and are kept abreast of developments at the organization. Keeping teams small in the hybrid approach might smooth down the

approach might smooth down the communication process. The back-and-forth involved in relaying critical information would be reduced, and it would be simpler to determine who is responsible for what. In the hybrid workplace, keeping up a strong tradition of open communication is especially important. As long as everyone is kept up-to-date on developments, it will feel like everyone has a voice in the decisions made (Barnes, 2018; Rajae Harandi & Abdolvand, 2018).

Awareness: It's easy to become wrapped up in one's thoughts when using a hybrid approach to one's work. If the job gets done, no one cares how it gets done; they're all focused on their own thing. Nobody takes an additional effort to keep tabs on what's happening with their coworkers or other team members. A decline in the value of genuine caring within an organization may be traced back to a reduction in the significance of awareness within the same organization. It's not always the employee's fault if they don't know anything; sometimes, the workplace is to blame. When people on a team prefer to work alone, they may be less likely to notice when one of their colleagues is having trouble with several tasks. However, if team members maintain empathy for one another, they will be better able to assess their collective strengths and flaws. When everyone in the team has a firm knowledge of the group's capabilities, everyone can contribute to the greatest extent possible. But knowing the shortcomings of each team member will help you use them to your advantage, ensuring that the team does not suffer and that individual flaws are not exposed (Frey et al., 2018). Furthermore, team members' sentiments are validated when there is an atmosphere of awareness. In today's increasingly diverse workplace, empathizing with coworkers is essential. To prevent intolerance and hostile behaviors, it is important to put oneself in another person's shoes and have some understanding of their background and experiences. Everyone on the team feels like they belong there and know they can express themselves without fear of discrimination.

The freedom to express oneself in a mixed work environment is unparalleled. Everyone must know they'll be heard. Team members must feel they contribute to the company in ways beyond their job and the completion of tasks.

Technological Skills: Those working in a hybrid office environment need to be

comfortable with and proficient in using several forms of technology. This does not imply that they should all pursue careers in computer science. Although, enough technological solution expertise is necessary for effective work performance. Knowledge of technology in this sense might include the ability to use office video conferencing tools like zoom or google meet, as well as more general office productivity programs like slack and Microsoft Office. Basic etiquette for the virtual office, including online meetings, emailing, and messaging protocols, must also be mastered. Team efficiency can be hampered by something as inconsequential as leaving the volume on full blast during a meeting. Professionalism in the workplace requires the ability to effectively mute and unmute oneself (Levy, 2017). Company leaders must also invest in their employees' growth by providing opportunities for internal instruction. Since technology constantly evolves, current and future features are often updated, and new ones are introduced. To have a staff full of tech-savvy people, it's essential to keep up with the latest developments in the industry. Conversely, employees are responsible for taking charge of their development (Thorpe & Gordon, 2012). We shouldn't feel pressure to learn new technologies unless and until the employer provides formal training. Individual development should be a priority for those working in a hybrid workplace. No one should be slacking off since it would slow the firm down. If you want to be on the same page as your team, keeping tabs on everyone's development is essential.

Creativity and Critical Thinking: These abilities are crucial in today's increasingly mixed workplace. When the boss isn't around, it's essential to think on your feet and come up with solutions. The employee must have the ability to think beyond the box when necessary. Employees with these kinds of imaginative skills will be better equipped to tailor cutting-edge technological solutions to the needs of their organizations. Employers value employees who can think beyond the box and help them maximize their strengths. The ability to think critically is essential for overcoming obstacles. You'll need to use your critical thinking skills when several things are happening at once, and you must decide which ones to focus on when you can't be there in person. More than that, critical thinking helps put creative plans into

action (Wijngaarden et al., 2020).

Time Management: When working from home, it's easy to get engrossed in a project to the point that you forget how much time has passed. Time management is a crucial ability to have in a mixed work environment. Due to the unique nature of the system's intended use, the time reference employed must be adaptable. Making better use of time is a difficulty that may be met by creating a time-monitoring method that is effective for the given situation. Conversely, managers shouldn't take advantage of their employees' willingness to work from home by overloading them with responsibilities. Since working remotely does not mean functioning like a machine, it is essential to be realistic when allocating duties (Boss, 2020). In addition, employees need to know how to budget their time while working effectively. A worker's best bet in controlling their time is to keep themselves from becoming sidetracked by activities at home. They shouldn't let the convenience of working from home make them complacent. The only real change is that there is no longer any requirement to travel to a physical location. Working from home requires the same level of focus and concentration as when in the office (Barnes, 2018).

4. Conclusion

The hybrid model of the workplace allows employees and employers to determine how much time will be spent in each location. After the global COVID lockdowns were lifted, various hybrid arrangements evolved, giving employees greater freedom. Hybrid workers have a generally favorable opinion of their company and an hourly team regarding their responsiveness to the issue and resolution of their problems related to working remotely. They both like the increased productivity of working from home and attribute this to striking a good work-life balance that includes remote and in-office work. Since the start of the epidemic, they have reported more significant improvements in their well-being and psychological health at work than those who work exclusively from home or on-site.

The future of work should be a top focus for any organization that wants to succeed in today's competitive and ever-changing business climate. Businesses are taking their time to create a more secure working environment, even though other nations have eased the lockdown in

their states.

While some users are remote, most are currently utilizing the hybrid system. The epidemic has served as a sobering reminder of the importance of preparing ahead and staying current with technology and organizational developments if businesses are to continue growing and thriving in the face of adversity. Further, it teaches the need to change and adapt to new situations on the job. If the future of work is to be prioritized, the hybrid workplace paradigm must be adopted. The hybrid workplace paradigm may very well be the last workplace type ever.

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Impact of Leader- Member Relationships on Academic Performance: A Study on Degree and PG Colleges in Telangana of India

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Key Words:

Leader-member exchange,
Productivity,
Teacher Performance,
Administrative Function
Performance,
academic staff,
higher education institutions.

Abstract:

The quality relationship of leader-member exchange on the performance of academic staff in higher educational institutions, is found out and how important the interactions between leaders and their subordinates are, and how they result in a unique relationship, how their relationship/exchange quality influences the performance of both individuals and organizations (Graen & Schiemann, 1978). A survey was done on 85 organizational members working in different higher educational institutions in Telangana; the sample consists of both faculty members and HODs. To tease out the relationships, their strengths and their effects on performance, regression analysis was run.; in case of understanding the relationship between the number of Research Productivity, Administrative Performance and LMX regression analysis using SEM (Structural Equation Modelling) analysis was made. A study Research Productivity, Administrative Performance and LMX was not yet done in the Indian context. Further, no study was made to check whether LMX theory in use is a good measure of Research Productivity and administrative performance in higher educational Institutions. Leader-member's relationships significantly predict administrative performance, and administrative performance plays a mediating role in improving research productivity and teaching performance.

Leaders should not depend too heavily on relationship building with members, which is of course important, but not a panacea. Educational institution promoters should not expect their second level leaders, called Heads of the Departments, to facilitate the performance of the faculty members.

1. Introduction

Enhancing employees' overall performance to global competitiveness has become pressing issue for enterprises (Li & Weizheng, 2015). Improving the quality of leader-member requires interacting leaders to engage and preserve exchanges with subordinate members (Nguyen, 2020). Leaders' traits affect leader member exchange (LMX) and social capital, which facilitates overall performance (Tran et al., 2020). The most valuable assets of the organisations for over 20years has been Knowledge workers(k-Workers). K-workers promote the development of the company (Henard & McFadyen, 2008) and are responsible for building a competitive edge as they are responsible finding solutions for the development of the company (Igielski & Michał, 2017). Overall development of the company lies improving the k-workers' task performance. However, there are limited studies

on LMX and task Performance. (Li & Weizheng, 2015).

LMX is an improvement of Social Exchange Theory(SET) and establishes various exchange relationship with the employees in the same group over time (Dansereau, Graen, & Haga, 1975), which explains quality exchange relationship between subordinates and representatives. LMX represents the alternative way of understanding the superior-subordinate relationship.

Wrong Motivation can have adverse influence on K-worker's performance, although they responsible professionals (Mládková, Zouharová, and Novy (2015). Some of the indices were mentioned in the study conducted by Mládková et al. (2015) such as “does my supervisor, or someone at work care about me as a person”, “conflict between what the manager says and what he does” and many of such motivations explain relationships between

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2. Review of Literature

LMX is a high-quality reciprocal relationship and is built between leaders and members with a load of mutual respect and mutual trust (Ling Hsieh: 2012) and is characterized by mutual attitudes giving and receiving (George and Jones, 2012).

The high quality of LMX encourages leaders to help group members have a regular work

schedule, be given greater authority and responsibility, be involved in decision making, be able to share more information, so they can complete their tasks well. Conversely, members also have an obligation to be loyal to the leader, more committed to carrying out the task, working harder based on awareness and not demanding rewards (Krishnan, 2003), and can help leaders to achieve organizational success (Achua and Lussier, 2013).

In terms of LMX theory, it is important to determine whether the benefits of positive LMX relationships generalize to this important aspect of work performance. Task performance (or in-role performance) refers to “... a group of behaviors involved in the completion of tasks... includes behaviors that contribute to the production of a good or the provision of a service” (p. 67). This concept covers issues related to the quantity and quality of work output and the accomplishment of work duties and responsibilities associated with the job. High LMX relationships extend beyond the formal job contracts where the aim is to increase follower's ability and motivation to perform at a high level. In high LMX relationships the exchanges are more social in nature involving mutual respect, affect, support and loyalty, and felt obligation (Uhl-Bien & Maslyn, 2003).

Hypothesis:

H1: The leadership dimensions have statistically significant correlations with the dimensions of the Administrative process

H2: Leadership and the LMX relationship have a statistically significant impact on the quality of the teaching process and the personal and ethical development of faculty in colleges of Telangana.

H3: LMX relationship has a statistically significant predictive effect on the Research Productivity Process.

3. Research Methodology

3.1 Research Instruments

Scales and Variables

The research instrument was based on the following research scales.

I. LMX7 (Graen, Uhl, Bien, 1995). The items like the following were used. 1. Do you know where you stand with your leader...do you usually know how satisfied your leader is with what you do? 2 How well does your leader understand your job needs and problems? 3. How well does your leader understand your potential? 4. Regardless of how much formal authority your leader has built into his or her

position, what are the chances that your leader would use his or her power to help you solve problems in your work?

Research Productivity Scale

1. I am constantly on the lookout for identifying research problems. 2. I keep refining my researching skills. 3. I publish my research in good journals. 4. I am happy with my research efforts. 5. I am happy with my publication performance.

Teaching Performance

1. I deliver each of the session to the complete satisfaction of my students. 2. I adequately prepare for each of my session. 3. I am satisfied with my subject knowledge. 4. I often find students pay undivided attention to my session. 5. I often lose track of the time of my session.

Administrative Performance

1. I am satisfied with the amount of work I do on my assigned function. 2. I am satisfied with the quality of work I do on my assigned function. 3. I am always on time with regard to the schedule of my assigned function. 4. My boss often appreciates my work on the assigned function.

3.2 Sample

Questionnaires were circulated to 150 faculty members in educational institutions in Hyderabad, Telangana, India, and only 85 respondents returned the filled questionnaires (response rate is 56.66%). The faculty relate to disciplines like business administration, commerce, languages, sciences, psychology, and mathematics, but not engineering.

Discriminant Validity

$$= \frac{\text{Average of correlations among the indicators of different constructs}}{\text{Square root of (average of correlations of one construct) * average of correlations of the other construct}}$$

The ratio should be 0.85 or less to prove discriminant validity. The following were the ratios between different variables.

Between Research Productivity and Teaching Performance: 0.634

Between Research Productivity and Administrative Productivity: 0.83

Between Teaching Performance and Administrative Performance: 0.84

The above ratios prove the discriminant validity of the scales.

Convergent Validity

LMX: Composite Reliability: 0.829

Teaching Performance: Composite Reliability: 0.771

Research Productivity: Composite Reliability: 0.859

Administrative Performance: 0.815

The above Composite Reliability statistics prove that the scales have discriminant validity; the reference value is 0.7 or greater.

3.3 Reliability

Table 1: Reliability of scales

Sl. No	Name of the Scale	No of Items	Cronbach's Alpha
1	LMX	7	0.834
2	Research Productivity	5	0.877
3	Teaching Performance	5	0.763
4	Administrative Performance	4	0.800

4. Discussion

Quality relationships between leaders and members are examined for their effects on Research Productivity, Teaching Performance and Administrative Performance of the faculty, so the Leader-Member Exchange Theory (LMX) of leadership can be either validated or disputed. Leader-Member Relations Quality (LMX) was taken as dependent variable and Research Productivity, Teaching Performance, and Administrative Performance of faculty as independent variables. Structural Equation Modelling (SEM) analysis was run on AMOS.

The higher education institutions here religiously ensure that faculty members are periodically assessed on the three important parameters: (1) Research Productivity, (2) Teaching Performance, and (3) Administration Performance. So, they are considered as the right indices to measure the performance of the faculty. Broadly, teaching performance involves effective delivery of sessions and completion of the courses assigned; research productivity is a measure of research projects handled and publications achieved. Administrative performance involves handling of reports, course completion schedules, student evaluations etc.

The basic tenet of LMX theory is that high quality relationships of the leader with the members and vice versa positively affect the productivity; accordingly, it was expected from this study that faculty performance on (1) research, (2) teaching, and (3) administrative functions of the faculty will be predicted by the quality of relationships between faculty members and their bosses. In this case, for the faculty members, Head of the Department (HOD) is the leader. For HODs who are fewer in number in a higher education institution, Principal is the leader.

To confirm this expectation about the validity of the LMX theory, which can be referred to as 'hypothesis', Structural Equation Modelling and Regression Analyses were run on the data collected on 85 respondents consisting of faculty members and HODs. The results are presented in the following.

First, a series of regression analyses were run. First, regression analysis with Research Productivity as a dependent variable and LMX as a single independent variable was run (Table # 4). LMX scores predicted Research Productivity ($B = 0.241$, $p = 0.000$); the

predictor explained 16.1% of the variance ($R^2 = 0.161$, $F(1, 84) = 16.074$, $p = 0.000$). In the second regression analysis, Administrative Performance was added as a second independent variable. The two predictors explained 45 per cent of the variance in the dependent variable (Adj. $R^2 = 0.450$, $F = 35.822$, $p = 0.000$); Administrative Performance significantly predicted Research Performance ($B = 0.876$, $t = 6.841$, $p = 0.000$). Contrary to the expectation, LMX failed to predict Research Performance ($B = 0.086$, $t = 1.603$, $p = 0.113$) in conjunction with Administrative Performance. Administrative Performance worked as a mediating variable and predicted Research Performance. This finding goes against the LMX theory, according to which quality of relationships should have predicted.

all performance variables of members. Nevertheless, the theory is found valid at least in the case of Administrative Performance, which is important but secondary to the teaching profession. This secondary variable acts as a mediator between LMX and Research Productivity. LMX on its own fails to predict Research Productivity which is the primary parameter in faculty performance evaluation.

Later, Structural Equation Modelling analysis with the same variables was run and results presented in Table # 1 to 3. The regression estimate of LMX on Research Productivity is 0.125, C.R. = 1.336, and $p = 0.182$. It is not significant. LMX significantly predicts Administrative Performance ($B = 0.350$, C.R. = 3.152, $p = 0.02$). Interestingly, Administrative Performance predicts Research Productivity ($B = 0.715$, C.R. 3.824, $p = 0.00$). LMX theory failed to predict the most important and critical performance variable of a faculty member but predicts Administrative Performance which is not the primary performance indicator. Further, the indirect effects of Administrative Performance on LMX on Research Productivity is significant ($B = 0.250$), and the direct effects of LMX on Research Productivity is low, $B = 0.125$ which is smaller than the indirect effects. Indirect effects on LMX on Research Productivity is 0.250, which, obviously, comes from the effects of Administrative Performance. Path Diagram (Figure #1) of standardised coefficients shows the same. In essence, the results of regression analysis and structural equation modelling analysis are consistent with each other.

Table 2: Regression Weights from Structural Equation Model

	Estimate	S.E.	C.R.	P	Label
ADMNPROD <--- LMX	.350	.111	3.152	.002	par_15
RESPRD <--- LMX	.125	.094	1.336	.182	par_14
RESPRD <--- ADMNPROD	.715	.187	3.824	***	par_16

Table 3: Direct Effects

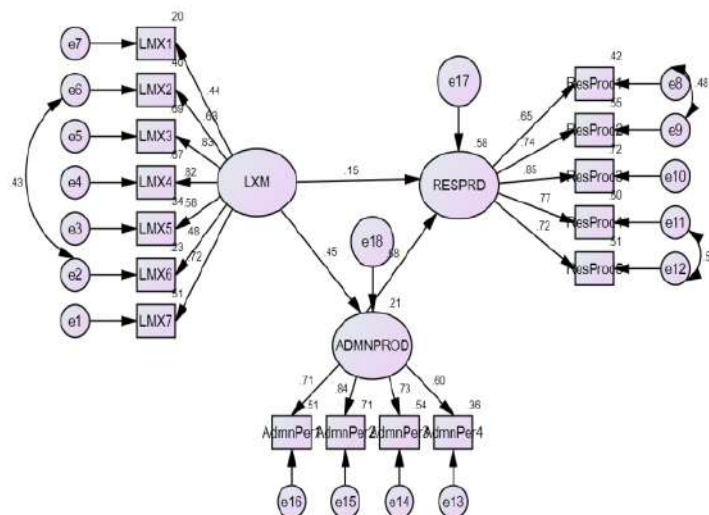
	LMX	ADMNPROD	RESPRD
ADMNPROD	.350	.000	.000
RESPRD	.125	.715	.000

Table 4: Indirect Effects

	LMX	ADMNPROD	RESPRD
ADMNPROD	.000	.000	.000
RESPRD	.250	.000	.000

Table 5: Regression Coefficients of LMX alone and with ADMNPER (With and without Mediating Variable)

Model (Research Productivity as Dependent)	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Model 1 (Constant)	12.893	1.624		7.937	.000
LMX	.241	.060	.401	4.009	.000
Model2 (With MV) Constant	2.146	2.043		1.051	.297
LMX	.086	.053	.142	1.603	.113
ADMNPERF	.876	.128	.608	6.841	.000

Figure 1

The second part of our research is about examining the effects of leader-member relationships (LMX) on teaching performance of the faculty members. As stated before, this research set out to check if LMX theory is valid in respect of Teaching Performance of the faculty also, since the expectation is that LMX influences the performance of the members on all important performance parameters; teaching is an important, and critical parameter which is integral to the reputation of an educational institution.

So, to go ahead with our second part of research, regression analysis was first run with Teaching Performance as a dependent variable and LMX as a single independent variable. It was immediately followed by another regression analysis with Teaching Performance as the dependent variable and LMX and Administrative Performance as independent variables. The results are presented in Table # 8. It shows that LMX significantly predicted Teaching Performance ($B = 0.151$, $t = 3.249$, $p = 0.002$); Teaching Performance explained 11.2% of the variance in the dependent variable ($R^2 = 0.112$, $F = 10.558$, $p = 0.000$).

We further checked to see with the second regression analysis, if the predictive power of LMX comes from itself or from any other variable, and so added Administrative Power as one more independent variable with LMX. These predictors explained 32.1% of the variance ($\text{Adj. } R^2 = 0.321$, $F = 21.095$, $p = 0.000$). In conjunction with Administrative Performance as another variable, LMX turned out to be an insignificant predictor ($B = 0.050$,

$t = 1.126$, $p = 0.263$). But Administrative Performance predicted Teaching Performance significantly ($B = 0.568$, $t = 5.311$, $p = 0.000$). This demonstrates that the predictive power of LMX as a single independent variable has not come from itself, and in fact, it was mediated by Administrative Performance. Regression Weights from SEM analysis (Table # 5) too show that Regression weight of LMX on Teacher Performance (B) is 0.049 ($C. R. = 0.521$, $p = 0.602$, n. s.), on Administrative Performance (B) = 0.325 ($C. R. = 3.054$, $p = 0.002$), and Administrative Performance on Teacher Performance (B) = 0.750 ($C. R. = 3.864$, $p = 0.000$). Indirect effect of LMX on Teaching Performance is denoted by its regression weight, $B = 0.244$, which obviously has its source in the direct effect of Administrative Performance. Table # 6 shows that the direct effect of Administrative Performance on Teaching Performance is 0.750, which is huge. The saving grace is that LMX predicts Administrative Performance ($B = 0.325$), although it cannot directly affect Teaching Performance and Research Performance of the faculty members. Figure # 2 shows the Path Diagram of SEM with standardized coefficients.

Table 6: Regression Weights

	Estimate	S.E.	C.R.	P	Label
ADMNPROD <--- LMX	.325	.107	3.054	.002	par_15
TEACHERPER <--- LMX	.049	.095	.521	.602	par_14
TEACHERPER <--- ADMNPROD	.750	.194	3.864	***	par_16

Table 7: Direct Effects

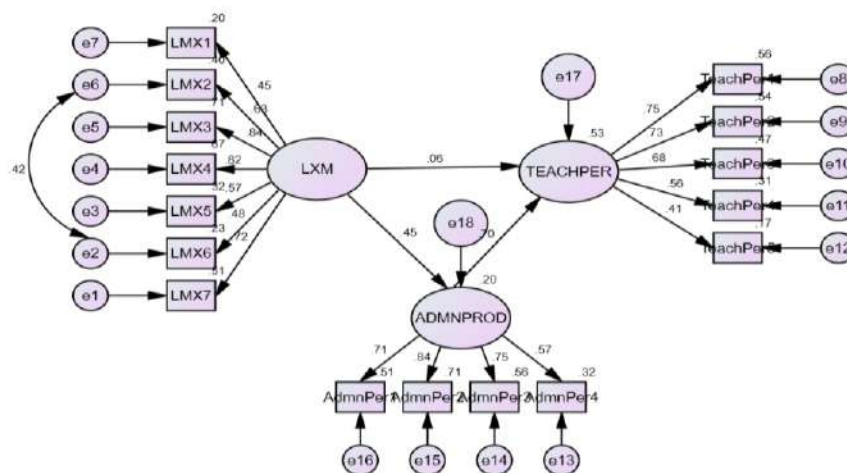
	LMX	ADMNPROD	TEACHERPER
ADMNPROD	.325	.000	.000
TEACHERPER	.049	.750	.000

Table 8: Indirect Effects

	LMX	ADMNPROD	TEACHERPER
ADMNPROD	.000	.000	.000
TEACHERPER	.244	.000	.000

Table 9: Regression Coefficients with and without Moderating Variable

Teacher Performance as DV	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Model 1 (Constant)	17.367	1.256		13.826	.000
LMX	.151	.046	.334	3.249	.002
Model 2 With MV Constant	10.397	1.707		6.091	.000
LMX	.050	.045	.111	1.126	.263
ADMNPERF	.568	.107	.524	5.311	.000

Figure 2

5. Conclusion

It is found from this research that in higher education institutions, leader-member relationships (LMX) impact only administrative performance consisting of syllabus completion, student evaluation etc. only. It does not impact the critical performance parameters, i. e. Research Productivity and Teaching Performance of the faculty members. To this extent, LMX theory is repudiated. But, fortunately, a part of the theory is validated, since leader-members relationships significantly predict administrative performance, and administrative performance plays a mediating role in improving research productivity and teaching performance.

Leader-Member Relations need not contribute to the superior performance of the members on all critical parameters, but only a few. Leaders should not depend too heavily on relationship building with members, which is of course important, but not a panacea. Educational institution promoters should not expect their second level leaders, called Heads of the Departments, to facilitate the performance of the faculty members.

Limitations

These findings have certain limitations which prevent them from being generalized across the domains. Importantly, the sample is too small. The data was collected from Hyderabad alone, and so physical coverage is limited. More specifically, engineering colleges, which are in huge numbers in this region, were not included in the sample. So, the sample is not representative of the universe of educational

institutions.

Scope for further research

On a large sample size covering a cross-section of geographies and disciplines, another phase of research, as sequel to this, is worth attempting. The influence of type of managements, type of disciplines, and location and length of institution's standing etc on LMX and faculty performance should be checked.

Summary

LMX is not found to affect research productivity and teaching performance of faculty members, but it predicts administrative performance of them. Administrative Performance acts a mediator between LMX on one side and Research Productivity and Teaching Performance on the other. The research suffers from certain representative limitations.

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The Circular Economy - A Road to Sustainability

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Key Words:

*Circular Economy,
Linear Economy,
Sustainable Development,
Recycling,
Reusing*

Abstract:

The need for a new economic model is growing louder as global volatility rises and warnings of resource depletion proliferate. The typical linear economic model often fails to create sustainable businesses and creates wastages. The organizations mine the raw materials that are processed into products and then discarded. Today's world requires sustainable methods that do not deplete the planet's finite resources. The answer to all odds of the linear economy is the circular economy, which aims at eliminating waste and the continual use of resources. Most organizations today operate in the linear economy which is based on a "Take, Make and Dispose" Model, whereas the circular economy is based on the "Make, Use and Return" Model. In a circular economy, sustainability is viewed differently than in a linear economy. In a linear economy, the emphasis is on eco-efficiency when working on sustainability. Sustainability is pursued in a circular economy through strengthening the system's eco-effectiveness. This is a conceptual paper based on secondary research which focuses on the discussion related to the relationship between circular economy and sustainable development, and how it is a roadmap for organizations to improvise on their products or services. The conclusions being several big brands are turning towards the Circular Economy model.

It is an economic model in which planning, resourcing, procurement, manufacturing, and reprocessing, are designed and managed to maximise ecological functioning and human well-being.

1. Introduction

Sustainable development entails making the world a better place for everyone now without jeopardising future opportunities. We must keep three things in mind while thinking about sustainable development: climate and environment, economic development, and social progress. There is a need for more sustainable socio-technical systems. The earth's life-support systems are being disrupted by most environmental challenges such as water, air, and soil pollution, resource depletion, biodiversity loss, and disproportionate land use (Rockstrom et al., 2009; Meadows et al., 2004). Due to a number of issues, such as high unemployment, bad working conditions, social vulnerability, the poverty trap, inter- and intra - generational equity, and rising inequalities, our society's expectations are not being achieved (Banerjee and Duflo, 2011; Sen, 2001). Nature is the source of almost everything we

create, purchase, and trade. We will be more sustainable if we use our natural resources wisely and build better systems for equitable distribution. Being more conscious of what we buy and how it is made is one approach to be more sustainable. Economic issues, such as supply risk, problematic ownership structures, deregulated markets, and flawed incentive structures lead to increasingly frequent financial and economic instabilities for individual companies and entire economies (Sachs, 2015; Jackson, 2009).

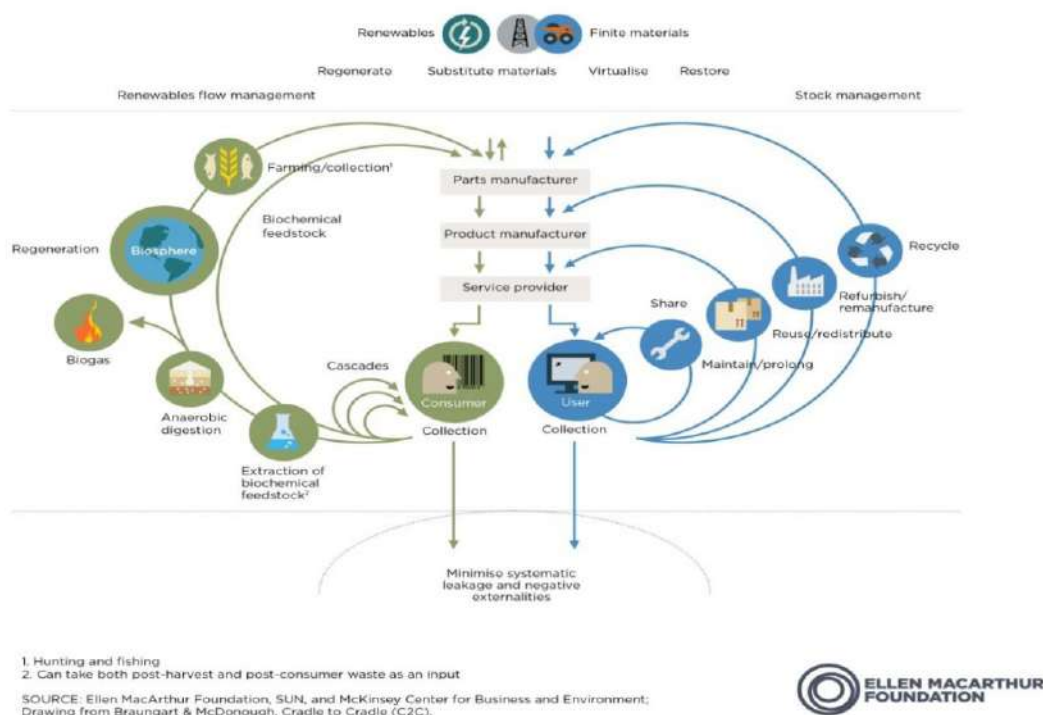
Humans, like water, the sun, and the forest, are part of nature, but we are also significant resources for the world. We have minds capable of creating the most bizarre and innovative things, but first we must be the best versions of ourselves, which requires certain elements to be in place, such as equal access to education, food, safety, and medicines. This provides greater opportunities for us as human beings but also for

the planet. These three (Climate & Environment, Economic Development and Social Progress) must work together for sustainable development.

Furthermore, in order to address challenges of sustainability, the concept of the Circular Economy has recently acquired traction on

policymakers' agendas. Even academic research has begun to focus on the Circular Economy. Companies are becoming more aware of the potential given by the Circular Economy and have begun to recognise its value for themselves and their stakeholders.

Figure 1: The Circular Economy – an industrial system that is restorative by design



Source: <https://www.ellenmacarthurfoundation.org/assets/downloads/publications/ Ellen-MacArthur-Foundation-Towards-the-Circular-Economy-vol.1.pdf>

The drive to shift the material composition of consumables from technical to biological nutrients, and to have those cascade through different applications before extracting valuable feedstock and finally reintroducing their nutrients into the biosphere, completes the restorative circular economy's core principles. Figure 1 illustrates how technological and biological nutrient-based products and materials cycle through the economic system, each with their own set of characteristics (EMAF, 2013). The circular economy is a concept presently promoted by the EU, by several national governments including Japan, China, France, UK, Canada, Sweden, The Netherlands and Finland as well as by a number of businesses around the world. The European Commission recently estimated that circular economy kind of

transitions can create 600 Billion Euros annual economic gains for the EU manufacturing sector alone (EMAF, 2013; COM, 2014, CIRAIG, 2015 and COM, 2015). China is the first country in the world, to adopt a law for the circular economy in 2008 (CIRAIG, 2015). A circular economy is an approach to economic growth that is aligned with sustainable environmental and economic development (EMAF et al., 2015; EMAF, 2013; EMAF, 2012; CIRAIG, 2015; COM, 2015; COM, 2014).

Objectives

This research paper aims to contribute a conceptual clarity on two objectives i.e., to find the relationship between circular economy and sustainable development, and to study the roadmap for the organizations to improvise on

their products or services keeping the circular economy and sustainable development in view.

2. Methodology

This research paper is a conceptual framework based on secondary sources of data, including books, magazines, journals, websites, blogs and forums of various relevant authorities, etc.

3. Review of Literature

A circular economy is the polar opposite of a linear economy. A linear economy is one in which natural resources are transformed into trash through output. This waste production causes environmental degradation in two ways: by removing natural capital from the environment and by reducing the value of natural capital due to pollution from waste. This is a one-way system and an economy based on such a system has been referred to as a cowboy economy by Boulding (1966).

By circular, an economy is anticipated to have no net influence on the environment; rather, it reverses any damage done in the acquisition of resources while ensuring that little waste is generated throughout the manufacturing process and product life cycle.

The term circular has another meaning, which relates to the concept of the cycle. There are two cycles: the biogeochemical cycles and the idea of recycling of products.

The Biogeochemical Cycles

A biogeochemical cycle is the process through which an element—or a compound like water—moves between its different living and non-living forms and locations in the biosphere. The water, carbon, nitrogen, phosphorus, and sulphur cycles are all significant biogeochemical cycles for living organisms. On the earth, many basic molecules and atoms go through cycles. Water, for example, is a basic yet essential life cycle: water evaporates from the oceans, creates rain clouds, falls on the land as rain, courses into rivers, and eventually returns to the ocean. There are numerous such cycles throughout the world. The amount of time it takes to finish a cycle lap varies. (Murray 1992).

Recycling

The process of converting waste resources into new materials and things is known as recycling. For many years, recycling has been an important aspect of sustainable behaviour, and it is central to the Circular Economy. Resource cycling is inextricably tied to the Circular Economy. These concepts are extended further in industrial symbiosis, where companies use each other's

garbage as a resource, and in the service economy, where effort is done to slow down use cycles and delay trash output. The rate of replacement is reduced and hence resource utilisation is lowered by enhancing the lifespan of items through better manufacturing and maintenance. Thus the 'waste-as-food concept', wherein unwanted outputs of one industrial process are used as raw materials in another industrial process, and the three R's of Reduce, Reuse, and Recycle have become central to the concept of the Circular Economy.

The Origin of the term

The origin of the term 'Circular Economy' itself is debated. Certainly, the idea behind a circular economy has existed for a long time. As early as 1848, Hofman, the first President of the Royal Society of Chemistry, stated “...in an ideal chemical factory there is, strictly speaking, no waste but only products. The better a real factory makes use of its waste, the closer it gets to its ideal, the bigger is the profit” (Lancaster 2002).

Yuan et al. (2006) claim the first use of a circular economy concept was in China and occurred in an unreferenced 1998 paper by Zhu, inspired by German and Swedish loop-closing, and arising from the Industrial Ecology paradigm which models industrial processes using the flow of material and energy through them. The inclusion of Sweden is interesting here, as most literature attributes the inspirations as stemming from Germany and Japan.

Pearce and Turner (1990) claim that the term 'circular economy' was first used in western literature in the 1980s, to describe a closed system of economy-environment interactions. It was Stahel and Reday-Mulvey (1976) who first referred to a closed-loop economy. Stahel's idea of improved durability actually was drawn directly from Boulding (1966, p. 12) who wrote: “I suspect that we have underestimated, even in our spendthrift society, the gains of increased durability”. Another interesting claim for early use is by Robert (1991, p. 1) who stated: “Most environmental problems are based on the same systemic error, linear processing of the material. Until resources are processed in cycles, either by society or by biogeochemical processes, the global economy and public health will continue to deteriorate”.

The term 'Circular Economy' has therefore been linked with a range of meanings and associations by different authors, but what they generally have in common is the concept of a

cyclical closed-loop system.

The relationship between Circular Economy to Sustainable Development

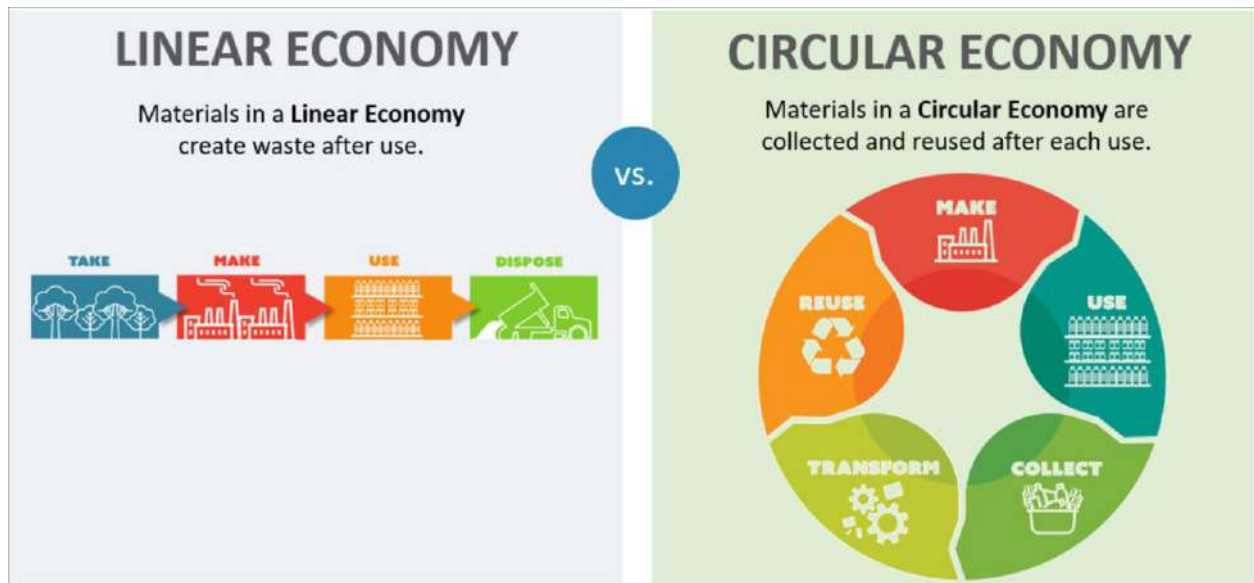
The importance of considering a business entity as part of a larger system of stakeholders and the environment in which it operates has long been debated in the business literature (Pauchant and Mitroff 1990; Mason and Mitroff 1981; Hester and Adams 2014). Moreover, the need to consider the role of wider systems in business and accounting decisions has become prevalent within environmental management and sustainability reporting (Gray 2002; Gray and Bebbington 2001). The widely accepted Brundtland definition of sustainable development as development which meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED 1987, p. 43) has the underpinning assumption that resources are not finite and have to be managed to sustain future generations. This is also recognized within the definition of the Circular Economy: The model of a linear economy, in which it is assumed that there is an unlimited supply of natural resources and that the environment has an unlimited capacity to absorb waste and pollution, is dismissed.

Instead, a circular economy is proposed, in which the throughput of energy and raw materials is reduced (Cooper 1999a, b, p. 10). In its most basic form, a circular economy can be loosely defined as one which balances economic development with environmental and resource protection (UNEP 2006) and in this form, it appears to be inseparable from industrial ecology, and close to the three pillars (economic, environmental and social) of sustainable development, although we critique the social aspect below. However, the uniqueness of the Circular Economy comes from two interconnected ideas, the closed-loop economy and 'design to re-design thinking'. The UNEP report proposes that the Circular Economy has characteristics such as "low energy consumption," "low pollution emissions," and "high efficiency," and uses it as a generic word for an industrial economy that is restorative by design or intention, and in which material flows are of two types — those which are biological nutrients, designed to re-enter the biosphere safely, and technical nutrients, which are designed to circulate at high quality without entering the biosphere. The aims are to 'design

out' waste, return nutrients, and recycle durables, using renewable energy to power the economy (UNEP 2006).

The term 'restorative' is significant since the Circular Economy isn't just a pollution-prevention strategy; it also strives to repair earlier damage by developing better processes inside the industry's unit. Drawing on concepts such as 'cradle-to cradle', where the industry operates with no impact upon the environment by being waste-free (McDonough 2002); biomimetic, wherein the structure and function of natural systems inform industrial processes; and industrial ecology, the Circular Economy focuses on optimizing systems rather than components. Furthermore, it goes beyond traditional notions of sustainability by focusing on the positive restoration of the environment within the industry (Nakajima 2000; Pitt 2011; Cooper 1999a, b). Its concept of redesigning systems of manufacture and service supply focuses on achieving value from such redesign rather than simply improving resource utilization.

A truly circular economy would demonstrate new concepts of system, economy, value, production, and consumption (Wu 2005), leading to the sustainable development of the economy, environment and society (Wu 2005; Shen 2007). The ultimate objective of this approach would be to achieve the decoupling of economic growth from natural resource depletion and environmental degradation (Liu et al. 2009; Xue et al. 2010). As such, the Circular Economy might be thought of as a general term covering all activities that reduce, reuse, and recycle materials in production, distribution, and consumption processes (Cooper 1999a, b). Feng et al. (2007) describe the Circular Economy is an economic development model based on the ecological circulation of natural materials, which necessitates adherence to environmental rules and efficient use of natural resources in order to achieve economic development. Feng (2004) explains that there is a resource—product—renewable resource feedback loop, and business can reach the ultimate goals of optimum production, optimised consumption, and minimal waste. Huet al. (2011) stress that the focus of the Circular Economy is on resource productivity and eco-efficiency improvement, and they adopt the 4R approach: reduce, reuse, recycle, and recover.

Figure 2. Linear Economy v/s Circular Economy

Source: <https://hi-cone.com/2020/08/the-total-cost-of-consumption/>

Advantages of a Circular Economy

- 1. Economic Growth:** Increased income from cycle activities and cost reductions through greater resource utilisation may be achieved to generate economic growth, which is commonly quantified by GDP. These shifts in input and output have a cascading impact across the economy, contributing to total economic growth.
- 2. Lower Carbon Dioxide emissions:** A transition to the circular economy might cut carbon dioxide emissions in the UK by half compared to current levels. Furthermore, by keeping organic waste out of landfills, the UK can reduce greenhouse gas emissions by a staggering 7,400,000 tonnes each year.
- 3. Land productivity and soil health:** Increased land productivity decreased food waste, and the return of nutrients to the soil increased the value of the land and soil as assets. Returning biological components to the soil will also lessen the need for additional fertilisers to be added to the soil.
- 4. Improved customer interaction and enhanced loyalty:** As the number of touch points increases over the life of a product, new business models such as rents or lease contracts develop a deeper and longer-term engagement. This business model provides organisations with unique insights about usage patterns, which can lead to better service and more customer engagement.

Roadmap for Organization – Circular Economy & Sustainability

The linear economy, which is built on a 'take, make, and dispose' model, is used by the most of businesses. A light bulb manufacturer, for example, uses resources such as glass or metal to create its products. The company manufactures the bulb and sells it to customers. The light bulb is used by the consumer and then discarded when it burns out. In the linear economy, a light bulb firm strives to buy materials at the lowest possible cost and sell as many bulbs as possible to make money. This model acts as though the world's resources, such as glass or metal, are endless. In fact, however, this is not the case. As a result, the circular economy sees materials as finite resources. In the circular economy, a company not only recycles things, but also maintains ownership of them throughout the process. As a result, the model is founded on the 'make, use, and return' model. In line with the previous scenario, a London office leases its lighting from Philips Lighting. It signed a 15-year lease for the service and pays quarterly payments. Philips owns the light bulbs themselves and provides free maintenance and replacements as necessary. This provides Philips with an incentive to develop energy-efficient light bulbs, as well as saving the office

money on fixed lighting expenditures. It's completely a different business model that makes companies more like service providers than sellers of a physical product.

H&M, one of the world's leading apparel retailers, is working on a 100 per cent circular strategy. In its stores, the organisation collects and recycles old garments. H&M has collected almost 55,000 tonnes of fabric for reuse in new garments since 2013.

In October, the fast-food company, Burger King made headlines when it announced that it will be testing reusable packaging in collaboration with TerraCycle's Loop initiative. Burger King will test recyclable containers for sandwiches and drinks at select locations in New York, Portland, and Tokyo in 2021. Customers who request reusable packaging will be charged a deposit, which will be refunded after the cups and boxes are returned to in-restaurant collection stations, where they will be sterilised and reused. Burger King's objective is to source all packaging from renewable, recyclable, or certified sources by 2025, and it follows rival McDonald's decision to test reusable cups in the UK.

Nike never sacrifices performance for a more sustainable product; in fact, they believe that doing so is the most effective way to destroy the sustainability movement, thus their products must perform at the best level possible. One of the most popular running shoes in history of Nike is Pegasus running shoe. This shoe was created utilising design concepts, which the designers were required to incorporate throughout the entire development of the shoe. The concept is that every step of the shoe's life is based on these principles in order to create a product with low environmental impact. Nike employs some of the world's most brilliant innovators. Pegasus employs environmentally preferred rubber and water-based adhesives instead of standard glues to glue the midsoles, and there is a cutting pattern on the top that maximises the use of materials and wastes as little as possible. Nike offers a shoe recycling initiative that has resulted in the recycling of over 23 million pairs of shoes. Those shoes are chopped up and the different materials can be used for sports surfaces.

Nike shirts are made from recycled bottles that are chopped into flakes, melted into yarn, and then woven into fabric, which is subsequently used on these shirts. Nike collected 13 million plastic bottles from waste when designing shirts

for the World Cup. Nike sponsors 28 million plastic bottles for Manchester United, Arsenal, and all other teams.

Textile industry consumes a lot of water and chemicals and generates a lot of toxic waste, which is a big problem in countries like China, India, Bangladesh, Vietnam, and Thailand. However, DyeCoo, a Dutch company, has devised a method of dyeing cloth that requires no water and no chemicals other than the dyes themselves. It employs supercritical carbon dioxide, which is midway between a liquid and a gas and dissolves the dye and transports it deep into the fabric. After that, the carbon dioxide evaporates and is recycled and reused. The material absorbs 98 per cent of the dye, resulting in brilliant colours. Because the cloth does not need to dry, the procedure takes half as long, consumes half as much energy, and costs half as much. Major brands such as Nike and IKEA have already partnered with the company.

India recycles or reuses 90 per cent of all PET and has one of the highest plastic recycling rates in the world. India is also improving electronic recycling, where more than 700 electronics producers have signed for e-waste 'Extended Producer's Responsibility' (ERP) authorization. Car-sharing firms have helped generate thousands of new jobs and reduce congestion in major cities.

4. Conclusion

The circular economy is more than a marketing term. By 2030, the world population is expected to reach 9 billion people, putting a strain on the planet's resources. Our future hinges on our ability to reuse what we already have in a sustainable manner. Fortunately, one resource that is limitless is innovation, and many businesses are coming up with innovative ways to reduce, reuse, and recycle waste. The circular economy concept is now being advocated by the EU, a number of national governments, and a number of business organisations all around the world. The concept was primarily developed by practitioners, corporate leaders, and policymakers. A sustainable future for humanity will necessitate system-based thinking that considers society, the environment, and economics in equal measure. If we are to regain a balanced existence with the rest of the biosphere, these pillars of sustainability must be re-knitted together. The three pillars of sustainability (social, economic, and environmental) is the least developed in most

Circular Economy conceptualisations and applications, despite the fact that the social, with an emphasis on intra and intergenerational equity, is just as much underpinned by ethical concepts as the environmental, concerning the moral imperative of business to sustain the natural environment.

In many developing countries, the amount of waste produced is outpacing the capacity to handle it. They require systematic solutions to cope with this problem, from trash avoidance through reuse, in addition to improving collection and reducing waste volume. The Circular Economy is an economic model in which planning, resourcing, procurement, manufacturing, and reprocessing, as both a process and an output, are designed and managed to maximise ecological functioning and human well-being.

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A Study on Comparative Analysis of Tax Structure Prevailing in India and Sri Lanka with Reference to Retail Textile Marketing

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Key Words:

Tax system of India,
Sri Lanka Tax Structure

Abstract:

The Taxes are levied by governments on their citizens to generate the income to boost the economy for its development hence the major source of revenue for the government is tax. The Indian tax system primarily divided in to two. One is direct tax and second is indirect tax. Adoption of tax system is the only tool to achieve economic growth and development for long more years. Indian direct tax system further classified into income tax and wealth tax. Indirect tax structure subsumed as single tax nature known as GST. There is a drastic change made between Pre GST and Post GST Era. All central and states indirect tax systems are subsumed as single tax to eradicate cascading effects. The Democratic Socialist Republic Country and an Island located in the Indian ocean to southwest of the Bay of Bengal and in south Asia is Sri Lanka. The tax system which are adopted by them are classified as Corporate tax, Income tax, Indirect tax commonly known as VAT, Personal Tax and Other taxes like Customs duty, Excise duty, Stamp duty, Cess, Property Transfer tax etc.

The main objectives of this study includes To know the different Present tax structure following by India & Sri Lanka, To know the impact of tax implementation for textile business in these countries, To Know the recent trends adopted in tax system by both India and Sri Lanka, To know the comparison between Indian tax structure with Sri Lanka's tax system of retail textile business, To study the benefits and effects of tax systems in respective countries and To provide the conclusion on best tax system following by these two countries.

History of India

One of the world's oldest civilizations is Indus valley Civilization which was flourished during the 3rd and 2nd millennia B.C. the earlier Dravidian inhabitants created the classical Indian culture. The Maurya Empire reached its zenith under Ashoka - united much of South Asia. The Golden Age ushered in by the Gupta dynasty saw a flowering of Indian science, art, and culture. Islam spread across the subcontinent over a period of 700 years. In the 10th and 11th centuries, Turks and Afghans invaded India and established the Delhi Sultanate. In 16th century, the Emperor BABUR established the Mughal Dynasty, ruled India for more than three centuries. European explorers began establishing footholds in India during the 16th century.

History of Sri Lanka

The first Sinhalese arrived in Sri Lanka late in the 6th century B.C from northern India. Buddhism was introduced probably in 250 B.C., and the first kingdoms developed in the cities of Anuradhapura and Polonnaruwa. In the 14th century, a south Indian dynasty established a

Tamil kingdom in northern Sri Lanka and the Portuguese controlled the coastal areas of the island in the 16th century followed by the Dutch. The island was ceded to the British in 1796, became a crown colony in 1802, and was formally united under British rule by 1815. As Ceylon, it became independent in 1948; its name was changed to Sri Lanka in 1972. Prevailing tensions between the Sinhalese majority and Tamil separatists erupted into war in July 1983. Fighting between the government and Liberation Tigers of Tamil Eelam (LTTE) continued for over a quarter century. Although Norway brokered peace negotiations that led to a ceasefire in 2002, the fighting slowly resumed and was again in full force by 2006. The government defeated the LTTE in May 2009.

1. Objectives of the Study:

1. To know the different Present tax structure following by India & Sri Lanka.
2. To know the impact of tax implementation for textile business in these countries.
3. To Know the recent trends adopted in tax system by both India and Sri Lanka.

4. To have the comparative study between Indian tax structure with Sri Lanka's tax system of retail textile business.
5. To study the benefits and effects of tax systems in respective countries.
6. To provide the conclusion on best tax system

following by these two countries.

2. Research Methodology:

Secondary source of data includes newspapers information, websites, journal and magazines with international tax reports and articles.

India and Sri Lanka

	India	Sri Lanka
Location	Southern Asia, bordering the Arabian Sea and the Bay of Bengal, between Burma and Pakistan	Southern Asia, island in the Indian Ocean, south of India
Geography	20 00 N, 77 00 E	7 00 N, 81 00 E
Population	1,296,834,042 (July 2018 est.)	22,576,592 (July 2018 est.)
Government type	Federal parliamentary republic	Presidential republic
Capital	New Delhi	Colombo
Legal system	Common law system based on The English model; separate personal law codes apply to Muslims, Christians, and Hindus; judicial review of legislative acts	Mixed legal system of Roman-Dutch civil Law, English common law, Jaffna Tamil customary law, and Muslim personal law
Budget	Revenues: 238.2 billion (2017 est.) Expenditures: 329 billion (2017 est.)	Revenues: 12.07 billion (2017 est.) Expenditures: 16.88 billion (2017 est.)
GDP (official exchange rate)	\$2.602 trillion (2017 est.)	\$87.35 billion (2017 est.)
Taxes and other revenues	9.2% (of GDP) (2017 est.)	13.8% (of GDP) (2017 est.)

Tax Structure Prevailing in India

Tax structure in India consists of three tier federal structure. It has central government, state governments, and local municipal bodies traces its origin to the prehistoric texts such as Arthashastra and Manusmriti. According to these manuscripts the taxes paid by farmers and artisans in that era would be in the form of agricultural produce, silver or gold. Based on these texts, the foundation of the modern tax system in India was emerged.

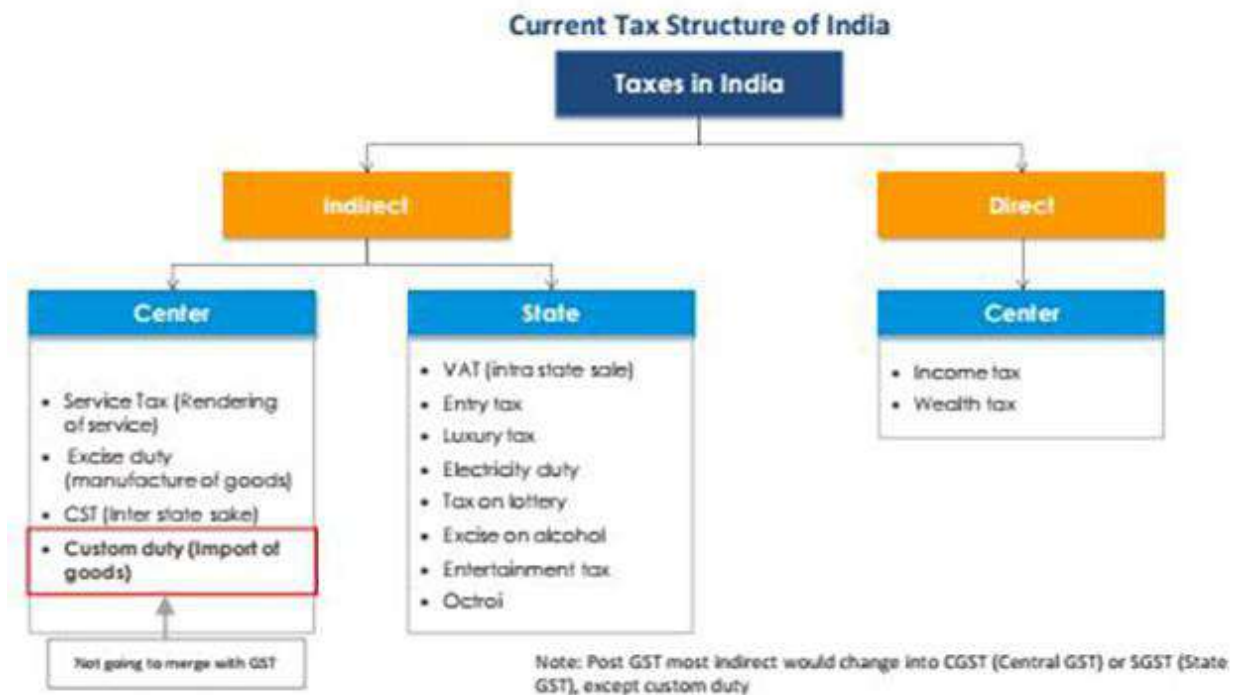
The tax system in India has complexity in

considering the length and breadth of India. Post GST implementation, which is one of the biggest tax reforms in India, the process has become easier. It subsumed all-inclusive indirect tax which has helped in eradicating the cascading effect of tax as a whole. It has led to upgraded the productivity of logistics. Taxes in India are levied by the Central Government and the State Governments. Some minor taxes are also levied by the local authorities such as the Municipality and the Local Governments.

The Central and State Governments have undertaken various policy reforms and process in simplifying the tax structure towards great predictability, fairness and automation. This has a drastic change which lead to India's meteoric rise to the top 100 in the World Bank's Ease of Doing Business (EoDB) ranking in 2018.

Types of Taxes

Taxes in India are classified in to two major categories namely direct and indirect taxes. The main difference between these two taxes are Direct taxes are paid by the assessee but Indirect taxes are levied on goods and services.



a) Direct taxes

Direct taxes are imposed on individuals and corporate entities which cannot be transferred to others. These include Income tax, Wealth tax, and Gift tax.

b) Indirect taxes

Indirect taxes are not directly paid by the assessee to the government authorities. These are levied or imposed on goods and services. Some important indirect taxes in India are:

Value Added Tax (VAT)

This is levied by the state government. Presently all states levy such tax. It is imposed on goods sold in the state and the rate is decided by the state governments.

Customs duty

Imported goods brought into the country are charged with customs duty which is levied by the Central Government.

Octroi

Goods that move from one state to another state are liable to octroi duty. This tax is levied by the respective state governments.

Excise duty

It is also known as Central Value Added Tax (CENVAT), the goods which are produced domestically are charged with excise duty. this is to be paid by the manufacturers.

Service Tax

The services which are provided domestically are charged with service tax. The tax is paid by all service providers unless specifically exempted by the Central Government.

Revenue Authorities

CBDT

The Central Board of Direct Taxes (CBDT) is a part of the Department of Revenue under the Ministry of Finance. This body provides inputs for policy and planning of direct taxes in India and is also responsible for administration of direct tax laws through the Income Tax Department.

CBEC

The Central Board of Excise and Customs (CBEC) is also a part of the Department of Revenue under the Ministry of Finance. It is the nodal national agency responsible for

administering customs, central excise duty and service tax in India.

CBIC

Under the GST regime, the CBEC has been renamed as the Central Board of Indirect Taxes & Customs (CBIC) post legislative approval. The CBIC would supervise the work of all its

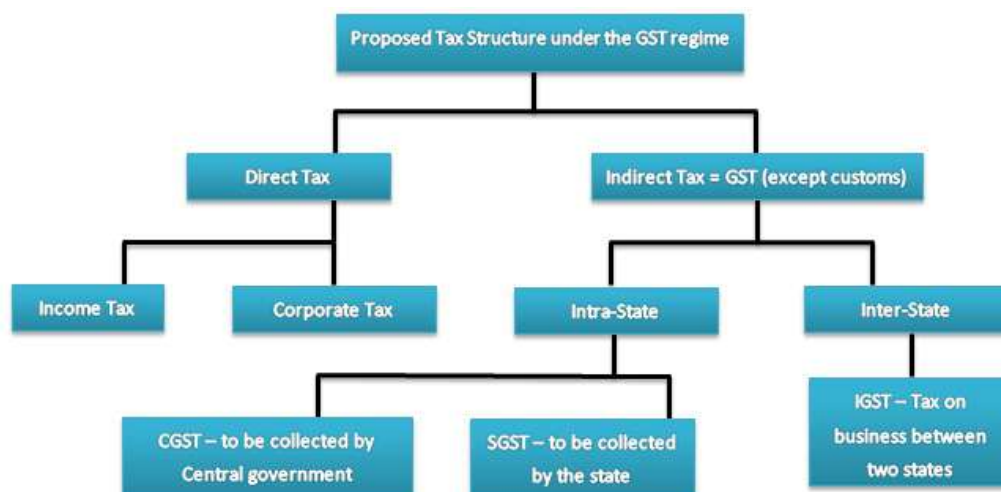
field formations and directorates and assist the government in policy making in relation to GST, continuing central excise levy and customs functions.

Goods and Service Tax (GST)



As a significant step towards the reform of indirect taxation in India, the Central Government has introduced the Goods and Service Tax (GST). GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the central and state governments. Merging of different central & state taxes into a single tax which would avoid double taxation and provide way for common national market. It has a major benefit in reducing overall tax burden on goods & services. India is following Canadian tax structure of GST.

The GST is a consumption based tax levied on the supply of Goods and Services which means it would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. GST can be termed as “One Tax, One Nation and One Market”.



GST will subsume many indirect taxes levied by the Central and State Governments. GST will be implemented through Central GST (CGST), Integrated GST (IGST) and State GST (SGST). Four laws (IGST, CGST, UTGST & GST

(Compensation to the States), Act) have received President assent. All the States & UT expected to pass State GST Act, by end of May 2017. GST law is expected to take effect from July 1, 2017



GST is perhaps the biggest tax-related reform in India in bringing uniformity in the taxation structure and eliminating the cascading of taxes that was levied in the past. The GST Council meets from time to time to revise the GST rates for various products. Several states and industries recommend reduction in GST tax rate for various items which are discussed in these meetings.

The rates of GST discussed in meetings are 5%, 12%, 18% and 28%.

GST stands for Goods and Services Tax. Following are the various **types of GST**.

- CGST – Central GST
- SGST – State GST
- IGST – Integrated GST

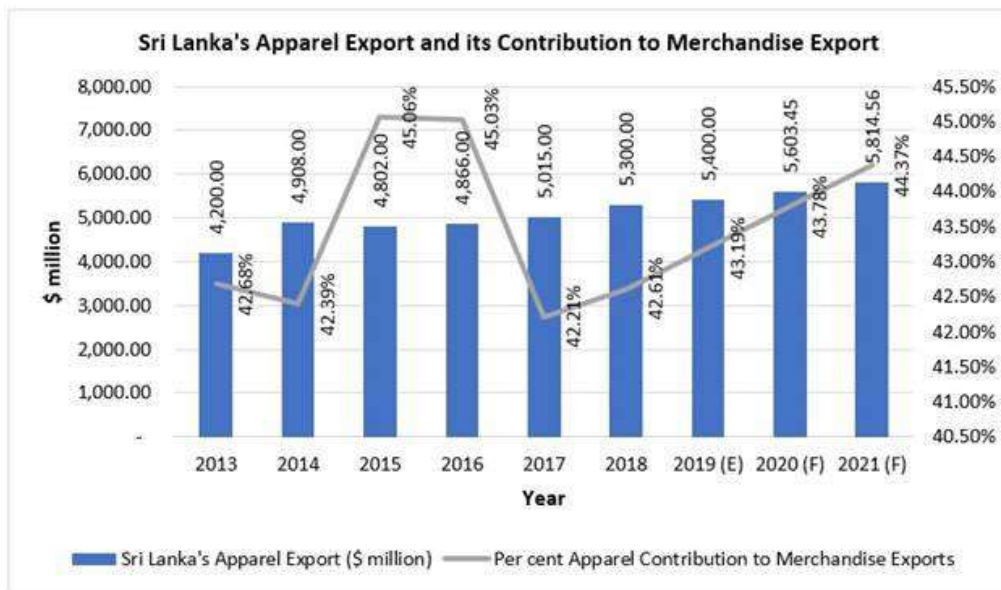
• **SGST:** It is collected by the state and union territories in case of an intra-state transaction. For example, when a good is both manufactured and sold within Gujarat, SGST will be levied by the Gujarat government.

• **CGST:** It is collected by the Central government in case of an intra-state transaction. In the above example, CGST will be levied, in addition to SGST, by the Central government.

• **IGST:** IGST or Integrated GST is levied by the Central government when the location of a supplier of the good/service and the place of consumption lie in different states. The IGST so collected is subsequently divided between the State and Centre.

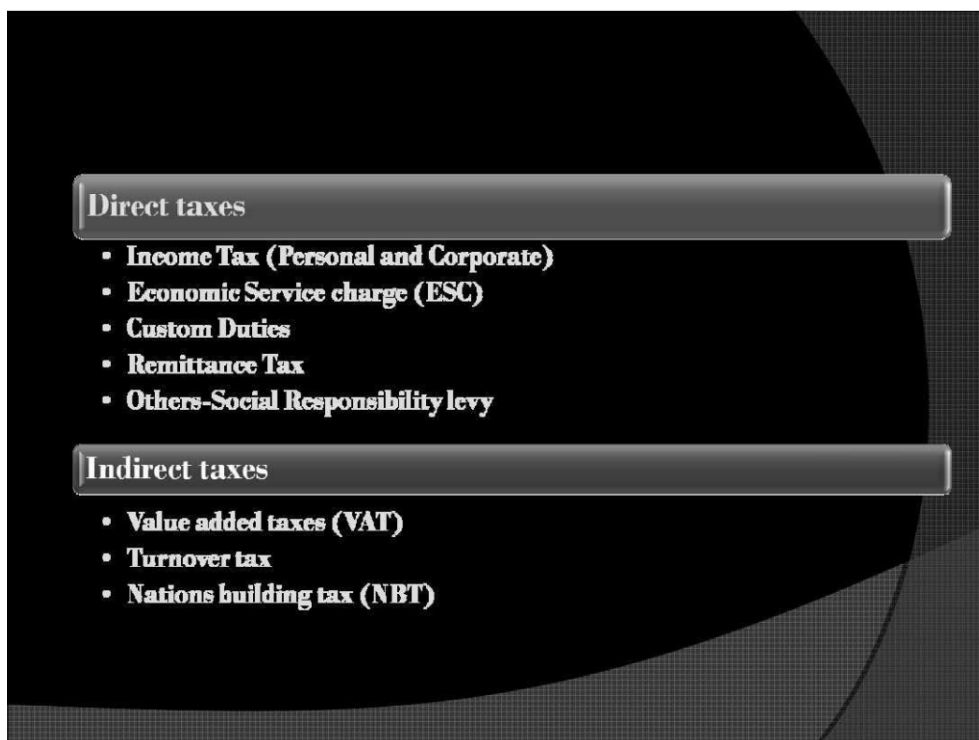
Tax Structure Prevailing in Sri Lanka

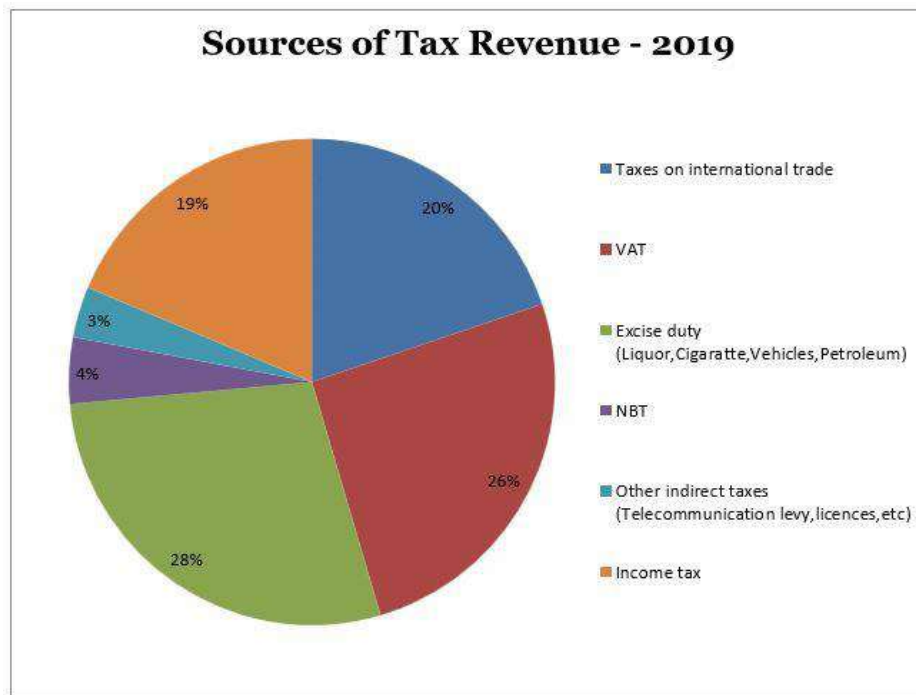
The Tax structure in Sri Lanka mainly deals with Excise duties, Value added tax, Income Tax and Tariffs. Tax revenue is a primary constituent of the government's fiscal policy. The Government of Sri Lanka imposes taxes mainly under two types in the forms of Direct taxes and Indirect taxes. As of 2018 CBSL report, taxes are the most important revenue source for the government, contributing **89% of the Revenue**. The tax revenue to GDP ratio is just about 11.6 percent as of 2018, which is one of the lowest rates among the upper-middle income earning countries. Presently, the government of Sri Lanka also face major challenges relating to the continuous budget deficits where government expenditures have exceeded the government tax revenue. Indirect taxes like Excise duties, VAT and tariffs are the major contributors of the tax revenue to the government with 74% while direct taxes including Income tax, Pay-as-you-earn tax and Economic Service Charge contribute only around 9%. The tax regime is expected to witness major changes following the 2019, Sri Lankan presidential election which took place on 16 November 2019. The Maithripala Sirisena led government also announced that the carbon tax will be removed with immediate effect as of 1 December 2019. In November 2019, newly elected President Gotabaya Rajapaksa approved mandate to abolish taxes such as PAYE, NBT, Withholding tax, Capital Gain tax, Bank Debit tax and to reduce VAT tax rate from 15% to 8%.



Taxes are generally categorized into the following types:

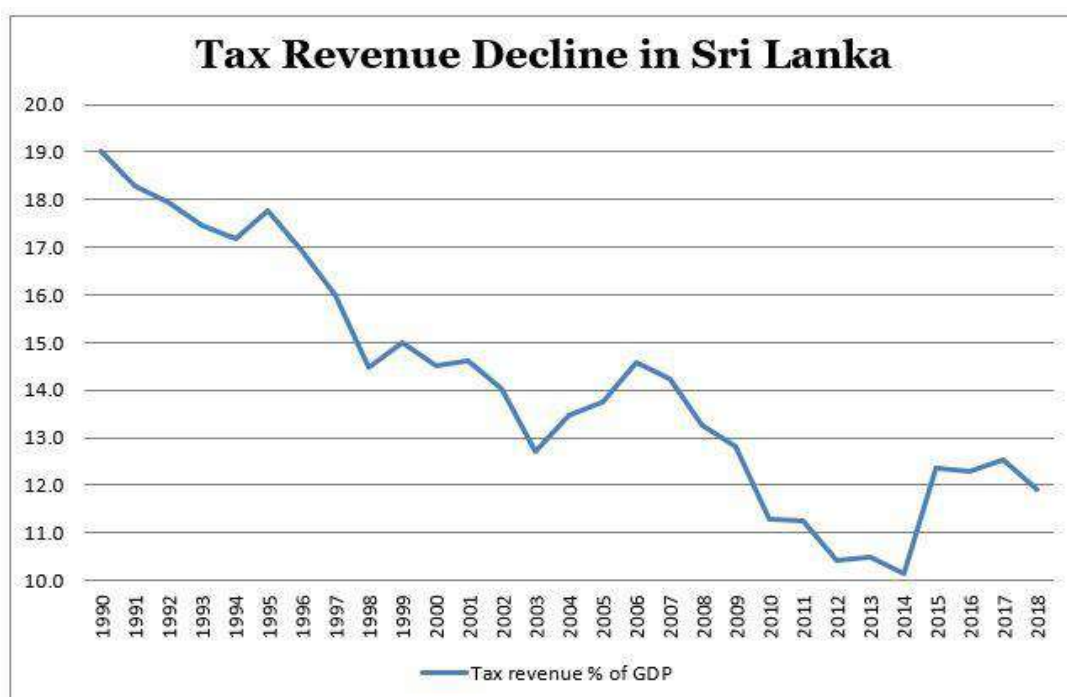
- Income tax
- Payroll tax
- Property tax
- Consumption tax
- Tariff (taxes on international trade)
- A fixed tax charged per person
- Fees and tolls
- Effective taxes, government policies that aren't explicitly taxes, but result in income to the government through losses to the public.





In Sri Lanka the taxes are levied by various regulatory authorities by virtue of the powers vested in them. This is the level of efficiency of the revenue administration, which determines the effectiveness of the revenue system. In the present context, with the declining tax ratio and the urgent need to increase government revenue, the effectiveness of the tax administration, its structures, systems and processes need thorough examination, its weaknesses identified and measures to rectify them and make the administrative system an efficient and effective

instrument of tax collection. Several measures have periodically been taken to remedy for these weaknesses and to improve the efficiency of the tax administrative system at Customs, Finance Ministry, and Inland Revenue. The 2017 Budget contains further proposals such as establishing a National Tax Council and Tax Ombudsman office, smart E-invoice devices for VAT and Excise, streamlining Customs procedures among others. However, there is still a long way to go; further measures are needed to improve revenue administration and co-ordination.



To stem the consistent fall of the tax revenue-to-GDP ratio in Sri Lanka, the government introduced a new Inland Revenue Act in 2017 with the major aims of increasing the income tax net, simplification of the tax system, and moving toward a more progressive taxation system. This Act came into effect in April 2018 and increases the general corporate tax rate to 28 percent in addition to the rationalization of tax exemptions provided for both corporate income and employment income. Due to this change, it is fair to assume that the revenue generated through income tax will increase considerably.

The Sri Lanka's taxation system is very regressive, like in most developing countries, and only about 20 percent of the tax revenue is generated through income tax. Almost 80 percent of the government revenue is generated through taxes on goods and services such value-added tax, custom duties, and excise duties. This

means that a large portion of the tax burden is borne by the common people, and those who are rich pay a relatively lower share of their income as taxes. The heavy reliance on taxes on external trade is largely due to the large informal sector of the Sri Lankan economy and a strong industry lobbying to keep up high levels of protectionism by imposing taxes on imports.

Current Tax Structure in Sri Lanka

The government would not change the current tax structure for the next five years Commissioner General Inland Revenue, Nadun Guruge said. He said that the Secretary to the President, Gotabaya Rajapaksa, Dr. P. B. Jayasundara, instructed that the current tax concessions that were offered should not be changed. "Due to these regular changes both foreign and local investors have second thoughts in investing in Sri Lanka and It even had a negative impact on exports."

TAX SYSTEM IN SRI LANKA

Taxes in Sri Lanka consist the following:

- **Income Tax**
 - Economic Service Charge
 - Partnership Tax
 - Social Responsibility Levy
- **Taxes on goods and services**
 - Value Added Tax
 - Excise Duty
 - Custom Duty
 - Turnover Tax
 - Ports and Airports Development Levy
 - Tourism Development Levy
- **Bank Debit Tax**
- **Stamp Duty**
- **Share Transaction Levy**
- **Betting and Gaming Levy**
- **There is no tax on capital gains, no gift tax and estate duty**

Constituents of Sri Lankan taxation receipts for the tax year 2018.

Personal income tax (16.0%)

1. VAT (24.0%)
2. Excise tax (25.0%)
3. Tariffs (16.0%)
4. Other taxes (19.0%)

Comparative Study of India and Sri Lanka Tax System Through Different Tax Treaties

A. Assistance in Collection of Tax:

① The Member States shall lend assistance to each other in the collection of revenue claims. The Competent Authorities of the Member

States may, by mutual agreement, settle the mode of application of this Article.

② The term "revenue claim" as used in this Article means an amount owed in respect of taxes covered by the Agreement together with interest, penalties and costs of collection or conservancy related to such amount.

③ When a revenue claim of a Member State is enforceable under the laws of that Member State and is owed by a person who, at that time, cannot, under the laws of that Member State, prevent its collection, that revenue claim shall, at the request of the Competent Authority of that

Member State, be accepted for purposes of collection by the Competent Authority of the other Member State, and that revenue claim shall be collected by that other Member State in accordance with the provisions of its laws applicable to the enforcement and collection of its own taxes as if the revenue claim were a revenue claim of that other Member State.

⤵ When a revenue claim of a Member State is a claim in respect of which that Member State may, under its law, take measures of conservancy with a view to ensure its collection, that revenue claim shall, at the request of the Competent Authority of that Member State, be accepted for purposes of taking measures of conservancy by the Competent Authority of the other Member State. That other Member State shall take measures of conservancy in respect of that revenue claim in accordance with the provisions of its laws as if the revenue claim were a revenue claim of that other Member State even if, at the time when such measures are applied, the revenue claim is not enforceable in the first-mentioned Member State or is owed by a person who has a right to prevent its collection.

⤵ The provisions of this Article shall be invoked on request of a Member State only after all permissible measures of recovery under the domestic laws of that Member State have been exhausted.

⤵ Notwithstanding the provisions of paragraphs 3 and 4, a revenue claim accepted by a Member State for purposes of paragraph 3 or 4 shall not, in that Member State, be subject to the time limits or accorded any priority applicable to a revenue claim under the laws of that Member State by reason of its nature as such. In addition, a revenue claim accepted by a Member State for the purposes of paragraph 3 or 4 shall not, in that Member State, have any priority applicable to that revenue claim under the laws of the other Member State.

⤵ Proceedings with respect to the existence, validity or the amount of a revenue claim of a Member State shall only be brought before the courts or administrative bodies of that Member State. Nothing in this Article shall be construed as creating or providing any right to such proceedings before any court or administrative body of the other Member State.

⤵ Where, at any time after a request has been made by a Member State under paragraph 3 or 4 and before the other Member State has collected and remitted the relevant revenue claim to the

first-mentioned Member State, the relevant revenue claim ceases to be:

(a) in the case of a request under paragraph 3, a revenue claim of the first-mentioned Member State that is enforceable under the laws of that Member State and is owed by a person who, at that time, cannot, under the laws of that Member State, prevent its collection, or

(b) in the case of a request under paragraph 4, a revenue claim of the first-mentioned Member State in respect of which that Member State may, under its laws, take measures of conservancy with a view to ensure its collection. The Competent Authority of the first-mentioned Member State shall promptly notify the Competent Authority of the other Member State of that fact and, at the option of the other Member State, the first-mentioned Member State shall either suspend or withdraw its request.

⤵ In no case shall the provisions of this Article be construed so as to impose on a Member State the obligation:

(a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Member State.

(b) to carry out measures which would be contrary to public policy.

(c) to provide assistance if the other Member State has not pursued all reasonable measures of collection or conservancy, as the case may be, available under its laws or administrative practices.

(d) to provide assistance in those cases where the administrative burden for that Member State is clearly disproportionate to the benefit to be derived by the other Member State.

B. Methods for Elimination of Double Taxation

⤵ The laws in force in either of the Contracting States shall continue to govern the taxation of income in the respective Contracting States except when any provision to the contrary is made in this Agreement. When income is subject to tax in both Contracting States, relief from double taxation shall be given in accordance with the following paragraphs of this Article.

In India:

(a) Where a resident of India derives income which, in accordance with the provisions of this Agreement, may be taxed in Sri Lanka, India shall allow as a deduction from the tax on the

income of that resident, an amount equal to the tax paid in Sri Lanka. Such deduction shall not, however, exceed that portion of the tax as computed before the deduction is given, which is attributable, as the case may be, to the income which may be taxed in Sri Lanka.

(b) Where in accordance with any provision of the Agreement income derived by a resident of India is exempt from tax in India, India may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.

In Sri Lanka:

(a) Where a resident of Sri Lanka derives income which, in accordance with the provisions of this Agreement, may be taxed in India, Sri Lanka shall allow as a deduction from the tax on the income of that resident, an amount equal to the tax paid in India. Such deduction shall not, however, exceed that portion of the tax as computed before the deduction is given, which is attributable, as the case may be, to the income which may be taxed in India.

(b) Where in accordance with any provision of the Agreement, income derived by a resident of Sri Lanka is exempt from tax in Sri Lanka, Sri Lanka may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.

C. Taxes Covered

⊗ This Agreement shall apply to taxes on income imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

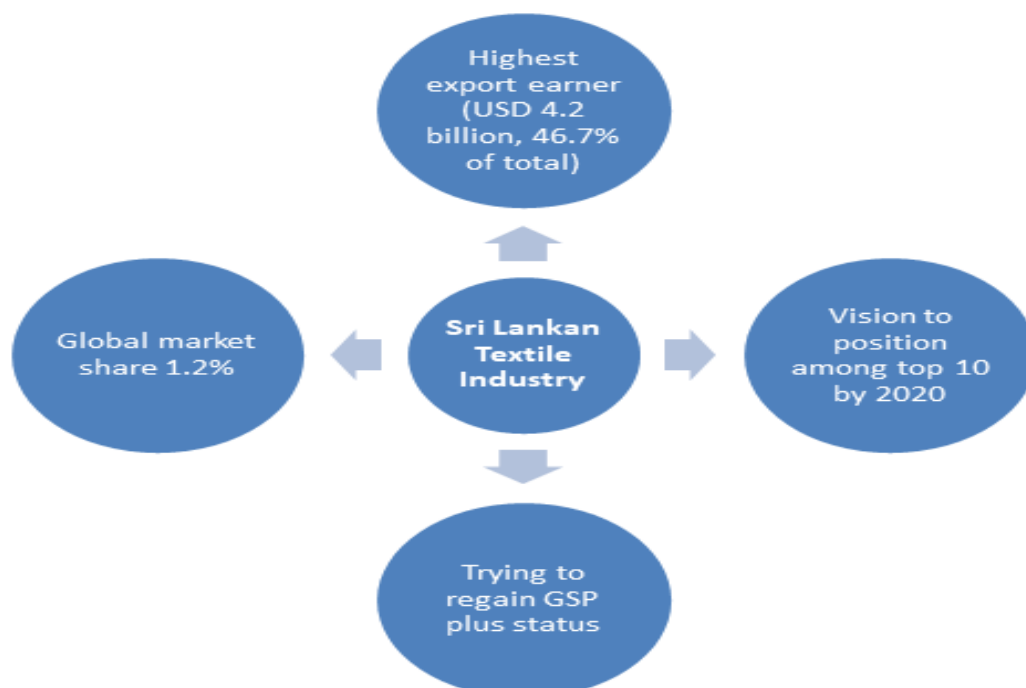
⊗ There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property and taxes on the total amounts of wages or salaries paid by enterprises.

⊗ The existing taxes to which the Agreement shall apply are in particular:

(a) in India: the income tax, including any surcharge thereon; (hereinafter referred to as "Indian tax");

(b) in Sri Lanka: the income tax, including the income tax based on the turnover of enterprises licensed by the Board of Investment; (hereinafter referred to as "Sri Lanka tax")

⊗ The Agreement shall apply also to any identical or substantially similar taxes on income which are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The Competent Authorities of the Contracting States shall notify each other of any significant changes that have been made in their respective taxation laws.



3. Conclusion

The tax revenue to GDP ratio is just about 11.6 percent as of 2018, which is one of the lowest rates among the upper-middle income earning countries. In 2019 they approved mandate to abolish taxes such as PAYE, NBT, With holding tax, Capital Gain tax, Bank Debit tax and to reduce VAT tax rate from 15% to 8%.

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(The Week, 2022)

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