A decorative graphic on the left side of the page features a network of blue lines and dots, resembling a circuit board or data connections. Some dots are solid blue, while others are white with blue outlines.

Information Technology and Information Technology Enabled Services Survey 2016 & 2017

Department of Census & Statistics
Ministry of Economic Policies and Plan Implementation

Department of Census and Statistics

IT and IT Enabled Services Survey

2016 and 2017

ISBN 978-624-5919-42-0

Preface

Since the IT and BPM industry plays a crucial role in the country as a prominent industry, the Department of Census & Statistics (DCS) being the National Statistics Office in Sri Lanka, decided to conduct an establishment level survey covering ICT and BPM companies in the formal sector with the view of measuring the contribution to the economy as well as the size of the industry.

The IT and ITES Survey conducted by DCS, became the first ever survey in Sri Lanka to estimate the revenue of the industry, which covered both export and local market. Moreover, by conducting this survey, the DCS was able to fulfil a gap of estimating the total size of this industry, including the export market as well as the local market.

The objective of this survey was to measure the real gross value added of formal level IT and BPM industries to the GDP of the economy since it may not reflect its actual contribution in the current GDP estimates.

The survey conducted in during the period of January to March in the year 2020 as an online survey. The survey covered all formal level IT and BPM firms existing in the country, collected specially the statistics on Revenue and Expenditure. Since the Gross Domestic Product Rebasing year is 2015, the reference period for the survey data collection was set as year 2016 and 2017.

This report presents very important information on IT and BPM industry in Sri Lanka especially relevant to the Revenue, Expenditure and Value Added. I hope this report will be useful for the stakeholders in IT and BPM industry and for the policy planners for their evidence based decision making practice.

P.M.Prasad Anura Kumara



Director General

Department of Census and Statistics

306/71, Polduwa Road,

Battaramulla

21.12.2021

Acknowledgements

The Information Technology/ Information Technology Enabled Services Survey (IT/ITES) – 2016, 2017, national level survey was conducted by the Department of Census and Statistics (DCS) which is under the purview of the Ministry of Economic Policies and plan Implementation.

The former Director General of DCS, Dr. I.R. Bandara and the present Director General, Mr. P.M.P. Anura Kumara who played a decisive role throughout the entire survey process.

Overall Planning, organizing, conducting and coordination of IT/ITES Survey carried out with the supervision and guidance of Mrs. K.M.D.S.D. Karunaratne, Additional Director General (Statistics) of DCS.

The Head of the National Accounts Division of DCS Mr. Milton Jayaweera, Director (Statistics) (Acting), Mr. Anuruddha Weerathunga, Deputy Director (Acting) provided the guidance and the fullest support to complete the survey successfully.

The Information and Communication Technology (ICT) Division of DCS, under the direction of Mrs. I.A.M. Fernando, former Additional Director General (ICT) and under the supervision of Mr. P.M.R. Fernando, Director (ICT) and Mr. W.H.P.W. Weerasiri, Director (ICT) were responsible for giving necessary guidance on preparation of online data collection system. The online data collection system was designed by Mrs. Jinadi Dahanayaka, Assistant Director (ICT) and all other necessary ICT assistance for the survey, were provided by the staff of the ICT Division.

Dr. Priyadarshana Dharmawardena, Senior Statistician, Industry, Construction, Trade and Services Division of DCS assisted in survey planning, data cleaning, weight calculation, data analysis and the preparation of the report.

The entire survey process including, planning, regular coordination with stakeholders, organizing, conducting, data editing, analyzing and report writing was handled by Mrs. Y.G.R. Ishanthi Kulathilaka, Senior Statistician, National Accounts Division of DCS.

The structure and the content of the report were reviewed by Mr. Roger Sceviour, Consultant, Real Sector, South Asia Regional Training and Technical Assistance Center (SAARTAC), International Monetary Fund (IMF).

The report formatted and designed by Mr. Laksiri Mallikarachchi, Statistician, National Accounts Division of DCS and the beautiful cover page was designed by Ms. Kaushali Jayasinghe, Graduate Trainee, Research and Special Studies Division of DCS.

Mrs. Mangalika Weerakoon, Statistical Officer, National Accounts Division, DCS contributed assistance enthusiastically throughout the entire process.

Data collection were done through the online data collection system and the IT and BPM firms were followed through telephone and by emails by all the Statistical Officers in the National Accounts Division of the Department; namely Mr. Tharaka Warapitiya, Mrs. Wasantha Thennakoon, Mrs. Amali Wijesekara, Mrs. Menaka Priyadharshani, Mrs.

Vishwa Dasanayaka, Ms. Chandima Balasooriya, Mrs. Mangalika Kumari, Mrs. Mangalika Weerakoon, Mrs. Piyaradhi Warnamali, Ms. R.K. Tharanga, Mr. Thusitha Dasanayake and Development Officer Mrs. Sandya Kumari.

We wish to extend our gratitude to Mr. Jagath Senevirathne, Head, Monitoring & Evaluation, ICTA, who was instrumental in initiating this survey with the DCS and Mr. Anura de Alwis, Chief Digital Economy Officer, ICTA who extended his fullest support in coordinating the overall IT industry with DCS. Further, the DCS would like to extend our special thanks to Mr. Sachindra Samarathne, Director ICTA who assisted in planning, organizing and conducting the survey successfully and the Digital Economy team of ICTA is highly appreciated too.

The DCS would like to express sincere appreciation to the leading IT industry associations in the country for extending their maximum possible support to make the survey success. Specially the DCS appreciates the Sri Lanka Association of Software and Service Companies (SLASSCOM) members for sharing their valuable insights and expertise with us. Further the DCS extends gratitude to Federation of Information Technology Industry Sri Lanka (FITIS) members for assisting this tremendous task.

Moreover, the DCS would like to extend special thanks to Mr. Chrishan de Mel former Executive Director SLASSCOM and Mr. Upul Dassanayake, former President Software Chapter of FITIS, for the all way of support extended in initiating this IT/ITES Survey.

The DCS highly appreciates the extended cooperation by the IT and BPM firms existing in the country, by providing their valuable information specially the most confidential financial information of their firms to this national level IT/ITES Survey to make this tremendous task a successful one. All of your extended support has been instrumental in this exercise.

All other Senior Statisticians and Statisticians in the National Accounts Division, DCS provided their fullest contribution to make this survey a success.

The contribution made by the Printing Division of DCS, in printing this report is acknowledged with gratitude.

Finally, we acknowledged all the institutions and individuals for your individual and collective effort to conclude this uphill task efficiently, effectively & successfully.

Executive Summary

The IT/ITES survey results revealed that on average there were 561 of IT and BPM firms in the country within the period of 2016 and 2017. The results were targeted on all privately owned small, medium and large-scale IT and BPM companies. Out of that, 89.1 percent of the companies in the industry were IT companies. The remaining firms were BPM companies.

All IT related business firms were categorized using International Standard Industry Classification Revision 4 (ISIC Rev.4). According to the findings, the 'Computer programming activities' industry is the main activity in the IT industry, in which most of the firms are engaged in. As a percentage out of the 500 of IT firms, it was 72.8 percent and that is irrespective of the priorities given. Secondly, the popular ICT related activity in the industry is the 'Other information technology and computer service activities' (48.8 percent). The third widespread activity in the industry is the 'Computer consultancy and computer facilities management activities' (39.0 percent). Finally, in the IT industry, the least popular sub activities are 'Data processing, hosting and related activities' (18.8 percent) and 'web portals' related businesses (14.0 percent).

IT and BPM industry as a whole, 31.6 percent of firms run captive operations, 32.3 percent of firms run non-captive operations, while 36.2 percent of firms from 561 of total number of firms in the industry are engaging in both the operations.

The IT and BPM firms as one whole industry, 25.5 percent of IT and BPM firms focus only on local markets while 32.8 percent of firms exclusively provide the products and services for foreign markets. However, the majority of the firms (41.7 percent) aim the both local and foreign markets.

The total estimated revenue of IT and BPM industry accounted for Rs. 163,433 million for the year 2016 and by the year 2017, the total industry estimated revenue has increased by an annual growth rate of 20.0 percent and the level has increased up to Rs. 196,151 million. The IT industry contributed 78 percent of the share to the total industry revenue and while remaining 22 percent is contributed by the BPM industry.

The estimated export revenue of IT and BPM industry for the year 2016, accounted for Rs. 113,406 million and local market estimated revenue accounted for Rs. 50,026 million. By the year of 2017, the estimated export revenue of IT and BPM industry has reached to Rs. 132,782 million registering 17.1 percent of growth in the export earnings and local market estimated revenue has reached up to Rs.63,369 million. 68 percent of estimated total earnings of IT and BPM industry, generated through the export market while 32 percent of earnings from the local market.

In 2016, the total IT and BPM industry's estimated total expenditure accounted for Rs. 126,394 million and by 2017, the total estimated expenditure has increased up to Rs. 151,473 million. The estimated Intermediate Consumption of the IT and BPM industry is Rs. 39,925 million in the year 2016 and this amount has increased up to Rs. 49,303 million by the year of 2017. The estimated salaries and wages accounted for Rs. 79,180 million in 2016 and by the year 2017, this amount has increased to Rs. 92,986 million. The percentage share of the salaries and wages to the total expenditure is 61.4 percent in the year 2017.

The estimated Value Added (VA) for 2016 for the IT and BPM industry is Rs. 123,508 million. By the year 2017, the estimated VA has risen up to Rs. 146,849 million, reporting a YoY growth rate of 18.9 percent. The share of VA to the gross output/revenue is 75.0 percent, by year 2017. Hence, IT and BPM industries are highly important to an economy as it generates a higher rate of value added.

Key Findings – IT/ITES Survey 2016 & 2017

✓ Key Estimates obtain from the survey are as follows

No.	Indicator	Unit	IT	BPM	Both IT & BPM
1.	Firms by Nature of Operations				
	Captive	%	33.0	19.7	31.6
	Non-Captive	%	29.2	57.4	32.3
	Captive/ Non-Captive	%	37.8	23.0	36.2
2.	Firms by Nature of Markets				
	Local	%	28.6	0.0	25.5
	Foreign	%	28.6	67.2	32.8
	Both Local/ Foreign	%	42.8	32.8	41.7
3.	Total Revenue by Nature of Business				
	2016	Rs. Mn	129,007	34,426	163,433
	2017	Rs. Mn	152,824	43,327	196,151
4.	Share of Revenue, 2017	%	77.9	22.1	
5.	Total Revenue by Nature of Markets				
	2016 - Local	Rs. Mn	47,799	2,227	50,026
	2016 - Foreign	Rs. Mn	81,208	32,199	113,407
	2017 - Local	Rs. Mn	59,929	3,441	63,369
	2017 - Foreign	Rs. Mn	92,895	39,887	132,782
6.	Share of Revenue by Nature of Markets - 2017				
	Local	%	39.2	7.9	32.3
	Foreign	%	60.8	92.1	67.7
7.	Share of Revenue by Nature of Operations - 2017				
	Captive	%	45.9	60.8	49.2
	Non-Captive	%	33.7	37.5	34.5
	Captive/ Non-Captive	%	20.4	1.7	16.3
8.	Total Expenditure - 2017	Rs. Mn	112,400	39,073	151,473
9.	Total Intermediate Consumption -2017	Rs. Mn	37,650	11,652	49,303
10.	Total Salaries & Wages - 2017	Rs. Mn	67,813	25,173	92,986
11.	Total Value Added - 2017	Rs. Mn	115,174	31,675	146,849
12.	Value Added to Output Ratio	%	75.0	73.0	75.0

Contents

Preface	i
Acknowledgements	iii
Executive Summary	v
Key Findings – IT/ITES Survey 2016 & 2017	vii
List of tables	ix
List of figures	x
Chapter 1 : Introduction	1
ICT Industry in Sri Lanka	1
Background of the Survey	2
Survey Objective	3
Chapter 2 : Methodology	5
Survey Plan	5
The Scope	5
The Coverage	5
The Survey Frame	6
The Questionnaire	6
Data Collection Procedure	6
Reference Period	7
Weight Calculation	7
Chapter 3 : Overview of the Basic Survey Results	9
Firms by Nature of Business	9
Firms by Activity	9
Firms by Nature of Operations	10
Firms by Nature of Markets	11
Top 10 Foreign Markets for IT Products/ Services and BPM Services	12
Chapter 4 : Output / Revenue	15
Output/ Revenue by Nature of Business	15
Output/ Revenue by Nature of Markets	16
Output/ Revenue by Nature of Business and Markets	17
Output/ Revenue by Nature of Operations	18
Output/ Revenue by Size of the Firm and Nature of the Business	19
Revenue by Revenue Category level	23
Chapter 5 : Expenditure and Value Added	25
Expenditure/ Intermediate Consumption/ Salaries & Wages	25
Intermediate Consumption (IC)	25
Salaries and wages and other main expenditure components	25
Revenue/ Intermediate Consumption/ Value Added/ IC Ratio	26
Value Added (VA)	26
Intermediate Consumption (IC) Ratio	26
Appendix Tables	29
Survey Questionnaire_IT & BPM Survey	35

List of tables

Table 2.1 - Weights for each Operation and Firm Size	8
Table 3.1 - Distribution of the Firms by Nature of Business, 2016	9
Table 3.2 - Distribution of the Firms by Activity Based on the given Priority	9
Table 3.3 - Distribution of Firms by Nature of Operations	10
Table 3.4 - Distribution of the Firms by Nature of Markets.....	11
Table 3.5 - Top 10 Foreign Markets for IT Products/Services and BPM Services	12
Table 4.1 - Distribution of Output/ Revenue by Nature of Business	15
Table 4.2 - Distribution of Output/ Revenue by Nature of Markets.....	16
Table 4.3 - Distribution of Output/ Revenue by Nature of Business and Nature of Markets.....	17
Table 4.4 - Distribution of Revenue by Nature of Business and Nature of Operations	19
Table 4.5 - Distribution of Revenue by Revenue Category, both IT and BPM	23
Table 4.6 - Distribution of Revenue by Revenue Category, IT Industry	24
Table 4.7 - Distribution of Revenue by Revenue Category, BPM Industry	24
Table 5.1 - Distribution of Expenditure/ Intermediate Consumption/ Salaries and Wages by Nature of Business	25
Table 5.2 - Intermediate Consumption and Salaries & Wages as a Percentage (%) of Total Expenditure	26
Table 5.3 - Distribution of Gross Output (Revenue) / Intermediate Consumption / Value Added / IC Ratio.....	27

List of figures

Figure 3.1 - Distribution of the IT and BPM Industry Firms by Nature of Markets.....	12
Figure 4.1 - Share of Revenue by Nature of Business, 2017	15
Figure 4.2 - Share of Revenue by Nature of Markets, 2017	16
Figure 4.3 - Percentage Distribution of Output/ Revenue by Nature of Business and Nature of Markets, 2017	17
Figure 4.4 - Percentage Distribution of Revenue by Nature of Business and Nature of Operations, 2017	18
Figure 4.5 - Percentage Distribution of Revenue by Size of the Firm and Nature of Markets, both IT and BPM, 2017	20
Figure 4.6 - Percentage Distribution of Revenue by Size of the Firm and Nature of Markets, IT Industry, 2017	21
Figure 4.7 - Percentage Distribution of Revenue by Size of the Firm and Nature of Markets, BPM Industry, 2017 ..	22
Figure 5.1 - Distribution of Gross Output (Total Revenue)/ Intermediate Consumption/ Value Added by Nature of Business, Rs. Mn, 2017	27

Chapter 1 : Introduction

ICT Industry in Sri Lanka

Information Technology (IT) and the Information Technology Enabled Services (ITES) industry (Business Process Management) has played an immense role as an emerging industry to the Sri Lankan economy, especially during the past decade.

In the recent past, Information Communication Technology (ICT) and Business Process Management (BPM) related outsourcing companies have shown substantial expansion in the export market as well as in the local market. When it comes to the export market and when compared to other main export products and services, the IT and BPM has shown great potential in increasing the export revenue. During a short period of time, this industry has become fourth largest foreign earnings generator of the country¹. Hence, in the National Export Strategy of Sri Lanka, this sector has been recognized as a priority sector. The National Export Strategy aims to transform the country into a Global IT-BPM destination and Asia's Favorite Centre of Excellence².

The workforce of the IT and BPM industry also has recorded an expansion in the numbers during past 10 to 15 years. According to ICT workforce Survey conducted by the Information Communication Technology Agency (ICTA) in 2019, the strength of the overall workforce has grown from 15000, in 2003 to 125,000 in 2018¹. This overall workforce includes workforce from ICT companies, Non-ICT companies, Government institutions and BPM companies. Over the past 10 years, in creating job opportunities especially among the younger generation in the job market, the IT and BPM industry has become very popular. Accordingly, the contribution of this industry to the economy of the country has become more prominent when compared to the other economic/business activities.

Further, the ICT and BPM industry of Sri Lanka has been able to mark its position at a high level in the global industry ranking indices as a preferred destination for ICT products and services. Such as;

- Delivery Destination of the year, Global Sourcing Association, Strategic Sourcing Awards 2019, GSA UK
- 1st Globally in Financial Attractiveness, Global Services Location Index 2019, Top 25 countries in GSLI 2021, AT Kearny
- 34th Globally, in Digital Nations, Service Locations Index 2019, THOLONS
- 2nd in South Asia, Global Innovation Index 2019, World Intellectual Property Organization (WIPO)
- 2nd in south Asia, Global Competitive Index 2019, World Economic Forum
- Top 10 in Asia, Network Readiness Index, World Economic Forum
- 4th in South Asia, Doing Business Index 2020, World Bank Group

¹ National IT-BPM workforce Survey 2019, ICTA

² National Export Strategy 2018-2022, Export Development Board

- Top 10 Globally, 1st in South Asia, for Affordable Talent, GSER 2021
- 5th in Central & Southern Asia, Global Innovation Index 2021
- 2nd Globally, Digital Nomad Destination by Club Med in 2021
- Among Top 10 Globally, Emerging Global Destinations

When compared to alternate destinations in the region, favorable business conditions for doing ICT related business, such as; cost effectiveness, talented workforce in IT industry Sri Lanka, have being caused to maintain high rank in the Global ranking.

Background of the Survey

Since the IT and BPM industry plays a crucial role in the country as a prominent industry, the Department of Census & Statistics (DCS) being the National Statistics Office in Sri Lanka, decided to conduct an establishment level survey covering ICT and BPM companies in the formal sector with the view of measuring the contribution to the economy as well as the size of the industry.

The DCS is the National Statistical Office in Sri Lanka and mainly responsible for compilation and dissemination of statistical data which cater the requirements of the country. For this task, the Department continuously conducts Socio-Economic Surveys and Censuses to collect accurate and timely information on Population, Industries, Trade, Services, Agriculture, Prices and other Demographic information (Labor force, Household Income & Expenditure, Health).

Further, the DCS is the authorized government institution in compiling Quarterly and Annual National Accounts Estimates (mainly GDP and Economic Growth rate) and other Macroeconomic indicators of the country.

In the year 2015, under the Base Year revision process from 2002 to 2010, the “ICT Programming, Consulting and related activities”, were introduced to the GDP Table as a separate compilation industry. Previously, in the GDP dissemination table (Base year = 2002) this industry was included in the “Other Services” industry. After releasing Base year 2010 GDP results in the year 2015, the Gross Value Added (GVA) estimates of this industry became available in GDP dissemination Tables, Quarterly and Annually for the period starting from 2010 to present.

The calculation of GVA of this industry was done by following indirect methods due to the lack of the available data sources. Consequently, the calculations showed that the share of this industry to the whole of GDP was close to 0.2 percent. Hence, the DCS needed to assess the current status of the IT and BPM industry in order to upgrade the estimates of this industry and to get a more accurate picture of this industry.

As the responsible agency in compiling National Accounts, continuous improvements are undertaken by the DCS, in order to improve the compilation methods and data sources. Accordingly, in the new base year revision project of moving the base year from 2010 to 2015, the IT industry was identified as a priority sector which needed to have an improvement in compilation methods and sources. Hence, the DCS took necessary steps to improve IT industry related estimates further by capturing information from the IT and BPM related companies

directly through an establishment survey. This task will be very useful to assess accurately the current status of the IT/BPM industry and its contribution to the national economy.

Moreover, by conducting this survey, the DCS was able to fulfill a gap of estimating the total size of this industry, including the export market as well as the local market. A lack of market size was a major issue among the stakeholders and data users in this industry. When it comes to the export revenue, the EDB has done two surveys in 2006 and 2010 to assess the export revenue. However, after 2010, none of the institution have done any revenue surveys related to this industry. The ICTA did several workforce surveys for the IT and BPM industry since 2003 and the last workforce survey conducted in year 2019. However, the ICTA did not collect any financial details regarding the IT and ITES companies under the workforce surveys. Accordingly, the IT and ITES Survey done by the DCS, became the first ever revenue survey in Sri Lanka, which covered both export and local market.

Survey Objective

The objective of this survey was to measure the real gross value added of formal level IT and BPM industries to the GDP of the economy since it may not reflect its actual contribution in the current GDP estimates. Hence, it was expected to make this industry more prominent in the economy by showing the real place in the country's GDP and give the eminence among other industries. Therefore, it focused specially on collecting revenue and expenditure information related to IT and ITES industry related companies.

Chapter 2 : Methodology

Survey Plan

The IT and ITES Survey was the first ever Revenue Survey in Sri Lanka which targeted to cover the total revenue of domestic and the foreign markets of this IT and BPM industry. Moreover, the DCS decided to get the assistance of leading IT industry associations in the country when designing the survey. Accordingly, the DCS planned the survey with the collaborative support of ICTA and with support of other leading industry associations.

Further, to accomplish the survey objective, DCS had several round table discussions with the participation of representatives from ICTA, SLASSCOM and FITIS in different stages of planning of this survey. Unavailability of updated sample frame for the IT and BPM firms were the major issue that the survey organizing team faced. Accordingly, obtaining the most updated survey frame, questionnaire design and method of data collection were discussed.

The DCS planned the survey in more convenient way which focused on reducing response burden. In addition, it was planned to conduct the survey by using web-based survey approach in a more user-friendly way other than following paper-based survey.

The Scope

The scope of the survey was IT and ITES companies existing in the country. IT companies consists all ICT companies which are engaged in ICT related activities and carrying businesses targeting local and export markets. ICT related activities were recognized following International Standard Industry Classification revision 4 (ISIC Rev.4) developed by the United Nations Statistical Commission. IT companies were recognized according to following sections.

ISIC 6201: Computer Programming Activities

ISIC 6202: Computer Consultancy and Computer Facilities Management Activities

ISIC 6209: Other Information Technology and Computer Services Activities

ISIC 6311: Data Processing, Hosting and Related Activities

ISIC 6312: Web Portals

ITES companies consist of all BPM companies who are providing IT enabled services to domestic market and the foreign market.

The Coverage

The coverage of the survey was all IT and BPM companies who are incorporated as companies under the Business Registration Act. Hence, the formal level all IT and BPM companies existing in the country, were covered in the survey.

The Survey Frame

The survey used four business registers to create an updated survey frame.

2013/2014 Economic Census listing Frame – ICT Companies

SLASSCOM Member's Registry - IT and BPM Companies – 2019

FITIS – Software Chapter Member's Registry – 2019

ICTA - IT and BPM Companies registered at ICTA -2019

The Questionnaire

The survey collected data under four main headings.

Identification Information

Nature of Business and Business Clientele

Revenue

Expenditure

Since the objective of this survey was to measure the real value added of IT and BPM industry, the survey specially focused on collecting revenue and expenditure related data to measure the Output and Intermediate Consumption (IC) of this industry.

The survey collected Employment data by using one question, with intention of cross-checking data provided by establishments. Since the ICTA is conducting in-depth workforce survey to capture IT and BPM workforce information, the DCS did not targeted to cover collecting of employment details from this survey.

The questionnaire was designed in a simpler and convenient way to minimize response burden. The questionnaire was four pages with a minimal number of questions.

Data Collection Procedure

Establishment surveys are usually complicated by its nature, when considering the household level surveys. Hence, collecting timely and accurate information from establishment surveys is very tedious and time-consuming task. Also, reaching a satisfactory level of response rate very challenging.

Therefore, DCS planned to conduct the survey as a web-based survey to overcome these challenges. Well qualified ICT professionals in ICT Division of the DCS developed highly secured, user friendly online survey system assuring confidentiality of company information. The companies were given two options to join with the survey either through online survey systems or by emailing the completed survey Questionnaire.

Reference Period

The reference period for the survey was the calendar year 2016 and 2017 (1st January to 31st December). In case of establishments facing difficulties providing data according to this calendar year, data relevant to the financial year, from the 1st of April of the reference year until 31st March of the next year, were also accepted.

Since the National Accounts rebasing year was 2015, in the National Accounting framework, to compute the benchmark year (2015) estimates for the ICT industry the most suitable year for the reference period of the survey is 2015. However, since it is too far from the survey conducting time, it was decided to set the reference period as 2016 & 2017.

Weight Calculation

Identified population size of IT firms and BPM firms were 500 and 60 respectively. Number of firms responded for the study was 130.

The activity based on IT and BPM operation and the financial behavior of IT firms are in high degree of heterogeneous nature within the firms. Therefore, firm size was identified as a reasonable factor for weight calculation. Considering the available data source, firm size was measured using the no. of employees.

Using the equation (1), weights were calculated for each IT/BPM category and firm size.

$$W_{ij} = \frac{N_{ij}}{n_{ij}}$$

Where, i denotes the operation and j denotes the firm size

$i = 1, 2$

$j = 1, 2, 3, 4, 5, 6$

N_{ij} is the population size of the category of firms belongs to i^{th} operation and j^{th} firm size

n_{ij} is the No. of responded firms belongs to the category of i^{th} operation and j^{th} firm size

Calculated weights were represented in table 2.1.

Table 2.1 - Weights for each Operation and Firm Size

Operation	Firm Size (No. of employees)	Population Size (N_{ij})	No. of Responded firms (n_{ij})	Weight (W_{ij})
IT	20 and less	160	31	5.16
	21 - 80	200	47	4.26
	81 - 150	113	24	4.71
	151 - 500	20	8	2.50
	501 - 1000	6	3	2.00
	Above 1000	1	1	1.00
BPM	20 and less	15	5	3.00
	21 - 80	8	1	8.00
	81 - 150	14	2	7.00
	151 - 500	14	6	2.33
	501 - 1000	8	1	8.00
	Above 1000	2	1	2.00

Chapter 3 : Overview of the Basic Survey Results

This Chapter presents the comprehensive analysis about the basic survey results of IT and ITES industry, Sri Lanka. The chapter includes IT and BPM firms by Nature of Business, Business Activity, Nature of Operations and Nature of Markets.

Firms by Nature of Business

The Table 3.1 indicates distribution of firms by Nature of Business. There were 561 firms in the industry in the period of 2016 to 2017. This consisted of all privately owned small, medium and large-scale IT and BPM companies. Out of that, 89.1 percent of the companies in the industry are IT companies. The rest of the companies in the industry consisted of BPM companies.

Table 3.1 - Distribution of the Firms by Nature of Business, 2016

	No. of Firms	%
IT	500	89.1
BPM	61	10.9
Total	561	100.0

Firms by Activity

All IT related business firms have been categorized in the survey following International Standard of Industry Classification Revision 4 (ISIC Rev.4).

Table 3.2 - Distribution of the Firms by Activity Based on the given Priority

Activity	Priorities			Total	As a % of 500 IT Firms
	1 st	2 nd	3 rd		
6201: Computer programming activities	290	61	13	364	72.8
6209: Other information technology and computer service activities	69	111	64	244	48.8
6202: Computer consultancy and computer facilities management activities	65	94	36	195	39.0
6311: Data processing, hosting and related	19	39	36	94	18.8
6312: Web portals	6	13	51	70	14.0

The above Table 3.2 which is created based on the information collected in the survey shows the distribution of IT firms based on their given priorities by activity. Usually a firm engages in more than one IT industry related activities. Accordingly, the survey collected details from the firms about their main three priority businesses related to the ICT industry.

As reflects in the Table 3.2, the 'Computer programming activities' industry is the main activity in the IT industry, in which most of the firms are engaged in. Consequently, 290 firms have chosen this industry as their first priority industry. In addition, 61 and 13 companies have chosen this industry as their second and third priority business. Altogether, when considering the first, second and third priorities, 364 firms are engaging in this activity. As a percentage out of the 500 of IT firms, it is 72.8 percent. This percentage has been calculated irrespective of the priorities.

Secondly, the popular ICT related activity in the industry is the 'Other information technology and computer service activities.' As shown in the above table, 69 firms have chosen this industry as their first priority business, while 111 firms and 64 firms have chosen this industry as the second and third priorities respectively. All together 244 firms are engaging in this sub-industry. As a percentage out of the 500 IT firms, irrespective of the priorities, it is nearly 49.0 percent.

The third widespread activity in the industry is the 'Computer consultancy and computer facilities management activities. As a whole 195 IT firms are engaging in this business segment, irrespective of the priorities and it is nearly 39.0 percent. However, only 65 IT firms have selected this business category as their first priority business while 94 and 36 number of IT firms have chosen this segment as their second and third priority businesses.

Finally, in the IT industry, the least popular sub activities are 'Data processing, hosting and related activities' and 'web portals' related businesses. When computed, the number of firms engaged in these industries out of 500 IT firms, irrespective of the priorities, it is recorded as nearly 19.0 percent and 14.0 percent respectively.

Firms by Nature of Operations

All IT and BPM firms could be recognized according to the Nature of Operations. There are mainly two modes of operations; namely 'Captive Operations' and 'Non-Captive Operations'.

Table 3.3 - Distribution of Firms by Nature of Operations

Nature of operations	IT		BPM		Total	
	No. of Firms	%	No. of Firms	%	No. of Firms	%
Captive	165	33.0	12	19.7	177	31.6
Non-captive	146	29.2	35	57.4	181	32.3
Both	189	37.8	14	23.0	203	36.2
Total	500	100	61	100	561	100

As indicated in Table 3.3, out of the 500 of IT firms, 165 (33.0 percent) firms run captive operations, while 146 firms (29.2 percent) run non-captive operations. However, majority of the firms (37.8 percent) are engaging in both captive operations as well as in non-captive operations.

Further, the firms in BPM industry reflects a different pattern in the mode of operations. The majority of the firms (57.4 percent) are engaging in non-captive operations, while 19.7 percent of firms are doing captive operations. As well, 14 firms out of 61 firms run both captive non-captive operations.

When we consider the IT and BPM industry as a whole, 31.6 percent of firms run captive operations, 32.3 percent of firms run non-captive operations, while 36.2 percent of firms from 561 of total number of firms in the industry are engaging in both the operations.

Firms by Nature of Markets

IT and ITES industry survey focused to capture the information on business clientele of IT and BPM companies. Hence, the 2.4 section of the Survey Questionnaire was reserved for the collecting of details relevant to business clientele and primary markets. The survey respondents were requested to provide whether the business focuses on local market or foreign market or mixed of both. If it mixed, they were asked to provide the details of percentage breakdown of revenue based on market.

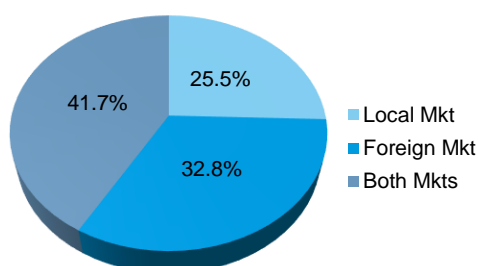
Table 3.4 - Distribution of the Firms by Nature of Markets

Nature of Market	IT		BPM	
	No. of Firms	%	No. of Firms	%
Local	143	28.6	0	0.0
Foreign	143	28.6	41	67.2
Local and Foreign	214	42.8	20	32.8
Total	500	100	61	100

As shown in Table 3.4 out of 500 of IT firms' 28.6 percent of firms only focus on foreign markets for their products and services. Similarly, the same percent of firms exclusively supply for local markets. Despite this, 42.8 percent of IT firms cater to demand from foreign markets as well as local markets.

Consequently, the BPM industry also supplies services for the foreign markets as well as for the local markets. The majority of the firms, nearly 67.2 percent of BPM companies exclusively supply BPM services for foreign markets. However, according to the survey results, none of the BPM companies reported representing the local markets exclusively. As well, 32.8 percent of BPM companies provide services for foreign markets as well as for local markets.

Figure 3.1
Distribution of the IT and BPM Industry Firms by Nature of Markets



The Figure 3.1 presents information about the IT and BPM firms by nature of markets. Here it considers the IT and BPM firms as one whole industry. As reflected in the figure 3.1, 25.5 percent of IT and BPM firms focus only on local markets while 32.8 percent of firms exclusively provide the products and services for foreign markets. However, the majority of the firms (41.7 percent) aim the both local and foreign markets.

Source:
Department of Census and Statistics, Sri Lanka

Top 10 Foreign Markets for IT Products/ Services and BPM Services

The respondents of the survey were asked to provide details about the top foreign clientele. Accordingly, the survey findings reveal the top 10 foreign markets for each nature of business of IT and BPM.

Table 3.5 - Top 10 Foreign Markets for IT Products/Services and BPM Services

#	IT Products/Services	BPM Services
1	USA	USA
2	Australia	Bangladesh
3	UK	Maldives
4	Singapore	Singapore
5	Maldives	India
6	Bangladesh	Hong Kong
7	Sweden	Australia
8	India	UK
9	Norway	Canada
10	Canada	Malaysia

As reflected in Table 3.5, the major client for the IT products/services and BPM services is USA. In addition, Australia, UK, Singapore, Maldives, Bangladesh, Sweden, India, Norway and Canada are major export destinations for Sri Lankan IT products and services.

For the BPM services, major export markets are USA, Bangladesh, Maldives, Singapore, India, Hong Kong, Australia, UK, Canada & Malaysia.

Chapter 4 : Output / Revenue

This Chapter presents comprehensive analysis about Output / Revenue of the IT and ITES industry of Sri Lanka. The chapter includes Output/ Revenue by Nature of Business, Nature of Markets, Nature of Operations, Size (Employment level) of the Business & Revenue Category level.

Output/ Revenue by Nature of Business

The IT/ ITES Survey basically focused in collecting Revenue details from the IT and BPM firms in order to measure the gross value added from this service industry to the economy. The survey results reveal the Output/ Revenue estimates by each industry level of IT, BPM and overall industry level.

Table 4.1 - Distribution of Output/ Revenue by Nature of Business

Nature of Business	Market Revenue (Rs. '000)		Change %
	2016	2017	
IT	129,006,848	152,824,133	18.5
BPM	34,426,244	43,327,233	25.9
Total	163,433,092	196,151,366	20.0

According to the Table 4.1, in the year 2016, the total estimated revenue of IT and BPM industry accounted for Rs. 163,433 million. By the year 2017, the total industry estimated revenue has increased by an annual growth rate of 20.0 percent and the level has increased up to Rs. 196,151 million. Consequently, the IT industry and the BPM industry reported estimated revenue for Rs. 129,006 million and Rs. 34,426 million respectively for the year 2016. By the year 2017 the IT industry as well as the BPM industry has recorded growth rates in their annual industry revenue by 18.5 percent and 25.9 percent respectively. As a result, the IT industry estimated annual output/ revenue has reported at Rs. 152,824 million and the BPM industry estimated output / revenue at Rs. 43,327 million by the year 2017.

Figure 4.1
Share of Revenue by Nature of Business, 2017

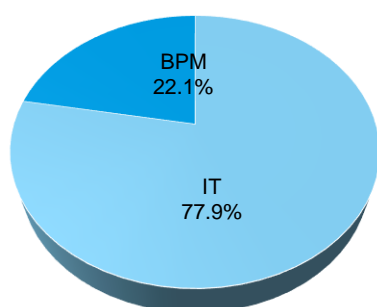


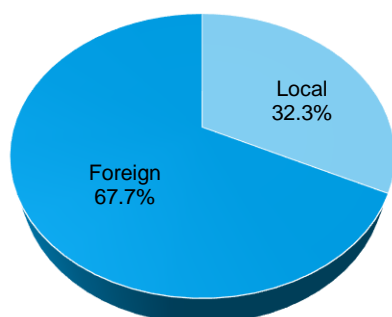
Figure 4.1 reflects the share of each industry's estimated revenue to the total industry revenue. Accordingly, 77.9 percent of the share to the total industry revenue is contributed by IT industry. The remaining 22.1 percent is contributed by the BPM industry.

Source:
Department of Census and Statistics, Sri Lanka

Output/ Revenue by Nature of Markets

The IT/ITES Survey basically focused on estimating total Output/Revenue of Local markets as well as the Foreign markets.

Figure 4.2
Share of Revenue by Nature of Markets, 2017



As indicated in Figure 4.2, the survey results reveal 67.7 percent of estimated total earnings of IT and BPM industry, generated through the export market while 32.3 percent of earnings from the local market.

Source:
Department of Census and Statistics, Sri Lanka

Table 4.2 - Distribution of Output/ Revenue by Nature of Markets

Nature of Markets	Market Revenue (Rs. '000)		Change %
	2016	2017	
Local	50,026,125	63,369,301	26.7
Foreign	113,406,966	132,782,065	17.1
Total	163,433,092	196,151,366	20.0

As indicated in Table 4.2 in the year 2016, out of the total industry estimated revenue of Rs. 163,433 million, the estimated export revenue of this industry accounted for Rs. 113,406 million and local market estimated revenue accounted for Rs. 50,026 million. By the year of 2017, the estimated export revenue of IT and BPM industry has reached to Rs. 132,782 million registering 17.1 percent of growth in the export earnings. However, the local market for IT/BPM products and services expanded by a higher rate of 26.7 percent than export earnings growth, in the year 2017, when it compared to the local market revenue in 2016.

Output/ Revenue by Nature of Business and Markets

Table 4.3 presents more information on local and foreign markets by IT and BPM industry levels.

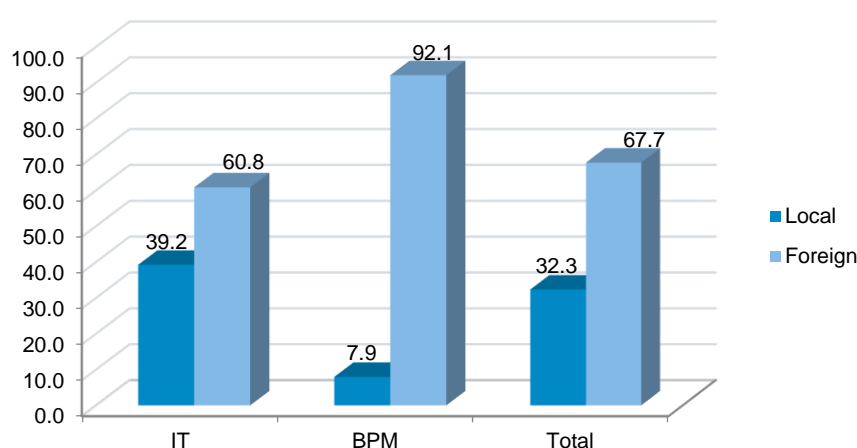
Table 4.3 - Distribution of Output/ Revenue by Nature of Business and Nature of Markets

Nature of Business	Market Revenue (Rs. '000)					
	2016			2017		
	Local	Foreign	Total	Local	Foreign	Total
IT	47,798,697	81,208,150	129,006,848	59,928,786	92,895,347	152,824,133
BPM	2,227,428	32,198,816	34,426,244	3,440,515	39,886,718	43,327,233
Total	50,026,125	113,406,966	163,433,092	63,369,301	132,782,065	196,151,366

As reflected in Figure 4.3 and Table 4.3, in the year 2017, in IT industry, 60.8 percent of estimated revenue is from the export earnings and it amounted to Rs. 92,895 million while 39.2 percent revenue is generated by the local market and it amounted to Rs. 59,929 million. Between two consecutive years, the IT industry revenue has reported 14.4 percent annual growth in export earnings. In the meantime, the local market of this industry has expanded by a growth rate of 25.4 percent from 2016 to 2017.

When considering the BPM industry, as shown in Figure 4.3 a substantial share of total estimated revenue (92.1 percent) was generated through the foreign market while the remainder of 7.9 percent is from the local market. According to table 4.3, in the year 2017, in BPM industry the foreign market estimated revenue accounted for Rs. 39,887 million and local market estimated revenue accounted for Rs. 3,441 million. Between the two years of 2016 & 2017, YoY growth rates for the BPM industry for foreign market and local market respectively 23.9 percent and 54.5 percent.

Figure 4.3
Percentage Distribution of Output/ Revenue by Nature of Business and Nature of Markets, 2017

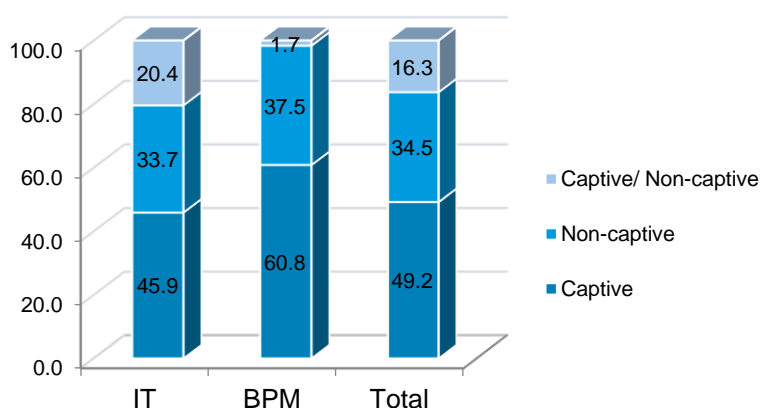


Source:
Department of Census and Statistics, Sri Lanka

Output/ Revenue by Nature of Operations

IT/ITES Survey collected revenue information from firms based on their nature of operations under the 5th section of the questionnaire. The respondents were asked to mention the revenue, based on the captive operations and non-captive operations separately. However, if a firm could not specify the revenue based on the given breakdown, then the respondents were asked to mention the revenue in the “Captive revenue/ Non-captive revenue” category column. After reviewing the results, the results summarized following findings based on the given information.

Figure 4.4
Percentage Distribution of Revenue by Nature of Business and Nature of Operations, 2017



Source:

Department of Census and Statistics, Sri Lanka

As indicated in Figure 4.4, in the year 2017, in IT industry operations, 45.9 percent of revenue is generated from the captive operations while 33.7 percent of revenue is from the non-captive operations. However, 20.4 of the revenue has been categorized in the group of captive revenue/ non-captive revenue category. That means it consists either the revenue from captive operations or revenue from non-captive operations.

In the BPM industry 60.8 percent of the revenue is generated through the captive operations, 37.5 percent of the revenue is from the non-captive operations.

When considering the IT and BPM industry as a whole 49.2 percent of revenue originated through the captive operations, 34.5 percent as non-captive operations while 16.3 percent of revenue is consisted of revenue from captive operations and revenue from non-captive operations.

Table 4.4 presents the revenue in detail according to the IT, BPM and at whole industry level based on the nature of operations for the years of 2016 and 2017. When considering the IT industry, out of Rs. 163,433 million, Rs. 78,187 million estimated revenues can be recognized as revenue under captive operations while Rs. 56,412 million could be recognized as revenue under non-captive operations. The balance Rs. 28,834 million consists of revenue from captive operations as well as revenue from non-captive operations.

Table 4.4 - Distribution of Revenue by Nature of Business and Nature of Operations

Year	Nature of Business	Nature of Operations (Rs. '000)			Total Revenue
		Captive	Non-Captive	Captive / Non-captive	
2016	IT	59,393,709	41,425,531	28,187,608	129,006,848
	BPM	18,793,579	14,986,200	646,465	34,426,244
	Total	78,187,288	56,411,731	28,834,073	163,433,092
2017	IT	70,113,917	51,515,332	31,194,883	152,824,132
	BPM	26,357,787	16,252,618	716,829	43,327,234
	Total	96,471,704	67,767,950	31,911,712	196,151,366

As shown in Table 4.4, the YoY growth rate from 2016 to 2017 in captive operations revenue was 23.4 percent while revenue in non-captive operations was 20.1 percent.

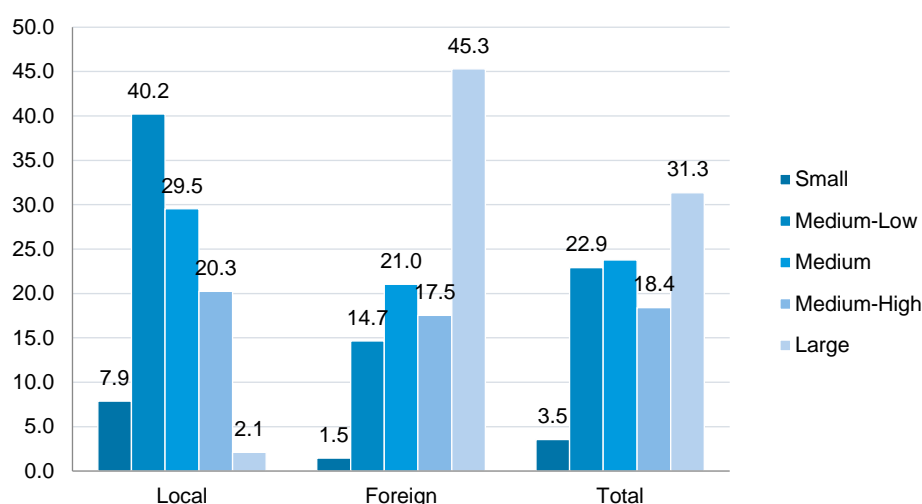
Output/ Revenue by Size of the Firm and Nature of the Business

As mentioned before, IT/ ITES Survey focused on collecting Revenue and Expenditure information from the firms. However, the survey questionnaire included one question related to the average number of employees of the firm and it has been entered, in order to cross check the given revenue details of firms. Based on the given average number of employee information, the firms were categorized in to five categories.

1. Small Firms - Employment less than 20
2. Medium-Low Firms - Employment more than 21 & less than 80
3. Medium Firms – Employment more than 81 & less than 150
4. Medium-High Firms - Employment more than 151 & less than 500
5. Large Firms - Employment more than 501

Accordingly, based on these five categories, the survey results generated industry revenue analysis by nature of the business and nature of the markets according to the size of the firm.

Figure 4.5
Percentage Distribution of Revenue by Size of the Firm and Nature of Markets, both IT and BPM, 2017



Source:

Department of Census and Statistics, Sri Lanka

Figure 4.5 presents the IT and BPM industry total estimated revenue according to local and foreign markets and size of the firm. As reflected in the figure, out of the total industry estimated revenue, a substantial share of the revenue (31.3 percent) was earned by the largest firms. A lesser amount of the industry's revenue (3.5 percent) was earned by the small firms. Nearly 65 percent of the industry's revenue shared by the medium size (medium-low, medium, medium-high) IT and BPM firms.

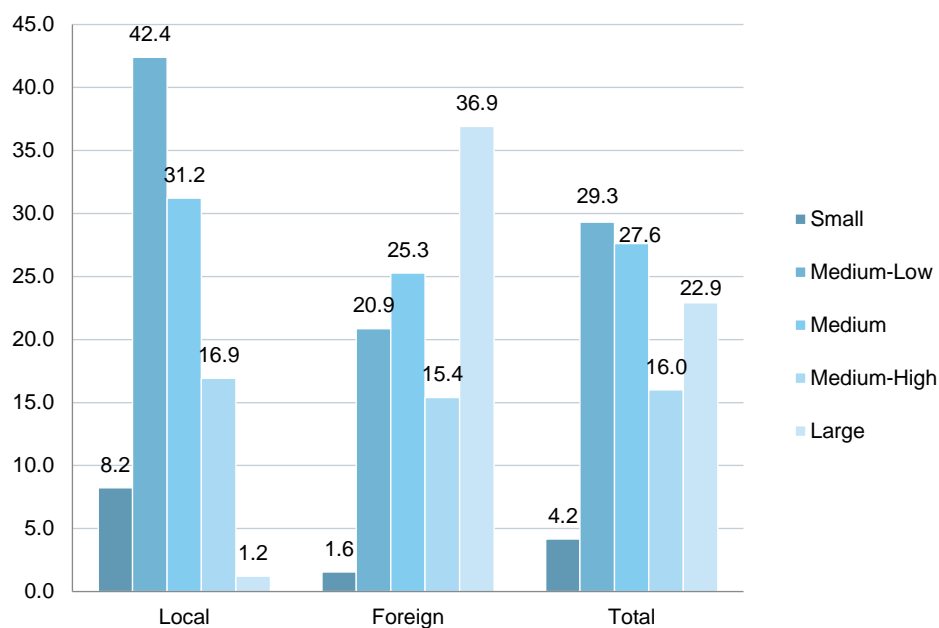
When considering the IT and BPM industry's foreign market, 45.3 percent of the revenue is captured by the large firms. Secondly, a higher share (21.0 percent) was seized by the medium size firms, thirdly (17.5 percent) was seized by the medium-high firms. The medium-low group too captured considerable portion of the revenue of 14.7 percent of total industry revenue. However, as well as in the total market level, even in the foreign market, from the generated revenue, a lesser amount is captured by the small companies.

Further, when considering the local market, this pattern is varied to some extent. In the local market, a higher share of the revenue of 40.2 percent is captured by the medium-low size IT and BPM firms. Secondly, 29.5 percent of the revenue is gained by the medium size firms. Thirdly, 20.3 percent of the revenue is earned by the medium-high firms. However, in the local market, the lowest level of the revenue (2.1 percent) is captured by the large firms. In the local market, even the small IT and BPM companies earns a considerable level of revenue of 7.9 percent.

The survey findings prove that large IT and BPM firms target the foreign market clients while medium size IT and BPM firms target the local market clients.

Figure 4.6

Percentage Distribution of Revenue by Size of the Firm and Nature of Markets, IT Industry, 2017

**Source:**

Department of Census and Statistics, Sri Lanka

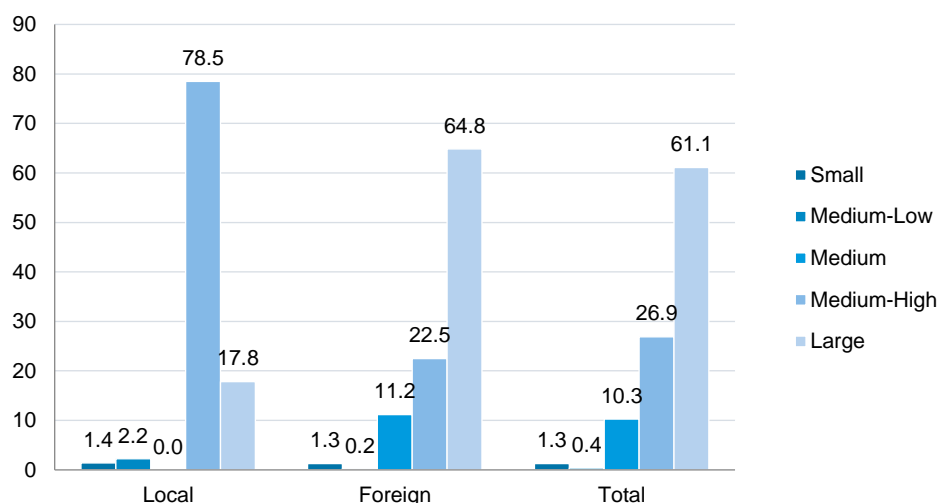
Figure 4.6 presents the IT industry estimated revenue according to the size of the IT firms and nature of the markets, for the year 2017. As shown in the figure, the highest share of the total market revenue (29.3 percent) is gained by the medium-low size IT companies. Secondly, highest share is achieved by the medium size IT companies while 22.9 percent of the total market revenue is captured by the large IT companies.

However, when it comes to the foreign market, highest share of the export market revenue (36.9 percent) of IT industry, is contributed by the large IT companies. Secondly it is gained by the medium size IT companies while medium-high companies achieved 15.4 percent of the industry's revenue.

Further, when considering the local market of IT industry, 42.4 percent of the revenue achieved by the medium-low size IT companies, while 31.2 percent of the revenue is gained by the medium size companies. However, the large IT companies in the country do not target the local market much. The survey findings reveal that just 1.2 percent of the local market revenue is gained by the large IT companies.

Figure 4.7

Percentage Distribution of Revenue by Size of the Firm and Nature of Markets, BPM Industry, 2017



Source:

Department of Census and Statistics, Sri Lanka

Figure 4.7 presents BPM industry estimated revenue breakdown according to the size of BPM firms and nature of markets. As reflected in the figure, 61.1 percent of the total BPM industry's revenue is shared by the large-scale BPM firms. Consequently, 26.9 percent of the revenue is gained by the medium-high BPM firms.

Following the same pattern in the total market, even in the export market, the highest share of the BPM industry's export revenue is captured by the large and medium-high BPM firms. Accordingly, 64.8 percent share of the foreign market revenue achieved by large size BPM firms. However, in the BPM local market, highest share of the revenue (78.5 percent) achieved by the medium-high companies, not the large companies.

According to the survey findings, it is proved that BPM industry mainly run by large scale and medium-high companies in the foreign market as well as in the local market. When considering the IT industry, the foreign market basically run by the large IT companies while local market run by the medium-high IT companies.

Revenue by Revenue Category level

Table 4.5 presents IT and BPM firms distribution based on the revenue categories. The four revenue categories were recognized according to the firm's annual revenue distribution. The four revenue categories are annual revenue less than Rs. 99 million, annual revenue more than Rs. 100 million and less than Rs. 249 million, annual revenue more than Rs. 250 million and less than Rs. 999 million and annual revenue more than Rs. 1000 million.

Table 4.5 - Distribution of Revenue by Revenue Category, both IT and BPM

Revenue Category (Rs. '000)	No. of Firms 2017	Revenue			
		2016		2017	
		Value (Rs '000)	Contribution to total (%)	Value (Rs '000)	Contribution to total (%)
Less than 99,999	262	6,631,366	4.1	6,756,230	3.4
100,000 - 249,999	148	23,086,210	14.1	22,597,999	11.5
250,000 - 999,999	121	56,966,004	34.9	65,265,018	33.3
1,000,000 and above	30	76,749,510	47.0	101,532,119	51.8
Total	561	163,433,092	100	196,151,366	100

According to Table 4.5, by the year of 2017, the firms in the revenue category of annual revenue more than Rs. 1000 million and above captures the 51.8 percent of the industry's revenue. Out of 561 of IT and BPM firms, just 30 firms in this category contribute to the higher portion of industry's output. In addition, when considering the YoY growth rates, this segment has recorded 32.3 percent of growth when compared to the YoY growth rates of other categories.

Secondly, a higher portion of the revenue is gained by the revenue group of annual revenue more than Rs. 250 million and less than Rs. 999 million group and it captures 33.3 percent of the output by the year of 2017 and it consists of 121 of IT and BPM firms.

Consequently, 148 IT and BPM firms who are in the revenue group of Rs. 100 million – Rs. 249 million, have captured 11.5 percent of the industry's revenue. However, a higher number of 262 of IT and BPM firms earn just 3.4 percent of the total industry revenue. The firms in that group generally earn an income less than Rs. 99 million per year.

Table 4.6 - Distribution of Revenue by Revenue Category, IT Industry

Revenue Category (Rs. '000)	No. of Firms 2017	Revenue			
		2016		2017	
		Value (Rs '000)	Contribution to total (%)	Value (Rs '000)	Contribution to total (%)
Less than 99,999	232	6,252,086	4.8	6,516,729	4.3
100,000 - 249,999	143	22,283,406	17.3	20,687,451	13.5
250,000 - 999,999	107	48,829,627	37.9	56,662,704	37.1
1,000,000 and above	18	51,641,728	40.0	68,957,249	45.1
Total	500	129,006,848	100.0	152,824,133	100.0

Table 4.6 presents the distribution of the revenue according to the revenue categories for the IT sector. A similar pattern can be observed even in the IT sector firms as in the whole IT and BPM industry revenue distribution.

Out of 500 of IT firms, 18 firms capture 45.1 percent of the IT industry revenue and the companies in that revenue category generally earns annual income of Rs. 1000 million and above. Consequently, 107 firms who are in the revenue group of Rs. 250 million – Rs. 999 million, captures 37.1 percent of the IT sector revenue. Accordingly, 143 firms capture 13.5 percent of the revenue and 232 firms captures 4.3 percent of the revenue.

Table 4.7 - Distribution of Revenue by Revenue Category, BPM Industry

Revenue Category (Rs. '000)	No. of Firms 2017	Revenue			
		2016		2017	
		Value (Rs '000)	Contribution to total (%)	Value (Rs '000)	Contribution to total (%)
Less than 99,999	30	379,280	1.1	239,501	0.6
100,000 - 249,999	5	802,804	2.3	1,910,548	4.4
250,000 - 999,999	14	8,136,377	23.6	8,602,314	19.9
1,000,000 and above	12	25,107,782	72.9	32,574,870	75.2
Total	61	34,426,244	100.0	43,327,233	100.0

Table 4.7 presents the BPM industry's revenue distribution according to the revenue categories. Out of the 61 of BPM firms, 12 firms who earn generally annual income Rs. 1000 million and above capture 75.2 percent of the BPM industry's revenue. The rest of 25 percent of the revenue shared by the 49 BPM firms.

Chapter 5 : Expenditure and Value Added

This Chapter presents comprehensive analysis about the Expenditure and Value Added of IT and the ITES industry in Sri Lanka. The chapter discusses in detail about Expenditure, Intermediate Consumption, Salaries and Wages and Value Added by Nature of Business.

Expenditure/ Intermediate Consumption/ Salaries & Wages

The IT/ ITES survey collected expenditure related information from the IT and BPM companies in order to compute the value added of this industry. Hence the respondent firms were asked to provide the information on Total Expenditure and details of some selected expenditure components. Accordingly, based on the survey results total expenditure, Intermediate Consumption, Salaries and wages and some expenditure components were estimated.

Intermediate Consumption (IC)

Intermediate consumption is derived by subtracting the salaries & wages cost, depreciation cost, the financing cost and other non-operating costs from the total expenditure. IC is an expenditure related term under the National Accounting framework. Generally, IC is the cost of goods and services used in the production process. Further, IC is the cost of raw materials and other services related costs incurred during the production process.

Salaries and wages and other main expenditure components

The survey collected expenditure data under 10 main selected components other than the total expenditure. Accordingly, Salaries and wages/Total Staff cost, Transportation charges, Electricity charges, Water, Financing cost, Communication expenses, Payment for security services & installation charges were collected.

Table 5.1 - Distribution of Expenditure/ Intermediate Consumption/ Salaries and Wages by Nature of Business

Nature of Business	Total Expenditure (Rs. '000)		Intermediate Consumption (Rs. '000)		Salaries & Wages (Rs. '000)	
	2016	2017	2016	2017	2016	2017
IT	94,324,674	112,399,757	30,504,827	37,650,059	58,096,324	67,812,840
BPM	32,069,378	39,073,235	9,420,134	11,652,445	21,083,617	25,172,670
Total	126,394,052	151,472,992	39,924,960	49,302,504	79,179,942	92,985,510

Table 5.1 presents estimates of total expenditure, estimated IC and the estimated salaries and wages by nature of the business. According to table 5.1, in the year 2016, the total IT and BPM industry's estimated total expenditure accounted for Rs. 126,394 million. By 2017, the total estimated expenditure has increased up to Rs. 151,473 million registering a YoY growth rate of 19.8 percent. In the year 2017, the estimated total expenditure for the IT industry is Rs. 112,400 million and BPM industry is Rs. 39,073 million.

Moreover, the estimated IC of the IT and BPM industry is Rs. 39,925 million in the year 2016 and this amount has increased up to Rs. 49,303 million by the year of 2017. As indicated in Table 5.2, the percentage share of the IC to total expenditure is 32.5 percent in the year 2017. IC percentage share to the total expenditure in IT industry in 2017 is 33.5 percent and BPM industry is 29.8 percent.

The estimated salaries and wages for the IT and BPM industry accounted for Rs. 79,180 million in 2016 and by the year 2017, this amount has increased to Rs. 92,986 million. As shown in Table 5.2, the percentage share of the salaries and wages to the total expenditure is 61.4 percent in the year 2017. The percentage share of salaries and wages to the total expenditure is 60.3 percent for the IT industry and 64.4 percent for the BPM industry, in the year 2017.

Table 5.2 - Intermediate Consumption and Salaries & Wages as a Percentage (%) of Total Expenditure

Nature of Business	Intermediate Consumption		Salaries & Wages	
	2016	2017	2016	2017
IT	32.3	33.5	61.6	60.3
BPM	29.4	29.8	65.7	64.4
Total	31.6	32.5	62.6	61.4

Revenue/ Intermediate Consumption/ Value Added/ IC Ratio

The IT/ ITES survey results reveal the total estimated Revenue, Expenditure, IC, Salaries and Wages and Value Added for the whole IT and BPM industry and for the IT and BPM industry separately.

Value Added (VA)

The VA is estimated by subtracting IC from the Gross Value of Output/ Revenue.

$$\text{Value Added (VA)} = \text{Gross Value of Output (GVO)} - \text{Intermediate Consumption (IC)}$$

Intermediate Consumption (IC) Ratio

Intermediate Consumption to Output is the IC ratio.

$$\text{IC Ratio} = (\text{Intermediate Consumption} / \text{Gross Value of Output}) * 100$$

Table 5.3 - Distribution of Gross Output (Revenue) / Intermediate Consumption / Value Added / IC Ratio

Nature Of Business	2016				2017			
	Gross Output/ Total Revenue (Rs. '000)	Intermediate Consumption (Rs. '000)	Value Added (Rs. '000)	IC Ratio	Gross Output/ Total Revenue (Rs. '000)	Intermediate Consumption (Rs. '000)	Value Added (Rs. '000)	IC Ratio
IT	129,006,848	30,504,827	98,502,021	0.24	152,824,133	37,650,059	115,174,074	0.25
BPM	34,426,244	9,420,134	25,006,110	0.27	43,327,233	11,652,445	31,674,788	0.27
Total	163,433,092	39,924,960	123,508,132	0.24	196,151,366	49,302,504	146,848,862	0.25

Table 5.3 presents the estimated gross output/total revenue, estimated IC, estimated VA and the IC ratio by nature of business for the years of 2016 and 2017. As indicated in the table, the estimated VA for 2016 for the IT and BPM industry is Rs. 123,508 million. By the year 2017, the estimated VA has risen up to Rs. 146,849 million, reporting a YoY growth rate of 18.9 percent. The share of VA to the gross output is 75.0 percent, by year 2017.

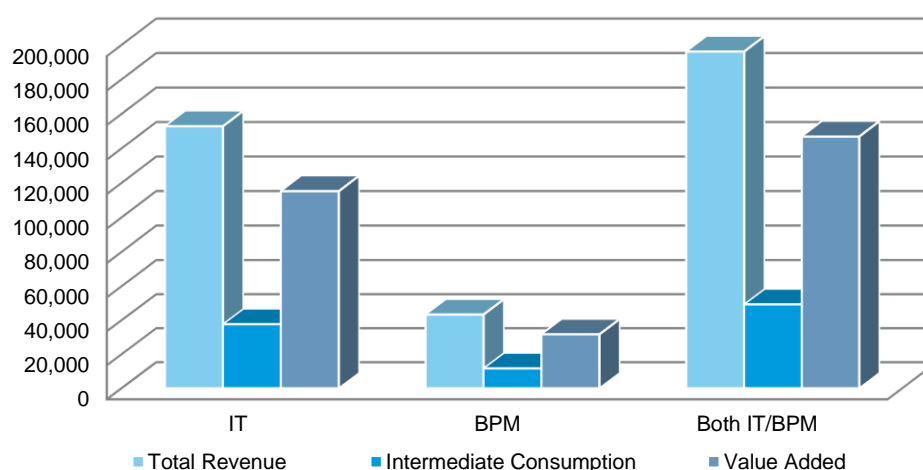
Further, the IT industry estimated VA is Rs. 98,502 million for the year 2016 and this has increased up to Rs. 115,174 million by year 2017. The YoY growth rate is 16.9 percent. The share of VA to the gross output is 75.0 percent by year 2017.

The BPM industry reported the estimated VA for the year 2016 as Rs. 25,006 million and for the year 2017 as Rs. 31,675 million. The YoY growth rate is 26.7 percent. The share of VA to the gross output is 73.0 percent by year 2017.

In addition, according to the Table 5.3, the estimated IC ratio for the whole IT and BPM industry is 25.0 percent by year 2017. The estimated IC ratio for the IT industry is 25.0 percent and the BPM industry is 27.0 percent.

Figure 5.1

Distribution of Gross Output (Total Revenue)/ Intermediate Consumption/ Value Added by Nature of Business, Rs. Mn, 2017



Source:
Department of Census and Statistics, Sri Lanka

Figure 5.1 also reflects the distribution of the IT and BPM industries' gross output, IC and VA by nature of business. As it shows, the IT and BPM industries are highly important to an economy as it generates a higher rate of value added.

Appendix Tables

Table 1: Distribution of the Firms by Activity (ISIC – 4 Digit category), Irrespective of the Priorities

Activity	No. of Firms
6201: Computer programming activities	364
6209: Other information technology and computer service activities	244
6202: Computer consultancy and computer facilities management activities	195
6311: Data processing, hosting and related	94
6312: Web portals	70

Table 2: Distribution of the Firms by Activity based on the given priority

Activity	No. of Firms			Total
	1 st Priority	2 nd Priority	3 rd Priority	
6201:Computer programming activities	290	61	13	364
6209:Other information technology and computer service activities	69	111	64	244
6202:Computer consultancy and computer facilities management activities	65	94	36	195
6311:Data processing, hosting and related	19	39	36	94
6312:Web portals	6	13	51	70

Table 3: Distribution of the Firms by Nature of Operations

Nature of operations	IT		BPM		Total	
	No. of Firms	%	No. of Firms	%	No. of Firms	%
Captive	165	33.0	12	19.7	177	31.6
Non-captive	146	29.2	35	57.4	181	32.3
Both	189	37.8	14	23.0	203	36.2
Total	500	100.0	61	100.0	561	100.0

Table 4: Distribution of the Firms by Nature of Market

Nature of Market	IT		BPM		Total	
	No. of Firms	%	No. of Firms	%	No. of Firms	%
Local	143	28.6	0	0.0	143	25.5
Foreign	143	28.6	41	67.2	184	32.8
Local and Foreign	214	42.8	20	32.8	234	41.7
Total	500	100.0	61	100.0	561	100.0

Table 5: Distribution of Output/Revenue by Nature of Business and by Nature of Markets

Nature of Business	Market Revenue – 2016 (Rs. '000)			Market Revenue – 2017 (Rs. '000)		
	Local	Foreign	Total	Local	Foreign	Total
IT	47,798,697	81,208,150	129,006,848	59,928,786	92,895,347	152,824,133
BPM	2,227,428	32,198,816	34,426,244	3,440,515	39,886,718	43,327,233
Total	50,026,125	113,406,966	163,433,092	63,369,301	132,782,065	196,151,366

Table 6: Distribution of Revenue by Nature of Operations and by Nature of Business

Year	Nature of Business	Nature of Operations			Total Revenue (Rs. '000)
		Captive (Rs. '000)	Non captive (Rs. '000)	Captive/non-captive (Rs. '000)	
2016	IT	59,393,709	41,425,531	28,187,608	129,006,848
	BPM	18,793,579	14,986,200	646,465	34,426,244
	Total	78,187,288	56,411,731	28,834,073	163,433,092
2017	IT	70,113,917	51,515,332	31,194,883	152,824,132
	BPM	26,357,787	16,252,618	716,829	43,327,234
	Total	96,471,704	67,767,950	31,911,712	196,151,366

Table 7: Distribution of Output/Revenue by Size of the Firm and by Nature of Markets - IT

Size of the Firm	Market Revenue – 2016 (Rs. '000)			Market Revenue – 2017 (Rs. '000)		
	Local	Foreign	Total	Local	Foreign	Total
Small	4,315,043	1,313,786	5,628,829	4,938,630	1,443,604	6,382,234
Medium-low	20,424,071	17,735,947	38,160,018	25,408,402	19,386,571	44,794,973
Medium	14,353,917	19,528,714	33,882,631	18,713,067	23,479,757	42,192,824
Medium-High	7,986,739	10,304,356	18,291,095	10,138,293	14,309,152	24,447,445
Large	718,928	32,325,347	33,044,275	730,395	34,276,262	35,006,657
Total	47,798,697	81,208,150	129,006,848	59,928,786	92,895,347	152,824,133

Table 8: Distribution of Output/Revenue by Size of the Firm and by Nature of Markets - BPM

Size of the Firm	Market Revenue – 2016 (Rs. '000)			Market Revenue – 2017 (Rs. '000)		
	Local	Foreign	Total	Local	Foreign	Total
Small	34,271	381,311	415,582	48,838	507,326	556,164
Medium-low	36,913	129,115	166,028	77,272	94,444	171,716
Medium	0	2,760,356	2,760,356	0	4,462,080	4,462,080
Medium-High	1,581,789	4,394,707	5,976,496	2,701,056	8,959,231	11,660,288
Large	574,456	24,533,326	25,107,782	613,349	25,863,637	26,476,986
Total	2,227,428	32,198,816	34,426,244	3,440,515	39,886,718	43,327,233

Table 9: Distribution of Output/Revenue by Size of the Firm and by Nature of Markets – Both IT and BPM

Size of the Firm	Market Revenue – 2016 (Rs. '000)			Market Revenue – 2017 (Rs. '000)		
	Local	Foreign	Total	Local	Foreign	Total
Small	4,349,314	1,695,097	6,044,411	4,987,468	1,950,930	6,938,397
Medium-low	20,460,984	17,865,063	38,326,046	25,485,674	19,481,015	44,966,689
Medium	14,353,917	22,289,069	36,642,986	18,713,067	27,941,837	46,654,904
Medium-High	9,568,528	14,699,063	24,267,591	12,839,349	23,268,384	36,107,733
Large	1,293,384	56,858,673	58,152,057	1,343,744	60,139,899	61,483,643
Total	50,026,125	113,406,966	163,433,092	63,369,301	132,782,065	196,151,366

Table 10: Distribution of Revenue by Revenue Category – IT

Revenue Category (Rs. '000)	No. of Firms 2017/18	Revenue			
		2016		2017	
		Value (Rs '000)	Contribution to total (%)	Value (Rs '000)	Contribution to total (%)
Less than 99,999	232	6,252,086	4.8	6,516,729	4.3
100,000 - 249,999	143	22,283,406	17.3	20,687,451	13.5
250,000 - 999,999	107	48,829,627	37.9	56,662,704	37.1
1,000,000 and above	18	51,641,728	40.0	68,957,249	45.1
Total	500	129,006,848	100.0	152,824,133	100.0

Table 11: Distribution of Revenue by Revenue Category – BPM

Revenue Category (Rs. '000)	No. of Firms 2017/18	Revenue			
		2016		2017	
		Value (Rs '000)	Contribution to total (%)	Value (Rs '000)	Contribution to total (%)
Less than 99,999	30	379,280	1.1	239,501	0.6
100,000 - 249,999	5	802,804	2.3	1,910,548	4.4
250,000 - 999,999	14	8,136,377	23.6	8,602,314	19.9
1,000,000 and above	12	25,107,782	72.9	32,574,870	75.2
Total	61	34,426,244	100.0	43,327,233	100.0

Table 12: Distribution of Revenue by Revenue Category – Both IT and BPM

Revenue Category (Rs. '000)	No. of Firms 2017/18	Revenue			
		2016		2017	
		Value (Rs '000)	Contribution to total (%)	Value (Rs '000)	Contribution to total (%)
Less than 99,999	262	6,631,366	4.1	6,756,230	3.4
100,000 - 249,999	148	23,086,210	14.1	22,597,999	11.5
250,000 - 999,999	121	56,966,004	34.9	65,265,018	33.3
1,000,000 and above	30	76,749,510	47.0	101,532,119	51.8
Total	561	163,433,092	100.0	196,151,366	100.0

Table 13: Distribution of Expenditure/ Intermediate Consumption by Nature of Business

Nature of Business	Total Expenditure (Rs. '000)		Intermediate Consumption (Rs. '000)		Salaries & Wages (Rs. '000)	
	2016	2017	2016	2017	2016	2017
IT	94,324,674	112,399,757	30,504,827	37,650,059	58,096,324	67,812,840
BPM	32,069,378	39,073,235	9,420,134	11,652,445	21,083,617	25,172,670
Total	126,394,052	151,472,992	39,924,960	49,302,504	79,179,942	92,985,510

Table 14: Distribution of Expenditure/Intermediate Consumption by Size of the Firm - IT

Size of the Firm	Total Expenditure (Rs. '000)		Intermediate Consumption (Rs. '000)		Salaries & Wages (Rs. '000)	
	2016	2017	2016	2017	2016	2017
Small	4,591,027	4,669,967	2,135,701	2,412,366	2,236,926	2,036,562
Medium-low	25,553,498	26,800,965	9,090,150	11,523,442	14,736,117	13,659,326
Medium	24,930,583	32,565,630	8,242,760	10,290,904	15,229,634	20,096,137
Medium-High	15,326,165	20,744,870	5,879,735	7,099,460	8,478,750	12,558,465
Large	23,923,401	27,618,325	5,156,480	6,323,887	17,414,897	19,462,350
Total	94,324,674	112,399,757	30,504,827	37,650,059	58,096,324	67,812,840

Table 15: Distribution of Expenditure/Intermediate Consumption by Size of the Firm - BPM

Size of the Firm	Total Expenditure (Rs. '000)		Intermediate Consumption (Rs. '000)		Salaries & Wages (Rs. '000)	
	2016	2017	2016	2017	2016	2017
Small	1,515,778	2,073,403	172,851	282,446	1,055,185	1,394,862
Medium-low	480,059	528,473	229,304	226,445	224,507	240,481
Medium	2,452,337	3,655,390	555,241	914,047	1,581,732	2,307,561
Medium-High	5,732,708	10,456,778	2,221,222	3,604,196	3,401,412	6,465,336
Large	21,888,496	22,359,192	6,241,516	6,625,312	14,820,780	14,764,430
Total	32,069,378	39,073,235	9,420,134	11,652,445	21,083,617	25,172,670

Table 16: Distribution of Expenditure/Intermediate Consumption by Size of the Firm – Both IT and BPM

Size of the Firm	Total Expenditure (Rs. '000)	(Rs. '000)	Intermediate Consumption (Rs. '000)		Salaries & Wages (Rs. '000)	
	2016	2017	2016	2017	2016	2017
Small	6,106,805	6,743,370	2,308,552	2,694,812	3,292,111	3,431,424
Medium-low	26,033,557	27,329,438	9,319,454	11,749,887	14,960,624	13,899,807
Medium	27,382,920	36,221,020	8,798,001	11,204,951	16,811,366	22,403,698
Medium-High	21,058,873	31,201,648	8,100,957	10,703,656	11,880,162	19,023,801
Large	45,811,897	49,977,517	11,397,996	12,949,199	32,235,677	34,226,780
Total	126,394,052	151,472,992	39,924,961	49,302,504	79,179,941	92,985,510

CONFIDENTIAL This information is sought under the Statistics Ordinance as amended in 2000. Individual information will be treated as strictly confidential.



Department of Census and Statistics

IT and IT Enabled Technology Services Survey – 2017/18

(Questionnaire for the ICT & BPM Companies)

Reference No:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Survey Objective

The Purpose of this Survey is to obtain statistics from Information Communication Industry (ICT) businesses of Services sector in Sri Lanka. ICT as one of an emerging services industry at present, it is necessary to compute the economic contribution of that industry to the economy. The information collected is used extensively in the production of a range of economic indicators. An example is Gross Domestic Product (GDP), which measures the economy in Sri Lanka. These Statistics helps the government and other organizations as well as business community in planning and decision making.

Please furnish accurate and complete information.

1) Identification Information

1.1 Name of the Establishment/Proprietor:

.....

1.2 Address:

1.3 Administrative District:

1.4 Telephone No:

--

1.5 Authorized Officer's E-Mail Address:

--

1.6 Web Site:

--

1.7 Ownership of the Establishment:

Local

☐

Foreign owned

☐

Joint Partnership (Local + Foreign)

☐

1.8 Membership Associations (Multiple answers are possible)

SLASSCom

☐

FITIS

☐

Trade Chambers (Pl. specify)

--

Others (Pl. specify)

--

2) Nature/Type of the Business & Primary Markets

2.1 Nature/Type of the Industry/ Business:

(Please tick the most appropriate box. If your company is carrying mixed businesses (IT + BPM), then choose the business which generates highest income.)

IT Company

☐

BPM Company

☐

(If IT Company, please go to the Q.2.2.a If BPM Company, please go to the Q.2.2.b)

2.2.a Nature of the Business Activity:

The following business activity categories has been developed based on the International Standard for Industry Classification (ISIC) Rev.4. See the **Annexure I**.

According to the nature of your main/ primary business activity, please select the most appropriate. If your company is carrying more than one ICT related business categories mentioned below, please Rank it based on the highest income you generated.

If you choose "Other" category, then specify it in the given space.

Computer programming activities

☐

Computer consultancy and computer facilities management activities

☐

Other information technology and computer service activities

☐

Data processing, hosting and related activities

☐

Web portals

☐

Other

☐

2.2.b If your company is a BPM company, please mark the type of service you provide. (Multiple answers are allowed.)

Finance & Accounting

☐

Legal process outsourcing

☐

Document management

☐

HR outsourcing

☐

Contact centre operations

☐

Other

☐

Office use only

--	--	--	--	--

2.3 Nature of the Business Operations

Captive Operations

☐

Non-Captive Operations

☐

Both (Captive & Non-Captive Operations)

☐

2.4 Primary Markets

2.4.1 Nature of Clientele Local ☐ Foreign ☐ Local + Foreign ☐

2.4.2 If serving mixed clientele, breakdown of gross income (as a percentage)

Local	
Foreign	

2.4.3 If serving foreign or mixed clientele, exports markets? (Please specify the countries)

1.	2.	3.	4.	5.
6.	7.	8.	9.	10.

3) Average number of employees

(Include all working proprietors and active business partners, permanent & full-time employees and Part-time employees. Do not include employees who work on Internship basis.)

	Number	
	2016	2017
Average number of employees		

4) Expenditure

Item	Cost incurred (Rs.'000)	
	2016/17	2017/18
4.1 Total Expenditure (Specify here the total expenditure of the company for the financial years of 2016/17 & 2017/18.)		
(Out of total expenditure mentioned in 4.1, please provide expenditure details for the following breakdowns. It is not required to equal total of I to X headings to the 4.1 value. Requirement here is to recognize expenditure for following specific sub headings only.)		
I. Total Employment/Staff cost (including all other payment and worker's consumption)		
II. Depreciation cost of fixed assets		
III. Rental for building, office space, etc.		
IV. Transportation charges		
V. Electricity		
VI. Water		
VII. Finance cost		
VIII. Installation charges		
IX. Communication expenses		
X. Payment for security services		

5) Total Earnings/Revenue (Export revenue + Domestic revenue)

(Please specify the Earnings/Revenue in Sri Lankan Rupees in the given table in relevant sections for the financial years of 2016/17 and 2017/18 separately. If it is not possible to clearly identify the revenue separately from captive and non-captive operations, mention it under the "Combined operations category".)

For the Financial year of 2016/17

Description	Value (Rs. '000)		
	Revenue from Captive Operations	Revenue from Non-Captive Operations	Revenue from Combined Operations
5.1 Operational income			
5.2 Non-operational income (All the other non-operational income other than interest and dividends.)			
5.3 Total Revenue (5.1 + 5.2)			

For the Financial year of 2017/18

Description	Value (Rs. '000)		
	Revenue from Captive Operations	Revenue from Non-Captive Operations	Revenue from combined Operations
5.1 Operational income			
5.2 Non-operational income (All the other non-operational income other than interest and dividends.)			
5.3 Total Revenue (5.1 + 5.2)			

6) Remarks:

.....

.....

(Please make a copy of this for your record.)

This return is complete and correct to the best of my knowledge and belief.		
Signature:	Name:	Designation:
Date:	TP No:	

If you have any queries about filling in this Questionnaire, Please contact
Deputy Director, National Accounts Division, Dept. Of Census & Statistics, 011-2147069 or
Senior Statistician, National Accounts Division, Dept. Of Census & Statistics, 011-2147068 , 071-4490341
(Working hours 8.30 a.m - 4.30 p.m. on Week days)

Please email the completed questionnaire to the following address.
E-mail: national.accounts@statistics.gov.lk



IT and IT Enabled Services Survey


2016-2017

THE VISION OF DCS

“To be the leader in the region in producing timely statistical information to achieve the country





THE MISSION OF DCS

“Making contribution in the socioeconomic development of the country by providing accurate timely statistics, more Effectively by means of new technology, and utilising the services of dedicated staff under a strategic leadership to become a prosperous nation in the globalised environment.”

 Department of Census & Statistics
Sankyana Mandiraya
No. 306/71, Polduwa Road,
Battaramulla.

 info@statistics.gov.lk
 +94 11 2147000
 +94 11 2147400
 +94 11 2147011
 www.statistics.gov.lk

This publication is produced by the National Accounts Division

 3rd floor, Department of Census & Statistics
 National.accounts@statistics.gov.lk
 0112147071
 0112877938