SHETRADES

PROMOTING SME COMPETITIVENESS IN SRI LANKA
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About the paper

A largely untapped resource, Sri Lankan women have the potential to play a significant role in the country’s economy. Given the right tools and support, women entrepreneurs in Sri Lanka can achieve this potential and positively affect the global economy.

Using the International Trade Centre (ITC) SME Competitiveness Survey, this report suggests encouraging more women to be part of the services sector in Sri Lanka, and ensuring that women-led enterprises have better access to quality certifications, digital and computer knowledge, marketing opportunities and intellectual property systems.
Foreword

Women continue to be one of the greatest untapped resources in governments’ economic and development arsenals. Unlocking women entrepreneurs’ economic potential can add up to $28 trillion to the world’s gross domestic product (GDP) by 2025, according to McKinsey. Yet legal, regulatory, cultural, financial and digital barriers continue to prevent women from fully contributing to our economies.

In an effort to dig deeper into this phenomenon, the International Trade Centre (ITC) has undertaken a series of data-gathering exercises and analyses to better understand the barriers that continue to prevent women from reaching their full potential as equal economic actors.

We are pleased to launch this report as one in a series of three publications examining women entrepreneurship in the services sector in Kenya, Indonesia and Sri Lanka. This report builds on the ITC SME Competitiveness Survey and leverages the SheTrades country experience to highlight the barriers to growth for women-owned micro, small and medium-sized enterprises (MSMEs) in Sri Lanka. It highlights how policymakers, development actors, trade and investment support institutions and the private sector can build upon the recommendations to set policy and design interventions to support greater women’s economic empowerment.

Launched in 2010, the ITC SheTrades initiative aims to connect one million women to markets by 2020, by building their skills and linking them to trade and investment opportunities. The initiative has mobilized a network of more than 900,000 women entrepreneurs, facilitated access to markets for more than 15,000 women in business, and helped generate more than $80 million in trade for women.

With support from the Government of Australia’s Department of Foreign Affairs and Trade, the SheTrades Indian Ocean Rim Association project improves the competitiveness of women-owned MSMEs in Kenya, Indonesia and Sri Lanka and helps them reach international buyers.

The findings in this report feed into the ongoing global work on the United Nations Sustainable Development Goals and it is our hope that it can be an important resource to support greater integration of women into the services sector.

Arancha González
Executive Director
International Trade Centre
Acknowledgements

The International Trade Centre (ITC) expresses its gratitude to the 98 women-owned micro, small and medium-sized enterprises (MSMEs) in Sri Lanka that agreed to be interviewed on the issue of competitiveness.

This report was prepared by Poonam Watine under the supervision of Michelle Kristy and Jasmeer Virdee (all ITC). Thanks are due to Antonina Popova (ITC) for processing SME Competitiveness Survey data.

We thank Anders Aroe, Pradeepa Atapaththu, Vanessa Erogbogbo, Caroline Kemunto, Marion Jansen, Valentina Rollo and Nicholas Schlaepfer for their support, feedback and comments (all ITC).

We thank all stakeholders for their support, in particular the Australian Department of Foreign Affairs and Trade for their continued support.

ITC would also like to thank Natalie Domeisen and Evelyn Seltier of ITC, who oversaw production and quality control, Vanessa Finaughty for her editing contribution, and Serge Adeagbo and Franco Iacovino, who provided graphic and printing support.

The ITC SheTrades initiative is supported by the Governments of Finland, Australia, Norway, Iceland, the Netherlands, Sweden and the United Kingdom.
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Acronyms

Unless otherwise specified, all references to dollars ($) are to United States dollars, all references to tons are to metric tons, and all references to ‘women-led businesses’ include both women-owned and women-managed businesses.

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDB</td>
<td>Sri Lanka Export Development Board</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communications technology</td>
</tr>
<tr>
<td>ICTA</td>
<td>Information and Communication Technology Agency</td>
</tr>
<tr>
<td>IP</td>
<td>Intellectual property</td>
</tr>
<tr>
<td>ITC</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td>IT&amp;ITES</td>
<td>Information technology and information technology enabled services</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, small and medium-sized enterprises</td>
</tr>
<tr>
<td>NIPO</td>
<td>National Intellectual Property Office</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>SheTrades IORA project</td>
<td>SheTrades Indian Ocean Rim Association project</td>
</tr>
<tr>
<td>SLTDA</td>
<td>Sri Lanka Tourism Development Authority</td>
</tr>
<tr>
<td>TISI</td>
<td>Trade and investment support institution</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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</tbody>
</table>
Executive summary

Women in Sri Lanka are not yet full participants in the country’s workforce, and, by extension, its economy. In Sri Lanka, women accounted for 35% of the total labour force in 2016.

To better understand the economic barriers that women face, the ITC SheTrades initiative project for the Economic Empowerment of Women in Indian Ocean Rim Association (IORA) countries studies the challenges faced by women-led micro, small and medium-sized enterprises (MSMEs) in Sri Lanka’s services sector.

MSMEs form the backbone of the Sri Lankan economy. In 2017, ITC deployed its small and medium-sized enterprise (SME) Competitiveness Survey on 98 women-led firms, predominantly in information and communications technology (ICT) and tourism-related services, as well as tourism-related products in Sri Lanka. Drawing on a wide range of research and first-hand accounts, this report focuses on the barriers to growth for women-led MSMEs in Sri Lanka in terms of firm capabilities, the business ecosystem, and the national policy and regulatory environment, to help identify what bottlenecks women-led firms face.

Women’s domestic responsibilities limit their ability to work

Women’s participation rate in Sri Lanka’s labour force has been stable at less than 40% for the past several decades. Domestic responsibilities such as housework, elder care and childcare often limit women’s ability to work. Flexible working hours, childcare support and free school meals for families with a low income would help women enter the workforce.

Policies to incentivize enterprises to offer these conditions would help Sri Lanka widen its tax base and get more women into work. Strengthening entrepreneurship values, thinking and attitude in the school curriculum can also increase business awareness among women. Promoting success stories, best practices and strategies of women entrepreneurs through media channels could inspire more women to start a business.

From agriculture to services

Over the past two decades, the Sri Lankan economy has transitioned from one predominantly based on agriculture to one driven by an urbanized services sector. This has resulted in a rapid growth of women working in the services sector. Ensuring that women are able to work in all services subsectors and are given opportunities in larger firms will help sustain future growth. Capacity building programmes aimed at developing service-related skills, such as basic ICT knowledge, could also help women enter the labour force.

Complying with standards is difficult, particularly for smaller firms

Acquiring domestic and international quality standards can increase competitiveness. Despite firms indicating they have access to and are aware of relevant certification bodies, women entrepreneurs rate the effectiveness of these bodies poorly. Complying with standards can also be a burden, particularly for smaller firms. The survey results find that smaller firms are less likely to hold domestic and international quality certificates than larger firms.

In spite of the barriers, there are many advantages to complying with international quality standards, particularly for exporters and tourism-related firms, which often have to cater to the needs of foreign customers. However, the survey results reveal that only 32% of tourism-related firms and 33% of exporters hold international quality certificates. This may inhibit women-led firms from attracting foreign customers and from collaborating with tour operators based abroad. Developing Sri Lanka’s technical infrastructure capacity would help more tourism-related firms and exporters to meet a variety of international standards.

Sector associations, as well as trade and investment bodies, also have a role to play. These entities have strong links to companies and can help firms become certified by building awareness of certification options. Special quality related trainings targeted at women entrepreneurs could help more women-led MSMEs become certified and engaged in international trade.
Knowledge of information and communications technology boosts competitiveness

In Sri Lanka, women are less likely to be either computer or digitally literate than men. Nonetheless, the surveyed women entrepreneurs reported an excellent understanding of basic communications technology, although larger firms tend to hold more technical knowledge than smaller firms. For instance, 63% of smaller firms have a website, compared to 85% for medium and large-sized firms.

Moreover, core tourism-related firms and exporters, which often have to communicate with foreign customers or intermediaries, are also more likely to own a website. Therefore, continued efforts to educate women entrepreneurs to give them the technical knowledge they need would help increase the competitiveness of women-led enterprises.

Small businesses are as likely as large firms to use digital marketing tools

Advertising is often the main channel through which businesses diversify their consumer base. The internet provides firms with the opportunity to engage with customers directly and to access information on market trends almost instantly. As a result, more SMEs are shifting to digital marketing in light of its power to engage with consumers at a low cost. The survey results reflect this trend, with 84% of all firms engaging in social media. Furthermore, little dependence on firm size is found, indicating that SMEs are just as likely as large firms to use digital marketing tools.

Trade fairs, a more traditional method of finding customers, can be an effective way to gain exposure and enhance potential sales domestically and abroad. However, the high cost associated with participating can often prohibit firms, particularly smaller enterprises, from attending. It is thus unsurprising that around half of all firms engage in domestic trade fairs, and even less in international trade fairs. The survey results also reveal that exporters are 2.5 times more likely to participate in international trade fairs than non-exporters, and firms that are part of a value chain are more likely to participate in both domestic and international trade fairs.

Therefore, where it makes commercial sense, women-led firms should be encouraged to participate in domestic and international trade fairs to help them broaden their business networks, meet with potential buyers and enter value chains.

Small businesses would benefit from services to acquire patents or trademarks

An environment that promotes intellectual property (IP) rights encourages innovation. IP systems are important to ventures seeking to transform innovations into new products and services. The survey reveals that only 33% of the women-led firms have good knowledge of domestic IP-related information such as trademarks and registered designs, and only 13% for foreign-related information. Very few firms also hold domestic or foreign patents. This may limit the ability of women-led firms to protect their innovations, or to benefit from their spread.

Increasing access to information on domestic and foreign IP systems can encourage firms to apply for patents. The granting of patents and trademarks benefits the wider economy. For instance, using trademarks to support ecotourism can help Sri Lanka differentiate itself from other destination countries in the tourism industry. Sector associations may want to consider offering services designed to educate MSMEs on the application process for patents and trademarks, and their long-term benefits.

Encourage innovation through research and development

Research and development can encourage innovation. A large proportion of firms reported investing significant resources in research and development, and 93% of firms improved their products or processes in the last three years. This is encouraging, as it shows that a high proportion of women-led firms value innovation. Linking to existing research networks can also help firms innovate by providing them with specialized knowledge; for example, how to manage their business using the latest sustainability technologies. This in turn may help them climb up the value chain. However, only 38% of women-led firms reported collaborating with research networks. Firms and research networks, should therefore be encouraged to work together, and particular focus should be paid to linking research institutions to women-led businesses.
CHAPTER 1 WOMEN ENTREPRENEURS IN SRI LANKA

SheTrades: A roadmap to unlock doors for women entrepreneurs

Women play a major role in the global economy. They generally invest more in the education, health and nutrition of their families than men do, thereby helping to create secure foundations for the future of their families and communities. Women entrepreneurs do the most to catalyse this virtuous cycle, as they tend to employ other women in their companies.

Improving the performance of women-led firms can translate into more jobs economy wide, and a more equitable distribution of income. International trade can support this process; firms that trade are typically bigger, more productive and live longer than firms that do not (ITC, 2015).

More women-owned enterprises, more growth

Women-owned firms’ contribution to development outcomes is complex and imperfectly understood, not least due to patchy statistical coverage. Nevertheless, relatively simple graphs can be quite revealing. Figure 1 shows the relationship between the GDP per capita growth for 2016 and the per cent of firms with majority women ownership. These variables are positively correlated. Although correlation does not imply causation, it makes intuitive sense that, the more women-owned firms an economy has, the higher the growth should be. After all, women make up half of the world’s talent pool.

Figure 1  Countries with more women-owned firms grow faster

Numerous gender-based disparities remain in the global economy. For one, women-owned businesses represent just less than 40% of SMEs in the world (Isaac, 2014). They operate largely outside of value chains, and thus international trade, where the greatest opportunities for growth lie.

The ITC SheTrades initiative strives to close these gender gaps by supporting women entrepreneurs to grow their businesses through international trade. With a goal to connect one million women to market by 2020, SheTrades provides a framework of seven global actions to unlock markets for women and an online platform for women entrepreneurs to connect to markets.

Stakeholders ranging from the private sector, research and multilateral organizations collaborate with ITC to expand opportunities for women entrepreneurs by making specific pledges based on seven pillars of action to:
• Collect, analyse and distribute data on women’s economic participation;
• Create trade policies and agreements that enhance women’s participation in trade;
• Empower women-owned businesses to participate in the public procurement spending;
• Create corporate procurement programmes that embed diversity and inclusion in value chains;
• Address supply side constraints that affect women-owned businesses;
• Close the gap between men and women for accessing financial services;
• Ensure legislative and administrative reforms guaranteeing women’s rights to ownership and control over resources.

Box 1  SheTrades in Sri Lanka

SheTrades was launched in Sri Lanka in 2016 and works with several partner institutions, including the Sri Lanka Export Development Board (EDB), and trade and investment support institution (TISIs) such as the National Chamber of Exporters, the Women’s Chamber of Industry and Commerce and the Association of Small and Medium Enterprises in Tourism.

With funding from the Government of Australia’s Department of Foreign Affairs and Trade, the SheTrades project for Economic Empowerment of Women in the Indian Ocean Rim Association (IORA) countries (SheTrades IORA project) connects women-owned MSMEs in Kenya, Indonesia and Sri Lanka with international buyers. The project focuses on women-led enterprises operating mostly in the services sector, specifically in tourism, information and technology, and information technology enabled services. In addition, the project strengthens TISIs’ effectiveness in these countries so that they are better able to provide women entrepreneurs with relevant services.

As a result of the SheTrades IORA project support, the SheTrades community in Sri Lanka has grown to more than 100 women entrepreneurs, who have reported increased knowledge and strengthened capacity.

To date, the project has supported the participation of 30 project beneficiaries from Sri Lanka in seven international trade fairs in buyer markets, such as Macau SAR, China, Germany and the United Kingdom, and generated more than $240,000 recorded confirmed sales. The project plans for additional capacity building and business generation activities jointly with SheTrades partners before its conclusion in June 2018.

The role of SMEs and women in Sri Lanka’s economy

Micro, small and medium-sized enterprises in Sri Lanka

MSMEs form the backbone of Sri Lanka’s economy, accounting for 52% of GDP, 45% of total employment and a great majority of the total number of enterprises in the economy (Ministry of Industry and Commerce, 2015) (Table 1).

Table 1  Number of firms by gender in 2013

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Total</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
</tr>
<tr>
<td>Micro</td>
<td>935 736</td>
<td>91.8</td>
<td>689 471</td>
</tr>
<tr>
<td>Small</td>
<td>71 126</td>
<td>7.0</td>
<td>65 219</td>
</tr>
<tr>
<td>Medium</td>
<td>10 405</td>
<td>1.0</td>
<td>9 774</td>
</tr>
<tr>
<td>Large</td>
<td>2 414</td>
<td>0.2</td>
<td>2 302</td>
</tr>
<tr>
<td>Total</td>
<td>1 019 681</td>
<td>100.0</td>
<td>766 766</td>
</tr>
</tbody>
</table>

Source: Sri Lanka Department of Consensus and Statistics.
MSMEs have been identified as an important strategic sector for promoting growth and social development and have gained wide recognition as a major source for employment, income generation, poverty alleviation and regional development (Sinnathurai, 2013). In general, countries with higher MSME densities have higher gross national incomes (GNIs) (see Figure 2).

Figure 2  Countries with more small and medium-sized firms are richer

The role of SMEs is, therefore, recognized in the National Policy Framework for SMEs Development in Sri Lanka, which aims to create a significant number of ‘globally competitive, dynamic, innovative, technologically driven, eco-friendly and sustainable SMEs that contribute to […] national economic development’ (Ministry of Industry and Commerce, 2015). The policy objectives in the country’s development plan include:

- Promoting high-potential, viable and promising sectors;
- Motivating and encouraging export-oriented enterprises and industries;
- Encouraging and promoting flagship SME sectors with high-potential spillover effects to facilitate job creation;
- Strengthen the SME sector to enhance inclusive economic development and thus provide opportunities for better employment and higher income.

The SME National Policy Framework specifically singles out women entrepreneurship as a ‘special attention’ area. Under the vision laid out by the SME Policy Framework, this report provides concrete policy recommendations to help Sri Lanka meet its objectives.

Women’s labour participation rate has ample room to grow

Sri Lanka had a population of 21 million in 2016 (Table 2). Following a protracted civil war that ended in 2009, Sri Lanka’s economy has grown at an average of 6.4% from 2010 to 2015 (Dinelka, 2016). Strong economic growth has also led to a decline in poverty over the last decade (Dinelka, 2016).

Between 1990 and 2015, Sri Lanka’s human development index value increased from 0.63 to 0.77, indicating a positive trajectory towards development (UNDP, 2016). However, in spite of improved prosperity, Sri Lanka has a significant gender gap as measured by labour force participation. This large gap is surprising given the country’s long-standing achievements in human development outcomes, including good scores on women’s education.
Table 2  Key Sri Lankan national statistics

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<tr>
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<tbody>
<tr>
<td>Population, total (millions)(^1)</td>
<td>17.1</td>
<td>18.7</td>
<td>21.2</td>
</tr>
<tr>
<td>GDP (current $) (billions)(^1)</td>
<td>8</td>
<td>16.3</td>
<td>81.3</td>
</tr>
<tr>
<td>GDP growth (annual %)(^1)</td>
<td>6.4</td>
<td>6</td>
<td>4.4</td>
</tr>
<tr>
<td>Inflation, GDP deflator (annual %)(^1)</td>
<td>20.1</td>
<td>7.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Agriculture, value added (% of GDP)(^1)</td>
<td>27</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Industry, value added (% of GDP)(^1)</td>
<td>26</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>Services, etc., value added (% of GDP)(^1)</td>
<td>47</td>
<td>53</td>
<td>62</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)(^1)</td>
<td>30</td>
<td>39</td>
<td>21</td>
</tr>
<tr>
<td>Imports of goods and services (% of GDP)(^1)</td>
<td>38</td>
<td>50</td>
<td>29</td>
</tr>
<tr>
<td>Women’s labour force participation (%)(^2)</td>
<td>36</td>
<td>37</td>
<td>35</td>
</tr>
</tbody>
</table>


Women’s participation in Sri Lanka’s labour force has been stable at slightly less than 40% for the past few decades but started to decline in 2000 (World Bank Group, 2015a). In 2016, women accounted for 35% of the labour force despite comprising half of the population. In spite of low levels of women engagement in the labour force, 92% of Sri Lankan women are literate. Moreover, the expected years of schooling for women was 14.3 in 2015 compared to 13.6 for men (UNDP, 2016).

A key reason that many women are not active in the labour force is due to their involvement in domestic activities (Table 3). Women often bear the responsibility of household roles such as housework, elderly care and childcare, dissuading women from entering the labour market (Solotaroff, Joseph and Kuriakose, 2017). Other reasons for low female labour force participation include lack of provisions for flexible working hours or work-from-home facilities, lack of regularized and proper childcare facilities, and limitations on mobility to and from work (Central Bank of Sri Lanka, 2016).

Table 3  Reasons for being economically inactive in Sri Lanka

<table>
<thead>
<tr>
<th>Reason</th>
<th>Men (%)</th>
<th>Women (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaged in studies</td>
<td>38.4</td>
<td>14.3</td>
</tr>
<tr>
<td>Engaged in housework</td>
<td>6.0</td>
<td>62.2</td>
</tr>
<tr>
<td>Retired/old age</td>
<td>32.5</td>
<td>15.6</td>
</tr>
<tr>
<td>Other</td>
<td>23.1</td>
<td>7.9</td>
</tr>
</tbody>
</table>

**Source:** Sri Lanka Department of Census and Statistics, 2016.

Raising women’s labour force participation rate has a number of economic advantages, including boosting growth and tax revenues, revitalizing national pension schemes and reducing welfare costs. There are also numerous social benefits, such as enhancing women’s independence in society and breaking harmful gender-based stereotypes (Fund, 2013).
Box 2 SheTrades testimonial: Laksala

Ali Ahlam Nawaz  
CEO, Laksala (Sri Lanka Handicrafts Board), State-owned enterprise  
SheTrades IORA buyer in Sri Lanka

*In our part of the developing world, women are not treated as equals, but as dependents. However, the country’s economy is developing rapidly and we need more people to actively contribute to the economy. Moreover, gender diversity is highly important for a country like Sri Lanka, as, demographically, the number of women is greater than the number of men.*

*Sri Lanka has the resources, the threshold capacity of human resources and products that are internationally marketable. Given that, we should no longer label our human resources based on their gender. In order to contribute to the development of the Sri Lankan economy, it is essential to give opportunities to women to get them involved in the economy.*

*Initiatives to empower women are much needed for Sri Lanka and I am glad about ITC’s focus on this field. I myself witnessed the tangible results of the SheTrades IORA project. It not only provides business opportunities, but also gives confidence and recognition to women entrepreneurs in our country.*

**Services sector in Sri Lanka**

Sri Lanka’s economy is transitioning from an economy based on agriculture to a more urbanized economy driven by services, which accounted for more than 62% of GDP in 2016 (Table 2). These changes were led by market reforms undertaken in the late 1970s, transforming the closed economy into a market oriented economy. The reforms put a greater emphasis on the private sector and on economic growth (Herring, Ronald J., 1987)

A similar transformation has occurred in the labour market, with services industries now employing more than 45% (Athukorala, Ginting, Hill and Kumar, 2017). This has led to a sharp decline of women employment in the agriculture sector (Figure 3). For example, in 2000, 47% of the female labour force were engaged in agriculture compared to 31% in 2017. At the same time, the percentage of women engaged in services increased from 31% in 2000 to 44% in 2017.

![Percentage of women employment](http://www.worldbank.org)

The revival of the tourism sector

Tourism has been a key driver of economic growth in the hotels and restaurants industry since the civil war ended in 2009. Tourism earnings increased twelvefold from $252 million in 2009 to $2.98 billion in 2015 (Athukorala et al., 2017). Tourist numbers are also increasing (Figure 4). In 2009, less than 500,000 tourists visited Sri Lanka. In 2016, this number more than quadrupled to 2.1 million tourists (Sri Lanka Tourism Development Authority, 2016). This growth presents an attractive opportunity to women entrepreneurs in the country.

Figure 4  Tourist arrivals by year (1970–2015)

The Sri Lanka Tourism Development Authority (SLTDA) is the main body responsible for the development of the tourism industry in Sri Lanka. The SLTDA focuses on five main areas, including: (i) creating an environment conducive for tourism, (ii) attracting tourists to the country, (iii) ensuring that departing tourists are happy, (iv) improving domestic tourism, and (v) contributing towards improving Sri Lanka’s global image (WTO, 2016).


Box 3 SheTrades testimonial: Saraii Village

Charitha Abeyratne Hettiarachchi  
Founder and CEO, Saraii Village

Charitha owns Saraii Village, a sustainable ecotourism resort in Hambantota District in the South of Sri Lanka. This resort provides sustainable travel to discerning consumers and provides local employment. With the support of the SheTrades IORA project, Charitha participated in the world’s largest tourism trade fair in Berlin and gained exposure from a feature in the *Destination Weddings & Honeymoons* magazine.

This support has strengthened her connections with approximately 50 potential buyers from various countries. Recently, she secured business deals worth more than $125,000 with three large international agencies. Saraii Village has increased the number of people they employ and plan to expand their resorts to other regions in Sri Lanka thanks to project support.
The emerging information communications technology market

Sri Lanka is emerging as a sourcing destination for international IT and business process management services. In 2015, the industry was worth an estimated $850 million and employed approximately 80,000 professionals (Sri Lanka Association of Software and Service Companies, 2016). Sri Lanka is a competitive destination for IT companies, as it has an educated workforce and wage costs comparable to other regional competitors (Sri Lanka Association of Software and Service Companies, 2016).

The restructuring the Ministry of Telecommunication and Information Technology to the Ministry of Telecommunication and Digital Infrastructure in 2015 led to increased focus on digitalization in Sri Lanka. Therefore, an emerging ICT industry in software, hardware, consulting and training is becoming an important knowledge-based sector in Sri Lanka and a source of high quality employment, particularly for young people (World Bank Group, 2015b).

The Information and Communication Technology Agency (ICTA) of Sri Lanka has a mandate to work on development aspects of the ICT sector, including digital inclusion. ICTA aims to improve access to ICT in order to improve economic and social development. In 2011, ICTA launched a government-funded technology based start-up tech accelerator programme called Spiralation. This encourages entrepreneurs to launch and create business ideas through ICT-related innovations.

The Sri Lanka Association of Software and Service Companies launched its Vision 2022 for the ICT industry to be at the forefront of driving economic growth in Sri Lanka.

Box 4 SheTrades testimonial: Boost Metrics

Lakmini Perera
Founder and CEO, Boost Metrics

Boost Metrics is a digital marketing company with ambitions to expand globally. The SheTrades IORA Project assisted Lakmini Perera to become more competitive in the market by improving the capacity of her business and by finding new buyers in both local and international markets.

She was a regular participant of the capacity building activities organised by the project in Sri Lanka and said that the workshops and the trainings were useful for the development of the business. The knowledge acquired from the workshop on digital marketing and e-commerce encouraged her to improve her digital marketing strategies and the company website.

Lakmini found the workshop on access to finance, financial accounting and legal regulation for business activities very useful as she established contacts with a potential investor. The training gave her the opportunity to meet with experts and understand investment and legal issues. As a result, she went ahead with an investment to expand the business.

The training on export marketing planning was also very insightful for the company in terms of developing its export marketing strategy. The Project also facilitated her participation in Europe’s Business Festival for Innovation and Digitization in Hannover, Germany, CeBIT 2018.
CHAPTER 2  BARRIERS TO GROWTH FOR WOMEN-OWNED FIRMS IN SRI LANKA

The SME Competitiveness Survey

To assess the health of women-owned MSMEs in Sri Lanka, ITC ran an in-depth SME Competitiveness Survey on 98 women-led firms in Sri Lanka. Conducted in 2017, the survey assesses the strengths and weaknesses of these enterprises, and their wider business ecosystem, to help identify the growth bottlenecks faced by women-led businesses.

ITC’s SME Competitiveness Survey has three pillars:

- **Capacity to compete** is the static dimension of competitiveness. It assesses whether current production is efficient and meets market requirements.

- **Capacity to connect** is the connectivity dimension of competitiveness. To be competitive, firms must connect to customers, businesses and institutions, and be literate in information and communications technology.

- **Capacity to change** is the dynamic dimension of competitiveness. It assesses whether firms have the capacity to make human and financial investments to adapt to fast-changing markets.

These pillars have three further levels:

- **Firm capabilities** assesses whether firms can manage resources under their control.

- **The business ecosystem** is made up of support institutions that supply enterprises with the resources or competences they need to be competitive.

- **The national environment** assesses the macroeconomic and regulatory environment under which enterprises operate. The national environment is primarily set by government.

Key features of the survey sample

The survey sample is composed of 98 women-led firms, with 54% of firms employing a workforce made up of three-quarters or more of women employees (Figure 5). The survey focuses on two sectors: tourism-related activities, and information technology and information technology enabled services (IT&ITES).

Tourism-related firms surveyed include women entrepreneurs engaged in core tourism activities (travel agencies, hotels and accommodation) and tourism-related activities (agri-food and light manufacturing). IT&ITES firms include web design, digital marketing and business process outsourcing. Other services include warehousing activities.
Figure 5  Percentage of female employees

Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.

Ninety-eight firms is a relatively small number and, therefore, any conclusions that are drawn from this analysis should be interpreted with this in mind. Of the firms surveyed, 78% are from the tourism sector or tourism-related sector, while 15% are from the IT&ITES sector.

Firm sizes are defined according to the following thresholds: micro (fewer than five employees), small (5–19 employees), medium (20–99 employees) and large (100 or more employees). Table 4 presents some of the key features of the survey sample. Out of 98 firms, 36 are classified as micro, 37 are considered small, 22 are classified as medium and three are considered large.

Table 4  Key features of the survey sample

<table>
<thead>
<tr>
<th>Firm size</th>
<th>Total</th>
<th>Exporters</th>
<th>Importers</th>
<th>Part of value chain</th>
<th>Tourism</th>
<th>ICT</th>
<th>Other services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>36</td>
<td>18</td>
<td>7</td>
<td>11</td>
<td>24</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Small</td>
<td>37</td>
<td>19</td>
<td>7</td>
<td>18</td>
<td>34</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Medium</td>
<td>22</td>
<td>13</td>
<td>10</td>
<td>8</td>
<td>17</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>All</td>
<td>98</td>
<td>53</td>
<td>25</td>
<td>37</td>
<td>77</td>
<td>15</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.

Exporters are defined as firms that have 10% or more of their sales coming from direct or indirect exports. More than 50% of the firms in the sample are engaged in exporting activities, while only 27% are engaged in importing activities. A smaller proportion of the firms engage in both importing and exporting activities.

The high share of tourism-related firms in the survey reflects the importance of the tourism industry for the Sri Lankan economy. Out of the 77 tourism and tourism-related firms, 37 are engaged in core activities such as travel agencies and accommodation, 16 are engaged in supplying agricultural products and goods, and 24 are engaged in low-technology manufacturing activities such as handicrafts. A significant share of the sample also operates in the IT&ITES sector. Of the firms surveyed, 37 are part of a value chain.
The survey includes firms that are mainly based in Colombo and the neighbouring districts in the Western province (Figure 6).

Figure 6  Map of the firms surveyed

Note: Out of the 98 firms, 36 are based in Colombo, 46 are located in the Western province (excluding Colombo) and the remaining 16 are from other provinces in Sri Lanka.

Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.

The majority of firms surveyed are formal enterprises. This result varies according to firm size, suggesting that larger firms are more likely to be registered or licensed by a national authority. For instance, 75% of micro enterprises hold a formal license, compared to 92% of small firms, 95% of medium-sized firms and 100% of large firms.

Half of the firms surveyed indicated that they are actively seeking foreign clients, suggesting that many of the firms surveyed are aware of the importance of international markets.
Survey results at a glance

Table 5 shows a high-level overview of results from the SME Competitiveness Survey. The survey scores reveal that firms have a positive view of their business ecosystem. However, they rate their own capabilities and the national environment slightly less generously. In terms of the pillars of competitiveness, the scores are fairly well balanced, ranging from 62 to 68 out of 100.

Table 5  SME Competitiveness Grid for Sri Lanka

<table>
<thead>
<tr>
<th></th>
<th>Compete</th>
<th>Connect</th>
<th>Change</th>
<th>Average across three pillars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm capabilities</td>
<td>62</td>
<td>75</td>
<td>62</td>
<td>66</td>
</tr>
<tr>
<td>Business ecosystem</td>
<td>74</td>
<td>68</td>
<td>66</td>
<td>69</td>
</tr>
<tr>
<td>National environment</td>
<td>63</td>
<td>60</td>
<td>57</td>
<td>60</td>
</tr>
<tr>
<td>Average</td>
<td>66</td>
<td>68</td>
<td>62</td>
<td></td>
</tr>
</tbody>
</table>

*Note:* Score follows a 0 to 100 score range. Higher scores are better. Answers to questions are ranked, enabling averages to be calculated for each question. Questions are grouped into indicators and the final score presented is an average of these indicators.

*Source:* SheTrades IORA SME Competitiveness Survey data.

Figure 7 shows a more in-depth picture of MSME competitiveness by competitiveness theme. Sri Lankan women-led services companies perform best in areas related to quantity and cost requirements, understanding their competitors, ICT requirements, linkages with institutions, innovation, and financial requirements. Intellectual property (IP) requirements, certification and standards received the lowest scores in the survey.

*Source:* ITC calculations based on SheTrades IORA SME Competitiveness Survey data.
Quality requirements

Standards and technical regulations play an important role in international trade. Any MSME seeking to export will have to meet at least one standard or regulation (ITC, 2016). However, acquiring such standards and becoming certified can be difficult. Firms must first learn which standards are relevant to their business, select one or more that add value to their offering and, finally, implement the necessary changes to become compliant. This process is often dependent on the quality of standards authorities, certification bodies and testing facilities (jointly referred to as technical infrastructure).

While complying with standards can be costly, they can also enable access to new markets or market segments. Standards can also catalyse the modernization of production and supply systems, and consequently improve compliant producers’ productive capacity (ITC, 2016).

The Sri Lanka Standards Institution is the national standards body for Sri Lanka, and has a mandate to undertake, promote and facilitate standardization, measurement, quality assurance and other related activities. Like most developing and transition economies, Sri Lanka follows the ‘integrated approach’ model, where all standards-related activities are managed under one roof.

The advantage of this approach is that administrative support can be shared, new legislation is easier to integrate and scarce resources are optimized, including funding, personnel, equipment and buildings. One disadvantage is that, if the organization enjoys legal protection against competition, competencies can decline and inefficiencies can grow. In addition, the inclusion of accreditation under the integrated approach leads to major conflicts of interest: one section within the integrated organization is accrediting another, and has an incentive not to accredit external entities (ITC, 2004).

The SME Competitiveness Survey asked women-led firms a number of questions related to meeting quality requirements, the results of which are shown in Figure 8.

Figure 8   Quality requirements

Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.
Smaller firms are less likely to hold international quality certificates

Complying with standards can be a burden, particularly for smaller firms. For instance, not every firm has the resources to fund separate departments for each business function (e.g. logistics or quality management). MSMEs without dedicated personnel to manage each business function are likely to find it hard to ensure compliance with function-specific regulations (ITC, 2016).

The survey finds that 50% of firms hold domestic quality certificates compared to only 27% for internationally recognized quality certificates. Furthermore, smaller firms are less likely to hold domestic and international quality certificates than larger firms (Figure 9). Interestingly, the gap between the likelihood of holding a domestic certificate and an international certificate rises for small firms, highlighting the struggle smaller firms face when trying to comply with international quality standards.

![Figure 9 Percentage of firms with domestic and international quality certificates](chart)

Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.

Awareness of standards is good among small businesses

Good access to information regarding the design, compliance and certification processes associated with standards is crucial to making standards work for MSMEs (ITC, 2016). The survey results indicate that awareness of standards is generally good and does not vary significantly by firm size. Most of the firms surveyed rated certification bodies’ efficiency as simply ‘satisfactory’, with micro-sized firms rating these bodies as ‘poor’. This suggests that the services provided by the certification bodies, such as training and consultations, might be less tailored to the needs of smaller firms.

Lack of certification to international standards may inhibit growth in the tourism sector

There are many advantages to complying with international standards, particularly for the tourism sector, which often caters to the needs of foreign clients. One way to attract foreign customers is to comply with international quality certificates recognized by travel agencies. Even so, according to the survey results, tourism-related firms are more likely to hold domestic quality certificates than international quality certificates. For instance, 70% of tourism-related firms hold a domestic quality certification, but only 32% hold an international quality certificate. This could be inhibiting Sri Lankan women-led firms from attracting foreign customers and from collaborating with international tour operators.
Exporters are more likely to comply with standards

In order to export, firms often need to enhance their visibility and quality. One way to do this is to comply with international standards. It is thus unsurprising that the exporters surveyed are more likely to hold international quality certificates compared to non-exporters (Figure 10). What is more interesting is that exporters are more likely to hold both domestic certificates and voluntary certificates compared to non-exporters. Regarding the former, this implies that being an exporter is associated with greater compliance with local standards and, regarding the latter, being an exporter is associated with firms adopting private standards.

Women exporters also face greater challenges to trade than men. For example, when women must interact directly with customs officials, they report facing a greater number of procedural obstacles to trade (ITC, 2016). Electronic procedures and single windows, as promoted under the World Trade Organization (WTO) Trade Facilitation Agreement, can help to reduce the number of face-to-face interactions and thus the potential bias against female exporters.

Figure 10  Percentage of firms with domestic, international and private quality certification

<table>
<thead>
<tr>
<th>Certificate Type</th>
<th>Exporters</th>
<th>Non-exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic quality certification</td>
<td>64%</td>
<td>23%</td>
</tr>
<tr>
<td>International quality certification</td>
<td>41%</td>
<td>23%</td>
</tr>
<tr>
<td>Private standards</td>
<td>33%</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.*

Information and communications technology

Innovations in information and communications technologies (ICT) over the last 20 years have transformed the way enterprises do business. The internet has enabled firms to communicate with buyers and suppliers instantaneously and at a very low cost, no matter the distance. Digitalization of services has led to business process outsourcing, and digitalization of information has enabled firms to gain new insights into their production processes and clients.

The advent of these technological changes presents both opportunities and risks to MSMEs. MSMEs with an internet connection have unprecedented access to market information and global consumers. However, increasingly, new ICT technologies are being used to leverage large datasets to gain new insights into customer behaviour via the use of sophisticated algorithms. If MSMEs are unable to benefit from these new advances, the productivity gap between MSMEs and large firms could rise, resulting in increased income inequality within societies.
Computer and digital literacy among women are low

Individuals are digitally literate if they are able to access information and technology through a tool of technology such as computers, laptops or smartphones. Computer literacy, which is often confused with digital literacy, refers to a person's ability to use a computer independently. In Sri Lanka, the level of computer literacy is relatively low at 28% (Table 6). Digital literacy is slightly higher at 34% of the population, which is perhaps unsurprising given the wider definition of the term. Digital and computer literacy figures can be disaggregated by gender. More men are digitally and computer literate in Sri Lanka than women. In light of women’s low participation in the labour force, teaching women computing and digital skills could improve their employability in the services sector, thereby increasing their participation in the labour force.

Table 6  Computer and digital literacy in 2016

<table>
<thead>
<tr>
<th></th>
<th>Men (%)</th>
<th>Women (%)</th>
<th>Gender gap (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer literacy</td>
<td>30</td>
<td>26</td>
<td>+4</td>
<td>28</td>
</tr>
<tr>
<td>Digital literacy</td>
<td>37</td>
<td>31</td>
<td>+6</td>
<td>34</td>
</tr>
</tbody>
</table>


Women-owned services companies are well connected

The level of internet usage in Sri Lanka is less than regional or developing country averages. For instance, the International Telecommunication Union estimates that 32% of the population was online in 2016, compared to an average 42% in the Asia and Pacific Region and 39% in developing countries overall (Figure 11). Improvement can be made. Sri Lanka is close to several high bandwidth underseas optical fibre cables. As a result, the capital, Colombo has relatively good internet connectivity. Unfortunately, this does not extend out to rural areas.

Figure 11  Percentage of individuals using the internet (2005–2016)


In spite of low levels of internet usage, the survey reveals that the level of ICT usage among women-led businesses is high (Figure 12). Firms of all sizes have an excellent understanding of basic communications technology (for example, using e-mail in day-to-day operations or having an internet connection). This is expected given that ICT and tourism-related firms often need to have good ICT skills. Moreover, firms that
export are more likely to use e-mail and have a website than non-exporters are. This is unsurprising given that exporters need to communicate more with potential customers outside of the home country.

Figure 12  Information and communications technology requirements

![Figure 12](image)

Source: ITC calculations based on SheTrades IORA SME Competitiveness Survey data.

Smaller firms are less likely to have a website

In many cases, the first impression buyers get of a business is through their website (Spann, 2014). With the number of internet users on the rise, consumers have come to expect businesses to have websites with information on that business’ services or products. The lack of a website may impede sales, as consumers are naturally wary of purchasing services without prior information.

The smaller firms surveyed are less likely to have a business website than the larger firms surveyed. All large firms indicated that they have a website. Since all firms have an excellent understanding of basic communications technology, one of the reasons for this difference could be that smaller firms lack the technical knowledge and skills as well as the financial capacity to build a website (Shoosmith, 2012). Furthermore, to a certain extent social media can replace the function of websites, as firms are often able to create profiles for their company on such sites. However, social media profiles do not offer the flexibility, nor sophisticated payment solutions as compared to websites.

The survey reveals that exporters are 28% more likely to have a website than non-exporters are. This could be due to exporters needing to increase the visibility of their services in foreign markets.

Almost all core tourism-related services firms operate a website

Websites are valuable sources of information for tourists when planning trips. Tourists often consult a hotel’s website prior to making a booking (Loncaric, Lorena Basan and Maja Gligora Markovic, 2013). The survey reveals that 89% of core tourism services such as hotels and travel agencies have a website, compared to 33% of other tourism-related services such as handicraft enterprises.
Having a business website is often a prerequisite to being competitive in the tourism market. For example, hotels usually market and manage hotel reservations online. In comparison with core tourism services, low technology manufacturers (e.g. handicrafts) tend to not communicate directly with customers, or if they do just before purchase, which could explain why these enterprises are less likely to have a website. Even so, building a website can help to diversify their range of buyers and could help them cut out intermediaries.

### Box 5 SheTrades testimonial: Sri Lanka Travel Secrets

Dinali Lokugamage  
Travel Consultant, Sri Lanka Travel Secrets

Dinali works as an inbound operator for Sri Lanka Travel Secrets, located in Colombo District, Mount Lavinia, in Sri Lanka. Sri Lanka Travel Secrets provides carefully crafted vacations and promotes local empowerment through equality based community support and training.

Her participation in the SheTrades IORA project’s digital marketing and e-commerce workshop has broadened her knowledge and increased her skills in digital marketing. The training inspired Dinali to take a customer-oriented approach and recreate her company website to promote travel and tourism in Sri Lanka. In turn, Sri Lanka Travel Secrets has experienced more online traffic and bookings.

In addition, increased visibility of Sri Lanka Travel Secrets through business meetings organized by the project with big corporations like the Pacific Asia Travel Association has further led to Dinali securing international sales. In fewer than 10 months since she improved her website, she had confirmed sales with her first international buyers of more than $10,000.

### Connecting to customers

Advertising is often the main channel through which businesses target and diversify their consumer base. Traditional marketing methods include attending trade fairs, and advertisements on television, the radio and in newspapers. While these methods have proven effective, they are costly and require significant preparation time. The internet provides firms with the opportunity to engage with consumers directly and to access information on market trends quickly. As a result, more SMEs are now shifting to digital marketing in light of its power to engage with consumers at a low cost.

### Social media is democratising advertising

The survey reveals that 84% of all firms engage in digital advertising compared to the 53% of firms that use traditional marketing methods (Figure 13). There is little variation by firm size, indicating that SMEs are just as capable of using social media tools to increase visibility as large firms are. This is likely due to the low cost of social media and its ability to target specific consumers.
The survey results also indicate that exporters are more likely to use digital marketing tools than non-exporters. This is expected since digital marketing allows exporters to reach out to foreign markets directly. For instance, social media is an important platform through which tourism-related firms, including hotels and restaurants, can market their services at a low cost. Websites such as TripAdvisor and Booking.com have become increasingly important to core tourism services firms, as positive reviews can boost and increase visibility, particularly abroad.

Exporters are more likely to attend both domestic and foreign trade fairs

Trade fairs are an effective way to gain exposure and enhance potential sales domestically and abroad. The survey reveals that 56% of women-led firms participate in domestic trade fairs and 45% engage in international trade fairs (Figure 14). Attending international trade fairs can be expensive, particularly for smaller firms, which might not factor in additional expenses such as flights and accommodation to their unit costs. Moreover, exporters are 2.5 times more likely to participate in international trade fairs than non-exporters. This is not surprising, since exporters need to be more aware of foreign markets.
The survey reveals that firms that are part of a value chain are more likely to participate in both domestic and international trade fairs. For instance, 70% of firms that are part of a value chain participated in domestic trade fairs compared to 48% of firms that are not part of a value chain. Likewise, 51% of firms that are part of a value chain participated in international trade fairs compared to 42% of firms not part of a value chain. Trade fairs can offer SMEs the opportunity to enter the networks of business relationships that govern international value chains (Measson and Campbell-Hunt, 2015).

**Box 6 SheTrades testimonial: Classic Lanka Travels**

Nisansala Wimalasooriya  
Director, Classic Lanka Travels  
SheTrades IORA beneficiary in Sri Lanka

Nisansala is director at Classic Lanka, an approved travel agent based in Colombo. Her company specializes in providing travel solutions for corporate and leisure markets.

Exhibiting in the world’s leading travel trade show, Internationale Tourismus-Börse (ITB), was always in the 10-year plan for Classic Lanka Travels. Through the support of SheTrades, Nisansala was able to participate in ITB 2018 and achieve the company’s long-term goal in a much shorter time.

Taking part in ITB enabled her to meet with eight quality buyers from various countries, including Romania, Poland, Italy, Germany and India. She is currently negotiating to close business deals worth $9,000 for tour groups larger than seven people for the coming months. In addition, due to multiple booking inquiries, Classic Lanka Tours further expects business deals worth $15,000 for 2019 and are now looking to increase their number of staff.

Her advice to other entrepreneurs in Sri Lanka: ‘*Don’t let the day-to-day challenges blind your goals and mission.*’
Women-led firms report having good access to market information

Knowledge on customer expectations can help businesses improve their products or processes. Advances in information technology, data gathering and analytics are making it possible to identify consumer needs and expectations with unprecedented precision (Davenport, DalleMule and Lucker, 2011).

The survey reveals that 73% of firms have accurate information on customer expectations. This result varies according to firm size. Larger firms are more likely to hold high-quality information on customer expectations compared to smaller firms. One reason for this finding is that larger firms often have greater resources to take advantage of data and analytics on market behaviour.

The survey indicates that 93% of firms have at least some available market information and 48% do not consider the availability of such information an obstacle to connecting to customers. Non-exporters also consider gaining access to available market information less of an obstacle than exporters do. Access to information can be a hurdle for exporters, since it is more difficult to anticipate customers’ expectations abroad than in the home country, particularly where language barriers exist.

Innovation and intellectual property requirements

Creativity and innovation can stimulate economic growth and competitiveness. Taking full advantage of IP systems allows companies to profit from their innovative capacity and creativity. However, if good inventions designed by SMEs are left unprotected, larger firms could be tempted to copy their ideas, since they are often in a better position to commercialize products or services (Sukarmijan and Sapong, 2014). As a result, this could discourage innovation in the first place if SMEs fear that larger companies might replicate any innovative ideas.

Figure 15 suggests that better intellectual property protection is associated with higher foreign direct investment levels. Strengthening IP rights can create a better investment environment for technology transfer, which can lead to opportunities for MSMEs to benefit from better technology and investment.

![Figure 15: Intellectual property rights and foreign direct investment](source: ITC calculations based on intellectual property rights and World Bank data.)

In compliance with the Trade-Related Aspects of Intellectual Property Agreement, Sri Lanka established the Intellectual Property Act No. 36 in 2003. Subsequently, the National Intellectual Property Office (NIPO) was established under the Act with the mandate to administer intellectual property in Sri Lanka, including registering trademarks, patents and industrial designs (WTO, 2016).
Key findings from the SME Competitiveness Survey indicate that firms have good knowledge of domestic IP systems such as trademarks and registered designs, but poorer knowledge of foreign IP systems (Figure 16). Furthermore, very few firms hold domestic and international patents. Nonetheless, firms have relatively good access to domestic IP-related information and satisfactory access to foreign IP-related information.

Moreover, the results show that women-led firms don’t shy away from committing resources to research and development (R&D). Those efforts seem to pay off, as a high percentage of firms also implemented an improved process or launch a new product in the last three years. These findings are in line with the World Bank Enterprise Surveys (2011), which finds that women entrepreneurs appear more invested in innovation than men. Supporting women-owned enterprises could thus lead to more innovation within the Sri Lankan economy.

Firms have a poor understanding of intellectual property systems

IP systems are important to ventures seeking to transform innovations into new products and services. IP systems that help countries to realize innovative potential stimulate economic development. For instance, IP systems can strike a balance between the interests of innovators and the public interest by providing an enabling environment in which creativity and innovation can flourish (WIPO, 2011).

The survey reveals that 33% of the women-led firms have good knowledge of domestic IP-related information compared to 13% for foreign IP-related information. This could be due to the fact that firms lack access to domestic and foreign IP-related information. For example, only 28% of firms consider that they have good access to domestic IP-related information and only 12% have good access to foreign IP-related information.

IP is relevant for tourism-related firms, as well as for ICT firms. For example, using trademarks for the tourism industry would allow Sri Lanka to differentiate itself from neighbouring countries. This could be done by identifying particular provinces in Sri Lanka as an ecotourism destination by introducing a unique geographical indication.
Few women-led firms hold patents

Patents are granted if an invention is new, involves an innovative step and is industrially applicable. They protect company innovations, thus encouraging more innovation. Patents in Sri Lanka are registered and published in the Gazette (a public government journal) once the Director General of NIPO acknowledges that the necessary conditions have been met (WTO, 2016).

The survey reveals that very few women entrepreneurs hold registered domestic or foreign patents. Only 4% of firms hold a domestic patent and 1% hold a foreign patent. This suggests that fundamental obstacles hinder firms from acquiring patents. For example, the process could prohibit firms from applying for foreign patents.

Women-led firms don't collaborate enough with research networks

Innovation is a key driver of competitiveness. Innovation pertains to the implementation of a new or significantly improved product, process, marketing method or new organizational method in business practices, workplace organization or external relation (OECD, 2010).

According to the 2017–2018 World Economic Forum Global Competitiveness Report, Sri Lanka has a relatively poor innovative environment (Table 7). However, Sri Lanka does have the capacity to support innovative activities, as measured by the number of scientists and engineers the country produces.

Table 7  Innovation and competitiveness in Sri Lanka from 2017–2018

<table>
<thead>
<tr>
<th>Sri Lanka</th>
<th>Score 1–7 (best)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>3.4</td>
</tr>
<tr>
<td>Capacity for innovation</td>
<td>4.1</td>
</tr>
<tr>
<td>Quality of scientific research institutions</td>
<td>3.6</td>
</tr>
<tr>
<td>Company spending on R&amp;D</td>
<td>3.7</td>
</tr>
<tr>
<td>University–industry collaboration in R&amp;D</td>
<td>3.6</td>
</tr>
<tr>
<td>Government procurement of advanced technology products</td>
<td>3.3</td>
</tr>
<tr>
<td>Availability of scientists and engineers</td>
<td>4.2</td>
</tr>
</tbody>
</table>


The survey finds that 93% of firms improved their products or processes over the last three years. This suggests that innovation is a key driver of competitiveness for Sri Lankan women entrepreneurs. Furthermore, 48% of women-led enterprises indicated they invested high levels of resources into R&D. There is also no variation by firm size, indicating that MSMEs were just as likely to invest in R&D as larger firms were.

Being in a research network can also contribute to innovation. This is because institutions, including universities, competitors, peers, suppliers or customers, can provide knowledge on R&D capabilities. However, only 38% of firms collaborate significantly with research networks. This result varies according to firm size, which suggests that smaller firms rely less on their networks and could depend more on customers and marketing departments for innovation.
CHAPTER 3 POLICY RECOMMENDATIONS AND ACTIONS

This chapter summarizes some of the key bottlenecks faced by women-led MSMEs in Sri Lanka’s tourism and IT&ITES services sector, as well as tourism-related goods, and gives actionable, country specific policy recommendations to bolster women entrepreneurship in Sri Lanka.

Women’s participation in the workforce

Key findings
- In 2016, women accounted for only 35% of the labour force, a figure that has not grown significantly over the past few decades.
- Sri Lanka has experienced a structural change in the labour market resulting in women moving from the agriculture sector to the services sector.
- Half of the firms surveyed indicated that they are actively seeking foreign clients.

Recommendations
- Flexible working practices can encourage women to enter the workforce. Policies to incentivize enterprises to offer these conditions would help Sri Lanka widen its tax base and get more women into work. The provision of free school meals to children from families with a low income and childcare facilities would also relieve women from some domestic responsibilities, giving them more time to work.
- Strengthening entrepreneurship values, thinking and attitude in the school curriculum and through business incubators can increase awareness of business careers among women.
- Promoting success stories, best practices and strategies of women entrepreneurs through media channels could help inspire women to start a business.
- The services sector is a key driver of Sri Lanka’s current economic growth. Capacity building programmes aimed at developing service-related skills (e.g. programming) might be necessary to help women enter the labour force. Trade and investment support institutions and sector associations may be best placed to provide these services.
- Large corporations and/or state-owned enterprises can help increase women participation in the labour force by adopting policies which encourage women to stay in work.

Quality requirements

Key findings
- Women entrepreneurs report having access to information on standards, and also good awareness of relevant certification bodies. However, they rate the effectiveness of certification bodies poorly.
- Around 50% of firms hold domestic quality certificates compared to 27% for international quality certificates. Smaller firms are also less likely to hold domestic or international quality certificate than larger firms are. Moreover, few firms in the tourism sector hold international quality certificates.
- Exporters are more likely to hold international, domestic and voluntary certificates compared to non-exporters. However, the percentages are relatively low, with only 64% of exporters holding domestic certificates, 33% holding international quality certificates and 23% adhering to private standards.

Recommendations
- Holding an international quality certificate can help increase competitiveness. Sri Lanka should consider developing the capacity of its technical infrastructure to help firms of all sizes from different sectors meet a variety of international standards. For example, hotels with internationally recognized quality certificates are more likely to attract a foreign clientele. This could be done by informing entrepreneurs on the process of how to acquire international quality standards. Under the SheTrades IORA project, women entrepreneurs in the tourism industry were invited to participate in webinars
led by an international certification scheme called Travelife and a tool called the Cambridge Value Mapping Tool. The webinars have helped the participating women entrepreneurs to increase their knowledge on how to unlock their market potential by obtaining sustainability standards. The project will facilitate a one-year Travelife membership for selected women-led tour operators and accommodation providers. The support will help unlock the market of women entrepreneurs in the tourism industry in Sri Lanka.

- To respond to gender-based discrimination faced by women exporters, electronic procedures and single windows, as promoted under the WTO Trade Facilitation Agreement, can help to reduce the number of face-to-face interactions and thus the potential bias against female exporters.
- Sector associations, trade and investment bodies and the Sri Lanka Standards Institution are well placed to help firms become compliant with international standards. Sector associations have strong links to companies and can help firms become certified by building awareness of certification options, suggesting new markets for which certification is needed, and representing business interests to public or private technical infrastructure authorities, including standards agencies and testing laboratories. Special trainings targeted at women entrepreneurs could result in more women-owned MSMEs engaging in international trade.

Information and communications technology

Key findings

- Computer and digital literacy rates in Sri Lanka are low. In 2016, only 28% and 34% of the population in Sri Lanka were computer and digitally literate, respectively. Women were less likely to be literate in either category compared to men.
- Despite the low levels of digital literacy, the women-led companies surveyed reported an excellent understanding of basic communications technology. Nearly all women-led firms reported using e-mails to conduct their daily business.
- Only 63% of micro and small-sized firms have a website, compared to 84% for medium and large-sized firms. Exporters are 28% more likely to have a website than non-exporters are.
- Core tourism firms such as travel agencies and hotels are 2.5 times more likely to own a website than other tourism-related services are.

Recommendations

- Improving women’s digital and computing literacy in Sri Lanka will help women enter the labour force and encourage women-led enterprises to establish an online presence. Teaching IT skills within the national education system and providing ICT facilities in schools will help to expose all women to these technologies.
- Improved connectivity helps MSMEs connect to international markets. Poor rural connectivity in Sri Lanka prevents these firms from reaping the benefits of trade. Continued investments in fast fibre-optic-based internet connections will help alleviate this problem.
- Capacity building efforts are needed to provide women-led enterprises with the technical skills to create websites for their services. Tailored programmes from TISIs for women entrepreneurs on e-commerce and digital marketing would help increase the knowledge and skills of women entrepreneurs in Sri Lanka. Under the SheTrades IORA project and in collaboration with Sri Lanka’s Export Development Board, ITC experts and a trainer from Google India delivered webinars and workshops on e-commerce and digital marketing in Sri Lanka in order to help women entrepreneurs establish an online presence.

Connecting to customers

Key findings

- The majority of firms surveyed rely on digital marketing tools such as social networks rather than traditional methods for advertising. What’s more, smaller firms were just as likely to use these tools as larger companies. This is not the case for more traditional forms of advertising (e.g. radio, newspaper).
Of firms surveyed, 56% participated in domestic trade fairs, with even less participating in international trade fairs.

Women-led exporters are 2.5 times more likely to participate in international trade fairs than non-exporters are.

Medium and larger firms are more aware of external sources of market information compared to micro and small firms. Moreover, non-exporters have better access to available market information than exporters do.

**Recommendations**

- Women-led firms should be encouraged to participate in domestic and international trade fairs to help them expand their business networks, meet with potential buyers and enter value chains. One way to do this is for TISIs to financially support export-ready women entrepreneurs to attend international trade fairs, since it is often costly for SMEs to participate in these fairs. As part of the SheTrades IORA project, a key activity includes organizing business-to-business (B2B) meetings, organizing webinars before and after the trade fairs for selected women entrepreneurs and supporting women entrepreneurs to attend international trade fairs.
- TISIs may want to consider leading efforts to bring buyers to women entrepreneurs in Sri Lanka.
- Improved access to market information can help smaller firms and exporters become more competitive. TISIs are well placed to be stores of information on potential buyers and suppliers for SMEs, or other information related to market access. Placing this information online would make it easy to access and to update.

**Intellectual property and innovation requirements**

**Key findings**

- Women-led firms don’t shy away from committing resources to research and development (R&D). Those efforts seem to pay off, as a high percentage of firms also implemented an improved process or launch a new product in the last three years.
- Of the firms surveyed, 33% reported a good knowledge of domestic IP systems, but only 13% reported having a good knowledge of foreign IP systems.
- Few women-led firms hold registered domestic or foreign patents.
- More than 90% of firms improved their products or processes in the last three years.
- Only 38% of firms reported good or strong collaborations with research networks.

**Recommendations**

- Supporting women-led enterprises could lead to more innovation within the Sri Lankan economy. Encouraging women entrepreneurs to invest in R&D can help their enterprises develop new products, climb the value chain and be competitive in international markets. Innovation accelerators aimed at women entrepreneurs can help spread awareness of the importance of investments in R&D.
- Using IP systems for the tourism industry can help Sri Lanka to differentiate itself from other countries and regions. This could be done by identifying particular provinces in Sri Lanka as ecotourism destinations, and introducing specialised trademarks. IP systems are also important for the ICT sector, which is continuously affected by technological advances.
- Increasing access to information on domestic and foreign IP systems could help encourage firms to innovate and apply for patents. TISIs should consider developing programmes to educate MSMEs on the benefits of registering patents.
- Research networks could help tourism-related firms become eco-friendly. For instance, research networks could teach tourism-related firms the best practices in ecotourism management.
REFERENCES


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