



Sabaragamuwa
University of Sri Lanka

Faculty of Computing

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Quiz 01

IS5101 – Entrepreneurship and Innovation

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The Forces at Work in Sri Lankan Entrepreneurship - An Appraisal

Part 1: Economic Forces

State of the Economy

- Current State

The health crisis that the COVID-19 virus is causing in Sri Lanka and its consequences for the economy come at a time when political instability has weakened a country already facing significant economic challenges over recent years. GDP Growth Rate According to the Annual Report 2022 of Central Bank of Sri Lanka, the GDP growth rate has been low and had contracted in 2022. It has driven inflation to unprecedented levels due largely to supply chain disruptions and currency devaluation. The record increase in applications was accompanied by a rise in the unemployment rate as businesses faced economic difficulties.

- Disposable Income

The high inflation rate has severely eroded disposable income for most Sri Lankans. With the cost of living increasing, consumers have less money to spend on non-essential goods and services. This reduction in disposable income impacts businesses as consumer spending declines, leading to lower sales and profitability, particularly for luxury and discretionary products.

- Consumer Spending Patterns

Consumer spending patterns in Sri Lanka have shifted towards essential goods and services. There is a notable increase in spending on necessities such as food, healthcare, and utilities, while spending on luxury items and entertainment has decreased. Businesses that cater to basic needs or offer affordable alternatives are more likely to thrive in this economic environment.

- Sources

Central Bank of Sri Lanka. (2022). Annual Report 2022.

<https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2022>

Economy Next. (2023). Various articles on economic trends and consumer behavior.

<https://economynext.com/>

Part 2: Technological Advances

Emerging Technologies

- Emerging Technologies Artificial intelligence, cloud computing, and e-commerce are just a few of the innovations that Sri Lanka is embracing. The incorporation of these technologies into company processes has been made easier by the government's desire for digital transformation.
- Business Adoption: To increase productivity and increase their clientele, a large number of Sri Lankan companies are utilising these technologies. For example:
- E-commerce: Popular platforms like Daraz and Kapruka allow companies to reach a wider market.
- Cloud computing: By using cloud services, businesses may manage their data more easily and operate with greater flexibility while spending less on infrastructure.
- Artificial Intelligence: Predictive analytics and improved customer service are two uses of AI in industries like finance and healthcare.

Impact on Growth

Technological advancements have significant potential to drive business growth and competitiveness. By adopting these technologies, businesses can,

- Reduce operational costs through automation and improved efficiency.
- Enhance customer experiences with personalized services.
- Expand market reach through online platforms and digital marketing.

Sources

Daily FT. (2023). Articles on technological trends and business adoption. <https://www.ft.lk/>

Part 3: Social Forces

Social and Cultural Trends

- Social and Cultural Trends - Sri Lanka is currently witnessing a number of social and cultural developments that have an impact on consumer choices and corporate procedures. Growing environmental consciousness, a growing health consciousness, and the ubiquitous influence of social media are some of the key developments.
- Changes in the country's demographics - an ageing population and rising urbanisation are contributing to this change. There are various ramifications for firms of these changes

- The need for healthcare services and goods is fueled by the ageing population.
- The need for contemporary housing, lifestyle goods, and convenience-focused services rises with urbanisation.
- What's Popular

Socially conscious brands, eco-friendly items, and health and wellness products are all quite popular right now. Companies are adjusting to these developments by,

 - supplying natural and organic goods.
 - putting into effect sustainable methods and promoting environmentally friendly goods.
- Sources

Central Bank of Sri Lanka. (2022). Demographic data and social trends.

<https://www.cbsl.gov.lk/>

Part 4: Political and Regulatory Changes

Political Environment

- Recent Political Changes

Sri Lanka has seen significant political changes, including shifts in government policies and leadership. These changes impact the business environment, particularly through new regulations and economic policies aimed at stabilizing the economy.

- Impact on Business

Tax Regulations: Recent tax reforms aim to increase government revenue but can also increase the tax burden on businesses, affecting profitability.

Trade Policies: Changes in trade policies, such as tariffs and import restrictions, influence the cost and availability of goods, impacting businesses involved in international trade.

Labor Laws: Updates to labor laws can affect operational costs and labor management, requiring businesses to adapt to new compliance requirements.

- Regulatory Changes

The Central Bank and other regulatory bodies have introduced several new regulations to stabilize the economy and encourage business growth. These include financial regulations to enhance banking stability and environmental regulations promoting sustainable business practices.

- Sources

Central Bank of Sri Lanka. (2023). Reports on regulatory changes and economic policies.
<https://www.cbsl.gov.lk/>