



ICT Sector Overview

Sector Overview



Synopsis:

- At present, the nation's IT industry is a vibrant, dynamic business environment poised for progress. As per the data derived from SLASSCOM (Sri Lanka Association of Software and Service Companies), the industry consists of approximately 130 registered companies, composed of a range of large, medium and small enterprises while the landscape overall has exceeded 300 ICT companies.
 - The environment within which the IT sector operates has never been more conducive for growth. Equipped with the right funding and appropriate investment and support which are now adequately available, Sri Lanka's ICT sector can attain the status of a \$5 billion industry effectively.
 - The pledge of Rs. 3 billion extended to the sector over the course of the next three years augurs well for national ICT development.
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- These funds will be allocated by way of grants, equity investments, credit facilities, mentoring, and technical support with the end goal of developing local start-ups and attract foreign investors. A further allocation of Rs. 300 million has been made during the current year to implement various activities to promote ICT development through the Export Development Board (EDB).
 - Over 300 local ICT companies export software products and services to several regions, largely to North America, the EU, Australia, East Asia, the Middle East, Africa and the Nordic region. Moreover, Sri Lanka acts as an offshore development centre for Fortune 500 companies in the US, Ireland, the UK, Australasia and Sweden, and joint ventures based in Sweden, Norway, the US and Japan among others.
 - Ranked 11th in A. T. Kearney's Global Services Location Index, Sri Lanka's competitive advantage in the IT and business process outsourcing (BPO) industry is built around agility, high value to cost, a niche talent base, strong ethics, cultural adaptability and superior quality of life as a destination for doing business.

Why Operate in Sri Lanka

Sri Lanka offers a unique mix of extremely low costs—among the lowest anywhere—combined with a highly educated, English-speaking population with sophisticated technical skills, and a business environment and infrastructure that is superior to most low-cost countries.

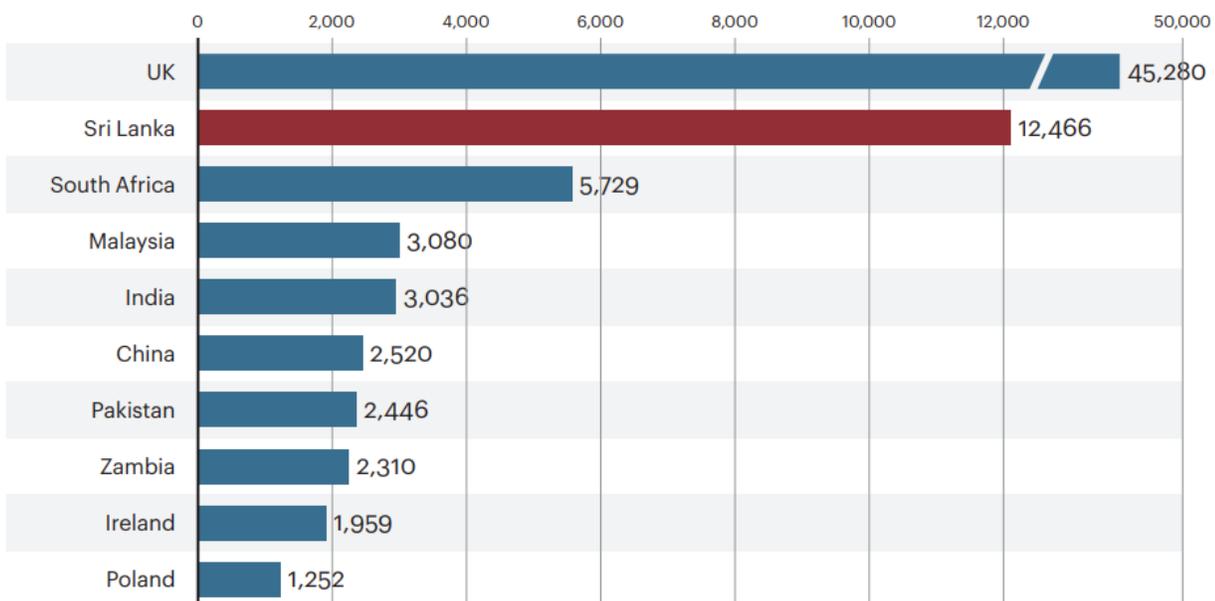
Furthermore, contrary to the image created by the conflict earlier this year, Sri Lanka is among the safest, lowest-risk emerging markets, both in terms of personal safety and business security. The government also offers generous incentives for investors in the sector, including exemptions from corporate taxes and import duties along with grants and subsidies for training programs.

With a population of only 21 million, Sri Lanka does not offer the size advantages of countries such as China, India, and the Philippines. However, recognizing its small scale, Sri Lanka has tended to focus on higher-value niche products across industries. Sri Lanka continues to lead the world in high-value niches, including fast fashion and ethical apparel in the clothing industry, solid tires and surgical gloves in the rubber industry, single-origin teas in the tea sector, and activated carbon in the coconut sector. Similarly, niche knowledge services offerings are a major benefit for companies planning to add complementary locations to their existing global operations footprints.

With a highly skilled workforce and a cost-competitive business environment, Sri Lanka is emerging as a hidden gem for IT and Business Process Outsourcing (BPO) and Knowledge Services Outsourcing (KPO).

Sri Lanka's Professional Services Capabilities

Students in CIMA programs¹



¹CIMA is the Chartered Institute of Management Accountants.

Sources: CIMA; A.T. Kearney analysis

Sri Lanka's Professional Services Capabilities

Sri Lanka has already carved out a niche in financial and accounting outsourcing (FAO) thanks to its strong talent base. The country boasts the second highest number of Chartered Institute of Management Accountants (CIMA) students in the world.

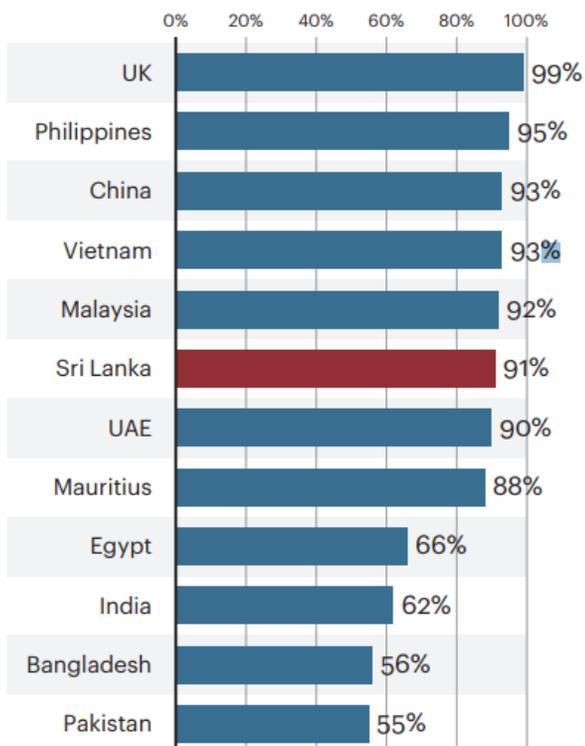
Thousands of students also pursue qualifications from the Association of Chartered Certified Accountants (ACCA) and the Association of Accounting Technicians (AAT). Sri Lanka also boasts a significant number of graduates and prospective graduates with Australian Qualifications such as Certified Public Accountants (CPA).

Sri Lanka has a niche in finance and accounting outsourcing

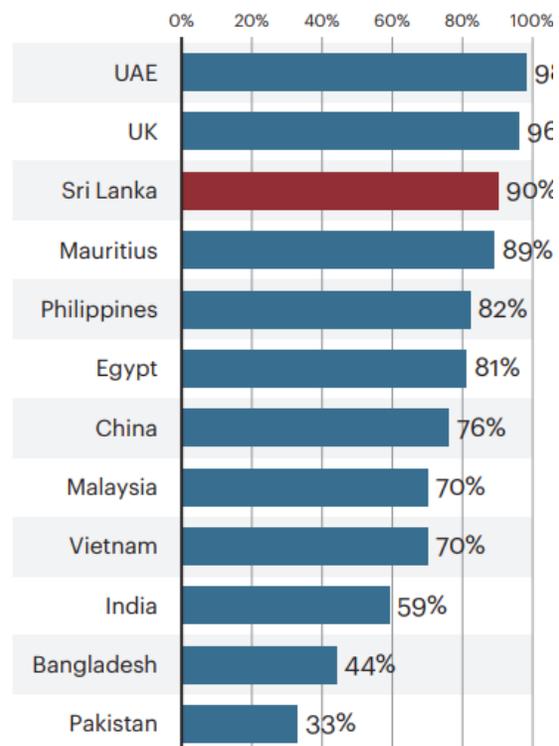
The number of Sri Lankans holding IT or BPO jobs has almost doubled from 34,000 in 2011 to 63,000 in 2017.

A.T.Kearney Literacy and enrollment rates

Adult literacy



Secondary school enrollment¹



Multinational BPO and KPO centers



One of the world's largest banking and financial services organizations, chose Colombo in 2004 to expand its network of group service centers (after Guangzhou, Hyderabad, Bangalore, and Malaysia). HSBC built its own state-of-the-art building for the center, which now employs more than 2,000 full-time employees providing a combination of general banking support and advanced services in areas such as analytics, risk, securities, and compliance.



A global BPO leader, opened its first location outside India in Sri Lanka in 2004, where it delivers data and multilingual voice support. With a focus on higher-end finance and accounting services, clients include a leading U.K. insurance company, U.K. government agencies, and banking and finance firms.



A Hewlett-Packard subsidiary, established a global delivery center in Sri Lanka in 2010 and plans to employ 2,000 people by 2013. The Colombo center, an integral part of the Mphasis network, provides applications, IT, and BPO services to clients worldwide.

RR DONNELLEY

Sri Lanka's oldest and largest third-party BPO provider, offers knowledge based transaction processing and financial services to U.S. and European clients via its global outsourcing service.



Ranked number one in the capital markets research and analytics offshoring space by the Black Book of Outsourcing, established its first delivery center in Colombo in 2003. The firm provides equity, fixed-income and credit research, quantitative research, corporate finance index support, sales and marketing, and compliance services to many of the world's leading asset managers, investment banks, and hedge funds.

Stax Inc.

Is a global strategy consulting firm with offices in the United States and Sri Lanka. The Colombo branch advises local and regional companies on acquiring private equity funds and expanding into the U.S., European, and Australian markets and supports other Stax teams with sophisticated data analytics and complex survey administration.



NASDAQ-listed Virtusa Corporation has operated in Colombo since 1995. The company provides IT services to leading Global 1,000 customers in financial services, insurance, telecommunications, healthcare, and capital markets.



IFS, the Sweden-based enterprise applications company, has more than 800 employees in Colombo and Kandy and will grow to 1,000 by year end, making Sri Lanka one of IFS's largest support and development centers. IFS Sri Lanka provides enterprise asset management solutions to public and private clients in the aerospace and defence, oil and gas, food and beverage, and process industries, including DuPont, Pepsi, and the U.K. Royal Navy.

Notable Australian Business Service Centres in Sri Lanka

PLANLOGIC

Planlogic at Sri Lanka design financial planning solutions and simplify the advice process for financial advisers throughout Australia. Key activities undertaken at the Sri Lankan office includes:

- Analyse the client's current financial situation
- Review the strategies recommended by the adviser
- Update the client details on the financial planning software
- Complete the recommendations to the client's Super/Investment/Pension portfolio
- Complete the recommendation to the client's Insurance arrangement
- Generate the Statement of Advice from the financial planning software
- Update the client's financial situation and project the impact of the recommendation for the next 10-15 years
- Modify the Statement of Advice as per the adviser requirements and merge the projection scenario
- Review the document with the Senior Analyst and upload the document on the financial planning software



Intrepid Travel at Sri Lanka was started back in October 2012 to provide IT development services to the Intrepid (then PEAK) group. Since then they have grown fast and now not only provide IT development but also IT service support, Financial services (AP/AR/System), HR services as well as support services for back office Travel related processes.

The Colombo Finance department consist of 40 staff which provide services in Accounts Payable, Receivable, Treasury processes and reconciliations. They also assist Head office in preparing financial reports and providing systems support to all Navision users within the group.

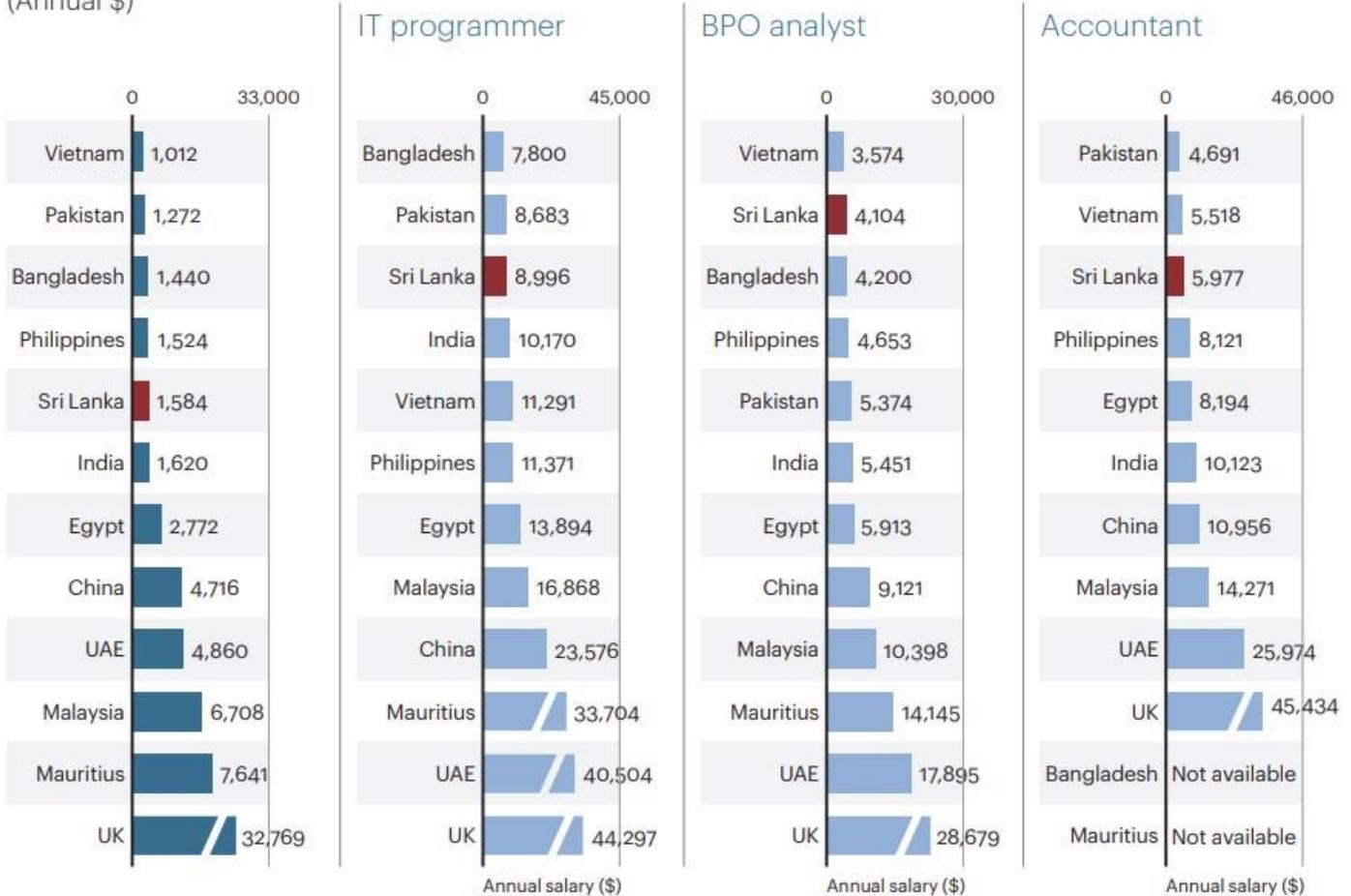
Sri Lanka's Financial Attractiveness

Although the quality of the skill base and the overall business environment may be the key drivers of long-term location decisions, cost remains a critical factor for companies choosing where to locate or outsource their service operations. In spite of Sri Lanka's well-educated labor force and solid infrastructure, it scores extremely well in the financial attractiveness category.

Did You Know ?

Average wages in Sri Lanka, is at around **\$2,000** per year as of 2019.

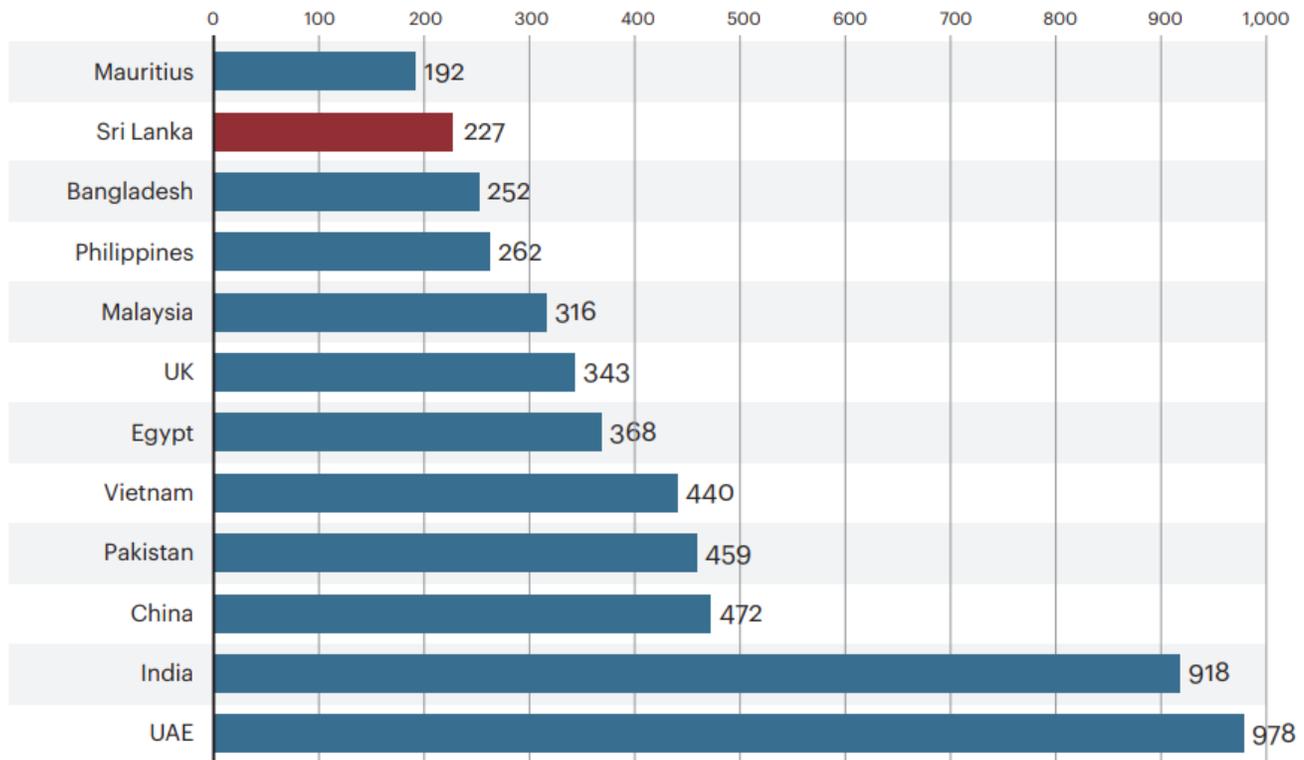
National average wages (Annual \$)



Sri Lanka's Financial Attractiveness

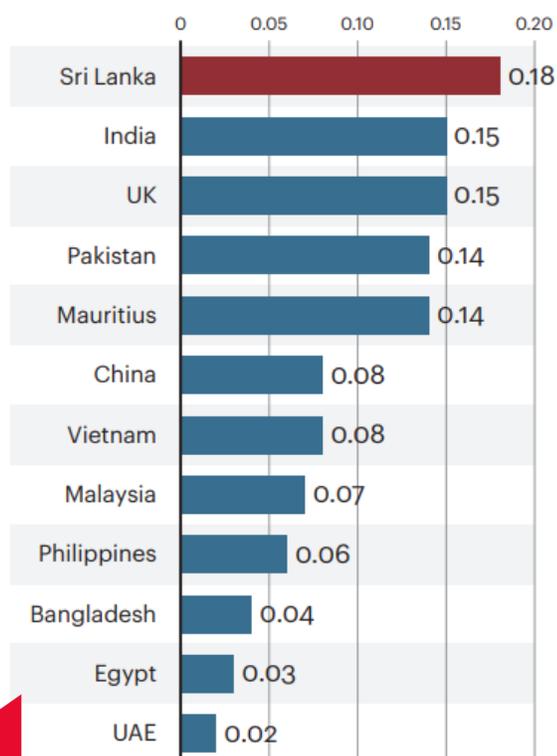
Cost of class A real estate in major commercial city's main business district

(\$ per square meter)



Electricity cost

(\$ per kilowatt hour)



Electricity quality¹

Scale: 1 = worse than most countries, 7 = meets highest standards

