

# RESTORATION OF A STUMBLED ECONOMY

## PERSPECTIVES OF A MARKETEEER

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### What is your overview of the current state of the Sri Lankan Economy?

There are two key factors which fueled this economic crisis. The first, poor debt management and the second, prolonged fiscal deficit which we haven't managed for decades. Even though the monetary policy was tightened as a reactive measure, inflation will remain high due to supply shortages and raw material price hikes especially driven by the dollar appreciation. With the fluid political situation in the country, effective economic planning and activities will also be adversely affected and slow down. From a customer point of view, especially

with the new PAYE tax imposition, the disposable income will drastically reduce hindering consumption while invariably affecting all business sectors. 2023 will be one of the most economically challenging years for all Sri Lankans in recent history. The Export sector and tourism will be pivotal in the recovery process, supported by the consistent influx of foreign earnings. Resilience will yet again be the moto for Sri Lanka to face these major economic challenges in 2023.

**As far as you think, what are the main factors contributing to the current crisis and the resultant hardships?**



Inconsistent policies, not being strategic in the economic development process, and the inability to create a clear value proposition for the country are the key factors which led to this crisis in my opinion. We were able to escape from these adversities with short and long term debt financing before yet with continuous macro adversities which reached the maximum vulnerability levels during COVID accelerated the economic crisis and took it beyond controllable levels. Consistency is the key for sustainable economic development and strategic planning allows a country or an organization to plan for adversities and have contingency plans ready to face difficult times. The way in which our foreign reserves reduced in front of our eyes was mind-boggling and it is now a case study of why strategic management and good governance is critical for a state to

prosper its economy.

**In your opinion what are the different mechanisms that can be implemented to attract FDIs?**

Direct investments depend on the investor confidence of the particular country and investor confidence is based on reflections

of successful business operations generated by similar businesses. A very stable political eco system is a prerequisite for attracting foreign direct investments and in my opinion improving infrastructure is key to attracting high potential investors. These infrastructures include seaports, airports, internal transportation efficiency such as the road system, efficient logistic services that allow the swift

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importation of raw materials and export of finished goods. Sri Lanka's unique geo location makes the country very attractive to both East and the West therefore the focus must be on the improvement of the infrastructure facilities as well as streamlining trade processing.

Fine-tuning the trade policies to facilitate raw material imports with a lenient tariff system will boost trading and attract FDIs. Improving the government processes and systems along with the appointment and training of the right human resources for attracting foreign investors is key.

Making the labor cost competitive compared to the region is also a key factor in attracting FDIs as cheaper labor is one reason why Sri Lanka is losing certain key investments to nearby Indian sub-continent countries such as Bangladesh. Also, addressing the complexities in other labor regulations with regards to compensation and termination and the promotion of ethical labor practices and other good governance practices will also leave a positive impact in the overall effort to attract FDIs. Most



importantly, improving the skilled labor pool and the productivity of labor is also a clear unique aspect which can be used to attract foreign investors.

Consistent marketing and promotional activities for Sri Lanka, highlighting the benefits of investing in the country and highlighting the key industries which are unique to Sri Lanka in agriculture, IT and most importantly tourism are other effective mechanisms to attract the right foreign investors to the country.

**In your opinion, what are the measures that**

**can be taken to improve the foreign earnings.?**

Simply broadening the reliance of the traditional exports such as tea, apparel and foreign labor to IT, entertainment, branded products and services is the main long-term strategy to increase foreign earnings in my opinion. The innovativeness of Sri Lankan entrepreneurs and SMEs and the private sector in general must be improved with easy access to new technologies in foreign countries or with government supported collaborations. From COVID times to the economic crisis, we have seen many innovations such as



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electric mobility, medical equipment manufacturing etc. which can be developed into mass production level and to generate foreign income with the proper government support and opening of foreign collaboration opportunities and importation of raw material with low or exempted taxes. An export-oriented economy and a culture must be created within the country since the local consumption alone will not allow innovators to scale the businesses. Government must act as a prudent facilitator for these high potential businesses and drive active development of key industries in order to develop new foreign income lines. The traditional exports are being challenged by new regions consistently therefore rapid innovation of export product lines is a must.

**According to your point of view, who are the key stakeholders who should come forward to play a major part in this rebuilding stage?**

Government will have to be the key

stakeholder in this process since the main responsibility of economic growth, development, sustainability of the country lies with the government along with the people's mandate. The private sector and other stakeholders have always contributed in the possible avenues provided but the main lead and the strategy must be set by the government and create an active buy by the other relevant stakeholders. Creating political stability and governance is key in this rebuilding stage as we see many phenomena's within the economic crisis such as the rapid outflow of talent which is a major deterrent in the rebuilding effort. Improving internal and external stakeholder interests and having a clear vision, mission, objectives and strategy is the core responsibility of the government.

**What sort of challenges are faced by the organizations in the process of bringing back business and economic normalcy?**

Loss of customer confidence and

reducing disposable income is having a major impact on all businesses including the increase in overheads. The purchase volume drop is heavily impacting active industries such as retail. Businesses must maintain business profitability while contributing to the development of the economy, which is a very tough ask since most organizations are heavily labor intensive. Managing the workforce and most importantly the motivation of the workforce who are affected by the economic crisis is a major challenge for all the companies. Many Sri Lankan industries are heavily reliant on tourism and there is a micro industry system which also benefit from tourism, therefore consistent tourist influx is a major requirement to boost the economic activities. Managing the dollar appreciation required for imports since many industries rely on imported raw materials and finished goods is also another key challenge.

**What are the measures you have taken to safeguard your employees during the crisis**

Creating a friendly and fun-filled environment for all employees is at the heart of the business operation, which is essential especially at a time of such hardship. Welfare contributions and special allowances are some of the relief packages offered to employees while continuous training and development activities also ensure that employees enjoy normalcy at work while being able to improve their technical and business skills. Training and development opportunities offered to continuously improve skills and facilitate career growth are the best motivation that can be provided to an employee during the current crisis.

■ *By Thisal Yatawara*