

Location Spotlight – Sri Lanka

January 2022



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This report provides perspectives on key aspects of the global sourcing market in Sri Lanka

Location Spotlight – Sri Lanka

Sri Lanka | at a glance



Emerging location in South Asia, primarily leveraged for customer support, IT-ADM, and non-voice business process services delivery; offers moderate cost arbitrage over other leading offshore hubs such as India and the Philippines

KEY FACTOIDS

27,000-29,000 annual tertiary graduates

Annual operating cost per FTE 80-85% savings over US tier-2 (Dallas) 10-15% savings over India tier-1 (Bangalore)

Current overview

- Sri Lanka is leveraged by both service providers and GBS organizations to primarily support customer support, IT-ADM, and non-voice Business Process (BP) services
 - Within non-voice BP, work mix primarily includes finance and accounting and document management
- Evidence of a few global enterprises and service providers leveraging Sri Lanka as R&D centers for developing digitally enhanced next-generation products
- Global services activity is primarily concentrated in Colombo, Sri Lanka's capital city

Key drivers

- Offers 10%-15% cost savings over established offshore destinations (such as tier-1 cities in India) for voice BP and IT-ADM delivery
- Lower market congestion and attrition rate as compared to India and the Philippines
- Robust telecom infrastructure, state-of-the-art IT park, and good transport connectivity with other source geographies
- Multiple government incentives such as corporate tax exemptions, flexible work arrangement labor laws, and alternative payment options boosts IT-BP growth

Key challenges

- Relatively lower maturity of the global services market likely to pose a challenge in terms of availability of experienced resources
- High debt to GDP ratio and low levels of foreign currency reserves pose macroeconomic concern
- Some concerns around risk of natural disasters (especially cyclones and torrential rains)
- Recent deadly terror attacks (e.g., Easter Sunday bombings) and isolated separatists attacks pose significant concern on an ongoing basis

KEY PLAYERS:

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Location Spotlight – Sri Lanka

Sri Lanka | risk profile (page 1 of 2)

Sri Lanka offers state-of-the-art IT parks; some concerns exist around the geopolitical and macroeconomic stability

■ Highly favorable ■ Favorable, some concerns ■ Least favorable

Parameter	Everest Group rating	Comments
Geopolitical	■	<ul style="list-style-type: none"> Sri Lanka ranks 94th among 180 countries in the Corruption Perception Index making it a moderately corrupt country; limited progress has been made in tackling corruption and minimizing bureaucratic red tape to improve the business operating environment Ranked 68th out of 167 countries in the Democracy Index compiled by the Economist Intelligence Unit Sri Lanka's political party with majority in the parliament passed an amendment in 2020 strengthening the constitutional powers of the President and limiting the freedom of judiciary system
Macroeconomic	■	<ul style="list-style-type: none"> Standard & Poor's credit rating for Sri Lanka stands at CCC+ with negative outlook owing to the economic fallout from the coronavirus pandemic and high debt to GDP ratio While the country's GDP contracted by ~3.5% in 2020 (owing to the pandemic), the GDP has grown by ~4% in 2021 owing to strong demand for agricultural commodities, textiles, and tourism services High debt to GDP ratio and low levels of foreign currency reserves pose concern to the macroeconomic stability of the country Due to the COVID-19-driven slowdown in economy, Sri Lanka's currency saw a decline in its value, thereby, giving a further boost to the export services
Infrastructure	■	<ul style="list-style-type: none"> Ranked 84th out of 134 countries in the Network Readiness Index signifies a moderately developed telecom and network infrastructure presence in the country <ul style="list-style-type: none"> The country has done significant investments in network engineering and was one of the first countries in South Asia to adopt 4G and 5G digital technology Sri Lanka is ranked 84th out of 141 countries in the Global Competitiveness Index (compiled by World Economic Forum) for its infrastructure quality The country offers state-of-the-art IT parks and working spaces with modern technology at affordable rates Sri Lanka offers developed network of roads and airports as tourism is an important source of revenue

Source: Everest Group (2022); inputs from recruitment firms, market players, and investment agencies.

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Research calendar

Locations Insider™

■ Published
 ■ Planned
 ■ Current release

Flagship reports	Release date
Location Spotlight – Hungary	June 2021
Location Spotlight – Thailand	July 2021
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Location Spotlight – Ghana	August 2021
Location Spotlight – Queretaro, Mexico	November 2021
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Thematic reports	Release date
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