Classification of Companies in Sri Lanka

Weerasinghe K. K. M.(220685A)

Introduction

We can group companies in Sri Lanka into five categories based on:

- **Where they get their money:** From local people (LKR) or from abroad (USD/EUR).
- **How they pay workers:** In LKR or in foreign money.
- **What they do with profits:** Keep them in Sri Lanka or send them overseas.

Each category affects **employees** and **the country** in different ways.

1 Category 1: "Local Benefactor"

What They Do

- Earn most of their money from abroad (for example, by exporting goods or offering services to foreign clients).
- Pay workers in LKR.
- Keep most profits in Sri Lanka.

Effect on Employees

- **Stable Jobs:** Money from abroad helps protect jobs, even if local sales slow down.
- **Good Pay & Skills:** Workers often learn new skills and may get higher pay than local-only companies.

Effect on Sri Lanka

- **More Foreign Money:** Brings in USD/EUR, which helps the country buy things like fuel or medicine.
- **Invests Locally:** Profits stay in Sri Lanka, creating more jobs and growth.
- **Big Benefit:** This setup helps Sri Lanka the most.

2 Category 2: “Balanced Hybrid”

What They Do

- Earn money from both local sales (LKR) and some foreign clients (USD/EUR).
- Mostly pay in LKR, but might pay certain skilled employees in foreign currency.
- Reinvest some profits in Sri Lanka, but may also send some profits out.

Effect on Employees

- **Mixed Stability:** Having both local and foreign customers can keep business going.
- **Opportunities:** Skilled workers might get some payments in USD/EUR, and can work with foreign clients.

Effect on Sri Lanka

- **Some Foreign Earnings:** Helps increase foreign money in the country, though less than Category 1.
- **Some Profit Leaves:** Not all profits stay here.
- **Generally Helpful:** Good for the economy, but not as strong as Category 1.

3 Category 3: “Locally Focused”

What They Do

- Earn money only from local customers (LKR).
- Pay employees in LKR.
- Keep profits in Sri Lanka.

Effect on Employees

- **Stable if Local Demand Is Strong:** Jobs depend on how well the local economy is doing.
- **Fewer Foreign Opportunities:** Little chance to earn foreign currency or interact with overseas markets.

Effect on Sri Lanka

- **Supports Local Economy:** Keeps money circulating among local businesses.
- **No Extra Foreign Money:** Does not bring in USD/EUR.

4 Category 4: “Foreign-Dominant”

What They Do

- Mostly earn money from foreign clients (exporting or multinational operations).
- Pay workers in LKR, but top managers may be paid in foreign currency.
- Send most profits back to the parent company abroad.

Effect on Employees

- **Higher Pay for Some:** Experienced workers might get better salaries or foreign currency allowances.
- **Uncertain Future:** The company can shut down or move if global decisions change.

Effect on Sri Lanka

- **Brings in Some USD/EUR:** Good while they are here.
- **Profit Leaves:** The country does not benefit much long-term because profits go abroad.

5 Category 5: “Local Drainer”

What They Do

- Earn money mostly from local customers in LKR (e.g., foreign fast-food chains or stores).
- Pay employees in LKR, but top roles may earn foreign currency.
- Send a large share of profits out of Sri Lanka in foreign currency.

Effect on Employees

- **Many Basic Jobs:** Offers many entry-level or lower-paying jobs.
- **Limited Advancement:** Important decisions often come from abroad.

Effect on Sri Lanka

- **Strains the Rupee:** Constantly turning LKR into USD/EUR makes the local currency weaker.
- **Few Lasting Benefits:** Even though they pay taxes, the big profit outflows hurt the economy over time.

Conclusion

- **Category 1 (Local Benefactor):** Best for Sri Lanka—earns foreign money and keeps profits here.
- **Category 2 (Balanced Hybrid):** Good mix of local and foreign income, but not all profits stay.
- **Category 3 (Locally Focused):** Stays within the local market, helpful but no foreign cash flow.
- **Category 4 (Foreign-Dominant):** Brings in foreign money but sends big profits abroad.
- **Category 5 (Local Drainer):** Relies on local money yet sends a lot of it out, weakening the economy.