

CERTIFIED MANAGEMENT ACCOUNTANT

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Kevin Dancey
CEO - International Federation
Of Accountants

**COVID Makes Clear
Why We Need to Improve
Corporate Reporting**

**HE the President was
far-sighted to establish
the National Operation
Centre for prevention
of COVID-19
Outbreak**



**Lieutenant General
Shavendra Silva**

ACTING CHIEF OF DEFENCE STAFF, COMMANDER OF THE SRI LANKA ARMY AND
HEAD OF THE COVID-19 PRESIDENTIAL TASK FORCE



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**Lieutenant General
Shavendra Silva**



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KEVIN DANCEY

International Federation Of Accountants
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Improve Corporate Reporting"

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SME Development Committee"
Congratulates new Government and confident
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A Note from the President

right management has fulfilled our dreams to meet the New Normal.

For the economic upliftment the Central Bank has announced very attractive loan schemes at concessionary interest rates and debt moratorium for affected businesses which has been implemented successfully by the commercial banks. Up to middle August they have registered applications of Rs 100 B with disbursements of Rs 68.6 B described by the Central Bank as a milestone. As financial and Management Accountants our role has become more important not only in managing businesses but restructuring and amalgamating departments and companies to reduce costs and make them viable. Cost has become the buzz word and we hear of cost cutting, cost sharing, total cost management, costing of products and services, least cost accounting, expenditure management, cash flow management and value creation in both the public and private sector where the expertise of management accountants are in great demand.. To provide the necessary expert services to SMEs based on the IFAC SMP global survey we have set up the CMA Small and Medium Consultancy Services Practitioners who are now actively assisting businesses that are affected due to COVID – 19 Pandemic.

CMA Sri Lanka COVID – 19 SME Development Committee a new initiative with the leadership of CMA comprising professional bodies, Chambers of Commerce and Industry, Commercial Banks and Industry Experts have been working tirelessly to assist the SME sector affected by the pandemic. Many areas such as assisting in getting bank loans, lack of security or collateral for which the Central Bank now gives a guarantee, labor problems such as inability to pay wages or excess labor, loss of markets, shortage of raw materials, non-availability of skilled labor are some of the major problems identified. We had taken the initiative to assist SMEs with the Chambers Help Desk to provide assistance to SMEs in obtaining

Greetings!

I have pleasure in sending a message to the “Certified Management Accountant” published by the Institute of Certified Management Accountants of Sri Lanka”. The August 2020 Journal covering a wide range of articles related to “COVID - 19 Pandemic, Business and Professional Challenges “

As you are all aware we are going through a global health crisis, which is unprecedented in our lifetime. Many lives are being lost each day and the virus continues to spread everywhere in the world. As a result the economies are taking a hard hit, and this is trickling down to each and every one of you. Many governments have come forward with generous welfare packages to look after those affected. We also understand that maintaining business activities uninterrupted at a good level will take care of the employees and their families. Protecting employees and redeploying their unique capabilities to meet society's immediate needs

has been the priority of most of the companies.

Furthermore, this is the biggest challenge for all organizations in every country such as airline, shipping, education, apparel and tourism which have been badly affected. The Sri Lankan government with the right leadership has been able to contain the virus – more so than most other countries.

We are indeed happy to feature the Commander of the Army and Chief of Defense Staff Lt.General Shavendra Silva who is the Head of the National Operations Center for the Prevention of the COVID – 19 Outbreak and the progress made by him and his team including the medical doctors, nurses and other staff in combating the spread of the deadly virus and making Sri Lanka a safe place to live in is a creditable feat recognized both locally and internationally. With the direction coming right from the top from H/E Gotabaya Rajapakse President of Sri Lanka and with the

Message from the Chairman of the Journal Committee

loan facilities from partner banks, providing expert advice on areas of finance and Accounting, labor problems, marketing, management and the conduct of seminars to provide the knowledge in these areas. Another area of importance was to make representations to the government on the need to solve one of the major problems of SMEs the need for the setting up of a Credit Guarantee Institution which was submitted by the Minister of Industries to the cabinet and requires the nod from the Ministry of Finance to make it a reality and go forward on a fast track as it is now listed in the ADB pipe line projects providing the international support for this project. Being the National leader in Management Accountancy Profession in Sri Lanka we have conducted webinars for SMEs, online training sessions to CMA members and students during the time of the lock down and thereafter. The Toastmasters Speechcraft programme, online computer practical courses, online lectures have benefitted the CMA students who could not attend class room lectures providing even overseas students and students from the outstations to log in for online classes.

Let me to take this opportunity to thank all the authors, Chairman, Editor, Director in charge of the journal for their valuable contributions to provide a high-quality CMA Journal which will be posted on our web site. I am confident that the CMA Journal articles will be beneficial to all readers.



Prof. Lakshman R Watawala

Year 2020 started with a positive note, however that positivity was short lived, end 1st quarter we saw the scenario changing beyond expectations for the whole world, Sri Lanka was not spared. Countries started closing borders, transport came to a standstill, COVID-19 became the major issue for all countries. It was no longer globalisation, it was each country for itself. Man has not faced a similar scenario for the past 300-400 years, may be more. There was no solution in sight even for the developed countries. Countries that invested in weapons, large infrastructure saw no use of it. Well-known economic models became redundant overnight. Importance of technology became significant and self-sustaining agriculture took Centre stage, whereas comparative advantage became questionable.

In this scenario the challenge for organisations were many, old theory was no longer applicable it was more of new thinking with health and safety taking centre stage, in a market where asset values was decreasing. Government rushed with doling out handouts, world over. To date the effects have been minimal.

In a situation like this accountants were called to do cost cutting, and costing became more important, since old pricing models were redundant and people were more keen on survival and affordability became an issue demand was no longer there for existing products and services. Luxury items became redundant overnight. Travel and Tourism came to a standstill.

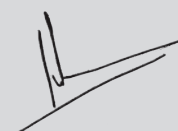
CMA Sri Lanka conducted some very promising seminars via zoom, in this context our journal has been focused on COVID impact on the business environment. The impact of COVID on businesses are significant and still we are not out of it going forward we will see more papers coming on this.

CMA Sri Lanka has taken many initiatives during this difficult times and made several representations to the relevant authorities on behalf of



different sectors. We hope these will be implemented within the coming months.

I take opportunity to thank Prof Lakshman R Watawala founder President for taking leadership during this difficult period, authors who took the initiative to submit valuable articles, council members and most importantly the staff of CMA Sri Lanka without them this would have not been possible.



Adrian Perera

**Hon. Prof. G. L. Peiris,
M.P.**
Minister of Education



We wish to offer our congratulations and best wishes to two of our Patrons Prof G L Peiris and Dr Bandula Gunawardena who were appointed to the Cabinet of Minister in the new Government in August 2020.

Prof G L Peiris was appointed the Minister of Education in the new government in August 2020. Prof G L Peiris is a Founder Patron and was our Honored Guest at the inauguration of the newly formed Society of Certified Management Accountants of Sri Lanka on 3rd June 2000. The Society was later incorporated by an Act of Parliament No. 23 of 2009 and termed the Institute of Certified Management Accountants of Sri Lanka where Prof Peiris spoke in support of the bill to incorporate CMA Sri Lanka.

Prof. Peiris held many Portfolios during the past regimes such as External Affairs Minister, Export Development and International Trade Minister, Justice and Constitutional Affairs Minister, Ethnic Affairs and National Integration Minister, Enterprise Development, Investment Promotion and Industrial Policy Minister, Deputy Finance Minister and Industrial Development Minister.

Hon. (Dr.) Bandula Gunawardana, M.P.
Minister of Trade

Dr Bandula Gunawardana is a Patron of Institute of Certified Management Accountants of Sri Lanka and as the Minister of Trade, Commerce, Consumer Affairs & Marketing Development tabled the Bill in parliament on 18th March 2009 for incorporating the Institute of Certified Management Accountants of Sri Lanka which was earlier the Society of Certified Management Accountants of Sri Lanka launched in June 2000 and was debated and approved unanimously and assent of the Hon Speaker given on 20th April 2009. Recently, he was appointed as Minister of Trade by the Government of Sri Lanka.



Hon. Ajith Nivard Cabraal, M.P.
State Minister of Money &
Capital Market and State Enterprise Reforms

CMA Sri Lanka wishes to express our sincere congratulations to Hon. Ajith Nivard Cabraal upon his assumption of new responsibilities as the State Minister of Money & Capital Market and State Enterprise Reforms in the new Government. He is a Fellow of the Institute of Certified Management Accountants of Sri Lanka, Past President of the Institute of Chartered Accountants of Sri Lanka, and South Asian Federation of Accountants. Mr. Cabraal was an internationally recognized consultant in Corporate Governance and was the Chairman of the Corporate Governance Committee CASL which developed the first Code of Best Practice on Corporate Governance in Sri Lanka. We at CMA Sri Lanka look forward to provide our cooperation and assistance in the discharge of his duties.

Mr. Sujeewa Rajapakse Chairman, Peoples Bank



We wish to congratulate and offer our best wishes to Mr. Sujeewa Rajapakse on his new appointment as the Chairman of People's Bank. He is a Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA), Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Served on the Council of CMA Sri Lanka from 2013 to 2015 while he was the President of the Institute of Chartered Accountants of Sri Lanka (CASL). He was also the proud recipient of CMA Sri Lanka Professional Excellence Award in 2013.

Prof. Lakshman R Watawala appointed Adjunct Professor Deakin Business School, Deakin University, Australia



Assoc. Prof Luckmika Perera Director (Education) – Centre for Integrated Reporting, Faculty of Business and Law, Deakin University, Melbourne, Australia who delivered the CMA Founder's Day Oration on 17th June announced that Prof. Lakshman R Watawala Founder/President Institute of Certified Management Accountants of Sri Lanka (CMA) has been appointed as an Adjunct Professor Deakin Business School, Department of Accounting, Faculty of Business & Law Deakin University, Melbourne, Australia.

He further stated that Prof Watawala had made a major contribution to the development of the accounting profession in Sri Lanka as well as South Asia and Deakin University are happy to be associated and to have a strong ongoing relationship with CMA Sri Lanka.

As the Founder of CMA Sri Lanka, it was a fitting tribute to Prof Watawala to receive the Adjunct Professorship at the Founder's Day Oration.

Since the founding of the CMA Sri Lanka 20 years ago, a number of initiatives have been launched in partnership by the two institutions Deakin University and CMA Sri Lanka.

Speaking on the journey of CMA

at the Founder's Day Oration, Prof. Watawala highlighted the humble beginnings of the institution that was established with much challenges. The commencement of CMA Sri Lanka with the technical assistance of CMA Canada now CPA Canada and the financial assistance from the Canadian International Development Agency (CIDA) had given the strength for him and founding governing council to go ahead with the professional management accounting body, later incorporated by an Act of Parliament getting the government recognition and thereafter obtaining the Full Membership of the International Federation of Accountants giving the global recognition.

He highlighted that as a professional Management Accounting Body the main aim is to meet the growing demand for professional management accountants in the private and public sectors.

"We strive to provide skilled professionals in the field of strategic management accounting and financial & cost accounting who could contribute to move business organizations forward. Our aim is to develop the skills of both school leavers and university undergraduates as well as those who are employed and provide the

business and government sector with capable and progressive managers in the management accounting field, and also to provide a professional management accounting qualification at an affordable price and save valuable foreign exchange going out of the country" he said.

Prof. Watawala, who has held a number of top state positions converting loss making state institutions to profit making in industrial and export state corporations, twice as Chairman & Director General of BOI Sri Lanka and Chairman Peoples Bank pointed out that the institute has grown in strength during the past years. He is a Past President Institute of Chartered Accountants of Sri Lanka, South Asian Federation of Accountants and Founder President AAT Sri Lanka. He is also a Past President of OPA and the South Asian Management body "Association of Management Development Institutes of South Asia" and currently President of the Institute of Chartered Professional Managers Sri Lanka (CPM).

A proud receiver of the National Honours Sri Lanka Sikhamani conferred for distinguished services of a general nature by the President of Sri Lanka in 2019.

A full-length portrait of Lieutenant General Shavendra Silva in his Sri Lanka Army camouflage uniform. He is standing against a dark background, looking directly at the camera. His uniform features a name tag that reads 'SHAVENDRA SILVA', several medals on his left chest, and a star insignia on his right chest. The background of the page is dark, with the title and text on the right side.

Lieutenant General Shavendra Silva

ACTING CHIEF OF DEFENCE STAFF AND COMMANDER OF THE ARMY

As everybody knows that the Sri Lanka Army committed itself unstintingly to protecting the people and the country from the COVID-19 pandemic and that even now they are continuing to do so. The battle against the Coronavirus pandemic is not equal in any way to a war operation. However, the Sri Lanka Army has been extremely successful in facing the pandemic challenge and has gained a great reputation.

The Acting Chief of Defence Staff and Commander of the Sri Lanka Army, Lieutenant General Shavendra Silva is the Head of the National Operation Center for Prevention of Covid-19 Outbreak. As the head he gives leadership to the battle to save Sri Lanka from the pandemic. We, Institute of Certified Management Accountants of Sri Lanka met Army Commander and discussed how the Army won the Corona Challenge.

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I BELIEVE THAT WE ARE THE PROTECTORS OF THE NATION, PROTECTORS OF THE COUNTRY AND PROTECTORS OF THE PEOPLE

1. The military is actively engaged in combating COVID-19. How do you evaluate their tremendous contribution?

Before embarking onto the discussion on the role of the military, it is paramount important to understand the visionary approach of HE the President. His Excellency the President appointed the National Committee for Prevention of COVID-19 in Sri Lanka on 26 January 2020, well before the epidemic struck locally. Subsequently, when this virus rapidly spread around the world, HE the President was far-sighted to establish the National Operation Centre for Prevention of COVID-19 Outbreak (NOCPCO) on 16 March 2020 where I was entrusted to spearhead this national effort.

As you know, the military has been the saviour of the nation in all difficult times in the past. Sri Lankan Armed Forces covenanted to battle this pandemic being instrumental in containment and prevention of the disease being contiguous beyond control.

At a time when most of the countries were reluctant to do so, His Excellency Gotabaya Rajapaksa took a bold decision to get down 33 Sri Lankan students sieged in Wuhan on 01 February 2020. To make this effort a success, Sri Lanka Army collaborated with the sister services, health authorities, the police and other stakeholders to extricate them from Wuhan and quarantine them for 14 days by constructing a fully-fledged quarantine centre in Diyathalawa within 72 hours. Since then Sri Lanka military forces built, renovated, modified, and functioned more than 50 quarantine centres facilitating more than 25000 local and foreign citizens, including transportation, disinfection and patient management. This ardent contribution of the military affected primarily towards effective controlling of this pandemic.

We have set an example for other militaries in the world by effectively utilising the available resources to face a novel challenge, and innovatively developing new strategies and plans to suit the circumstances. Importantly, through the experience gained by this epidemic, Sri Lankan Armed Forces now have elevated its capacities to manage any Chemical, Biological,

Radiological and Nuclear (CBRN) situation in future as well.

WE HAVE SET AN EXAMPLE FOR OTHER MILITARIES IN THE WORLD BY EFFECTIVELY UTILIZING THE AVAILABLE RESOURCES TO FACE A NOVEL CHALLENGE, AND INNOVATIVELY DEVELOPING NEW STRATEGIES AND PLANS TO SUIT THE CIRCUMSTANCES



2. At the very beginning, the response from the returnees from coronavirus hit countries was critical, and they were evading the quarantine process. How did you manage to control the situation?

Yes, a few of them tried to do so at the initial stages. In my opinion, they were not much aware of how this deadly virus behaves. On the other hand, they knew very less about the quarantine process initiated by the military. They did not know how the process functions; what facilities were available and how much the quarantine process was essential to save this country. However, when the people got into the quarantine centres, they gradually understood how professionally the military handles the process and accordingly, they started cooperating.

People who underwent the quarantine process under military praised our process and the effort at the end. I think people of this country clearly witnessed it through media. This amply proves that the military has been able to win the hearts and minds, trust and confidence of the ordinary people. It is a testimony of a well-planned and deliberate process capable of changing the mindset of people positively in line with the national requirement. I would like to mention that all the responsible government agencies, stakeholders and intellectuals carried out their duties responsibly and professionally so that the people could trust the government efforts. I must say that in contrast to other developed countries in the world, Sri Lanka has a cohesive national health system and a pandemic prevention mechanism which people can always rely on. I would also like to mention the valuable role played by the media to feed the essential information to ordinary people.

It should be especially mentioned on the guidance given by His Excellency the President by taking updates almost every morning, afternoon and evening. Due to that, I, as the Head of the National Operation Centre for Prevention of COVID-19, could receive timely direction and decisions from HE the President himself at the appropriate situations. By this, we could fathom out which actions and conditions were to achieve with their timelines, who were the responsible authority and

who were the supporting authority etc. Accordingly, when issues came up, we could arrive in to collaborated solutions without a delay and all stakeholders' advice were given due consideration before making decisions.

3. Was coronavirus the main challenge, after the Sri Lankan Civil war?

I would approach the answer differently. Since the end of the conflict, the military has faced various challenges. In fact, effectively managing a post-conflict period itself is a challenge. This post-conflict period had multi-faceted challenges such as rehabilitation of LTTE cadres, reconstruction of destroyed infrastructure in war-affected areas, developing those areas affected by the conflict, demining process, resettlement of people and reconciliation process. Besides, Sri Lanka, as a nation had to face a huge challenge in neutralizing the acts of LTTE Tamil Diaspora in different countries. Although we have made a tremendous effort to normalize the life of affected Tamil people in Sri Lanka, defeating the LTTE Tamil diaspora in their international hideouts remains a challenge up-to-date. I see this challenge is more important than any other challenge since we will face this even in future. Also, the transformation of soldiers who fought on the battlefield into peacetime community engagement activities has been a gigantic task.

In addition, the Sri Lankan military had to fight against extremism in last April. As this issue is ideologically sensitive, using military means into the solution obviously become a challenge. Careful use of military means such as intelligence in coordination with other agencies, not only in Sri Lanka but also in regional countries became a testing task. In this respect, identifying extremists and directing them to the de-radicalization process in order to bring their minds back to normalcy was also an uphill task.

Coming into your question, yes, the coronavirus pandemic has also been a significant challenge for the military as we have never experienced such a situation in our history. In this case, I am sure all the stakeholders may have faced difficult circumstances at the beginning. The military too had

to face new challenges in effectively addressing the developing situations during this COVID-19 pandemic. However, we effectively utilized the unique military capabilities, firstly, to build quarantine centers swiftly at short notice, secondly, to trace the contacts of affected people by employing the intelligence agencies, and thirdly, to undertake the whole in-house quarantine process in the country. This was an enormous and difficult task and more challenging than anyone could ever imagine, but as a confident military, we always believe that "Nothing is impossible".



**“
NOTHING IS
IMPOSSIBLE FOR
OUR ARMED FORCES**

4. The nation must salute the Sri Lankan military, especially the Sri Lanka Army, for the services rendered during the pandemic situation. The Australian Government deploys the military once the situation becomes critical. However, we deployed the military from the beginning. Was it a good decision taken by the Government of Sri Lanka?

His Excellency the President, who is an Ex-senior Army Officer and a former Secretary Defense, had

WE NEED TO HARP ON SHORT, MEDIUM AND LONG-TERM MEASURES TO IMPROVE ATTRACTIVENESS FOR INVESTMENTS



the experience to understand the potentials, discipline and capabilities of the military. Thereby, making a wise decision, the Sri Lankan military was entrusted with this huge task of preventing the pandemic from being contagious.

This whole effort could be categorized into three objectives, **Containment of Affected Cases,**

Prevention of Further Spreading and Minimizing the Loss of Lives. To operationalize the first objective, which is 'Containment of Affected Cases', His Excellency the President and Hon Prime Minister, chose the Armed Forces with complete trust and confidence. We undertook the prevention of the disease being contiguous through

the comprehensive quarantine process. The choice of the military for this was well justified with the unparalleled contribution made towards the successful execution of the quarantine process.

Also, contact tracing of affected personnel is an essential factor for containment and prevention. While the curfew was in place by the police to restrict the undue gathering of people, the military intelligence and State Intelligence Service networks accurately traced the immediate and secondary contacts of affected personnel within a short period and directed them for quarantine process followed by testing when and required.

The tasks that I mentioned above require resources, skills, training, and knowledge. As an organization with the most significant human capital, equipment capability and a disciplined force, it was military who could accomplish this task so effectively. Since the military undertook a larger share of this effort, the Government could utilize other authorities to ensure the smooth flow of essential services to the people. So with the military intervention, I think we have a success story to speak and will undoubtedly stand and mark ourselves in the world map, as a successful country against COVID-19. Therefore, I hope it is people of this country, who have been benefited by the military intervention, to judge whether the military is the right choice in combatting this deadly virus.

5. However, some questioned whether the military people can handle this kind of a disaster. Finally, they managed to do that. How do you see this? Have we provided our military on special training, or is it based on their experience?

I believe that we are the protectors of the nation, protectors of the country and protectors of the people. This is how we look at it. The Sri Lankan Armed Forces were involved in this battle against COVID-19 pandemic, hand in hand with the health sector, police, and other various stakeholders. But of course, the commitment of the Armed Forces was instrumental in the containment and prevention of spreading.

As I said earlier, His Excellency the President knew the capacities, capabilities and the discipline maintained within the military. That is why His Excellency the President decided to utilize the military for the task. Sri Lankan security forces are well geared to face any challenge with confidence at any time. So, whether it is extremism, natural disasters, or the most recent COVID-19 outbreak, we have done the assigned job to the expectation of the citizens of this country. Also, most importantly, what I believe is that a pandemic requires proactive and rapid action. We cannot have delays. The military has the capacity and resources to face and react swiftly. The Sri Lankan Armed Forces have also been involved in the fight against this pandemic in full swing from day one.

While some questions about militarization are being raised, I believe the people of this Nation have already accepted the decision of His Excellency the President and Honorable Prime Minister for assigning the military for this job.

Now things are under control. **However, we are fully watchful of the possibility of a recurrence.** Today, many Sri Lankans are being repatriated. So, the Army is the most capable body that can take them over from the airport, transport and keep them in the quarantine centers, including safe isolating and transferring positive cases to hospitals. Also, the military built, renovated, and uplifted the capacity of several hospitals for managing the COVID-19 patients. I wish to highlight that we have many professionals within the military, including doctors, medical staff, construction experts etc and our Armed Forces are capable of running 24 x 7 without getting any break until the assigned task is successfully completed. Also, we are rich in experience and have trained ourselves so that we can adjust to the situation swiftly. Therefore, I would say it is on the job training rather than giving separate training for every circumstance.

At the very beginning, the health sector had only one hospital at IDH to utilize for treatments of infected patients. As of today, our Armed Forces have constructed a number of hospitals as well as converted some wards to treat the identified patients.

6. According to statistics, there are large number of people directed to 'home quarantine'. Do we have any mechanism to monitor whether they are undergoing quarantine according to the health guidelines in their homes?

We had a considerable number of people under home quarantine process. Now, the numbers of infected people are getting reduced, with effective containment of the pandemic. I believe Sri Lanka is a successful case study for anyone. We were able to contain all clusters appeared in society. We employed the military to trace the suspected contacts first, and then the contacts were declared to the health officials and the public by which they were directed for quarantining at home.

IN ANY CASE OF EXPECTED CONTRIBUTION IN REBUILDING THE ECONOMY OF OUR COUNTRY, WE ARE READY TO ACCEPT ANY TASK WITH REGARD TO THAT WITHOUT HESITATION

Public Health Inspectors, along with other stakeholders, played an instrumental role to ensure them undergoing home quarantine process according to the stipulated guidelines. To meet this end, patrols were also conducted by the military personnel together with the Police and Public Health Inspectors. I must mention that all people cooperated for this process. The public was well-disciplined to adhere to the health guidelines and restricted to homes. There were some instances that people took the responsibility of ensuring the home quarantine process and reported to the relevant authorities whenever there was any violation of guidelines. Such vigilant actions were purely taken for nothing against personal gains but the betterment of the entire society.

As I said earlier, our health system is very comprehensive. We were able to liven this system by facilitating

the health care officials with the necessary authority, resources and support. With that only, we managed to neutralize all clusters appeared in the society without allowing to escalate into the community transmission stage.

7. Coronavirus has already affected the Sri Lankan economy. As the Chief of Defense Staff and Commander of the Army are you ready to be deployed your people to rebuild the economy of Sri Lanka, if necessary, and if called for?

Coronavirus has disrupted global supply chains, distribution channels and demand for goods and services. It signaled a higher possibility of a worldwide recession. The ultimate economic and financial implications of the outbreak are unclear. The economic impacts are expected to be widening with the anticipated decline in exports, tourist earnings, and remittances. I think we need to harp on short, medium and long-term measures to improve attractiveness for investments. We also need to draw action plans for medium and long term.

In such action plans, we may have little to play, and the Government shall decide on which role to be played by the military. In any case of expected contribution in rebuilding the economy of our country, we are ready to accept any task with regard to that without hesitation. Nothing is impossible for our Armed Forces.

8. General public says that we were success at the Covid-19 battle? What is your view on this?

I have a short answer to this. My view is that all these efforts are for the betterment of the general public. If they are already convinced that we are successful in fighting against COVID-19, we as the stakeholders can be self-satisfied of the endless contribution we have made.

I must take this opportunity to thank all Sri Lankans, for their highest possible cooperation in combatting the COVID-19 challenge. People of our country are disciplined, cooperative, and they clearly understood the seriousness of this epidemic and acted bravely. If not for their good conduct, the containment of this deadly pandemic would not have



been a reality. I must also thank all stakeholders of this effort, for their tireless commitment in achieving the desired objectives of the nation.

I also wish to salute the Sri Lankan media for the exemplary role played during this challenging situation by conducting an effective media campaign to convey the essential information and messages to the public in a convincing manner.

9. You have been appointed to Head the National Operation Centre for Prevention of Covid-19 (NOCPCO) outbreak and work with professionals in the medical field, and we have witnessed the results. Could you briefly tell us the leadership and management techniques which enabled you to achieve these successes?

We got all stakeholders and reputed intellectuals of Sri Lanka into ten working groups covering all the fields. These working groups functioned to develop strategies, advise on the policy framework, and develop plans, actions and programmes for all the sectors during the outbreak effectively. These functional groups consisted of experts in their respective fields. Every one of the working groups was

responsible for his/her task. I, as the Head of the Centre, was responsible to HE the President on smooth functioning and operationalizing the President's vision.

**PEOPLE OF OUR
COUNTRY ARE
DISCIPLINED,
COOPERATIVE,
AND THEY CLEARLY
UNDERSTOOD THE
SERIOUSNESS OF THIS
EPIDEMIC AND ACTED
BRAVELY**

In the discussion of management, we adopted the universally accepted four management steps, namely, setting appropriate goals, developing a plan to achieve goals, empowerment of groups, and assessing the performance and making adjustments. As per the HE the President's vision, the National Operation Centre for Prevention of COVID-19 Outbreak, set goals for stakeholders and ensured those goals were met according to the timeline. We have developed a plan with the consultation of experts. Therefore, every working group

worked according to that general plan. We empowered them with resources and the authority to make decisions in their own area of responsibility. In order to assess the performances and make adjustments, we had committee meetings frequently and scrutinized the committee actions with the overall plan. When and where required, corrective actions were taken by the COVID-19 authorities.

10. Sri Lanka won a war that was deemed unwinnable and presided over the largest economic boom. What kind of leadership is required to steer the country towards the prosperity in the post Covid-19 era?

The answer is straightforward. At present, the country has a visionary leadership to steer the nation towards prosperity. His Excellency the President himself works tirelessly and provides visionary leadership while setting an example for all of us. I should also mention the utmost commitment of Honorable Prime Minister under whose leadership the unwinnable war was won in achieving the Government's effort towards peace, prosperity and development of the country.

11. At present, you are holding three key appointments which bring enormous responsibility and pressure on your shoulders. How did you manage to handle the matters related to these three offices?

Performing duties under strenuous conditions is not something new to me personally, it is the nature of our profession. If I speak about myself, as an Infantry Officer, I always worked under difficult conditions in various capacities and actively contributed to many operations carried out in various phases of 30 year-long drawn war. Especially, commanding the 58 Infantry Division being at the forefront in the final phase of Humanitarian operation was one such challenging tenure in my military life. However, all those experience and moulding have made me mentally and physically robust to take any challenge as an opportunity.

Nonetheless, my deep appreciation goes to my beloved spouse and lovely children for their patience and perseverance in strenuous conditions, leaving me to strike a balance in between professional and personal lives. Unless for their support, my commitment to the duty would have not been an easier one for me.

12. Now it is post Covid-19. As the Commander of the Sri Lanka Army and Acting Chief of Defense Staff, what is your final message to the people in our motherland?

It is still too early to use the term "Post COVID-19" as we are yet to eradicate this deadly pandemic from our country.

However, we have managed to control this epidemic within 50 days, and after 30 April there were no COVID patients reported from the society. As of today, we have managed to contain this pandemic to quarantine centers. Although we have curbed this virus without escalating into community transmitting level, we have well understood and catered for the potential second wave impact. Therefore we were able to control the new situation emerged with the identification of infected people from Kandakadu Rehabilitation Centre.

However, as a small country, we took a bold decision to bring down the Sri Lankans who have been expatriated from foreign countries. We can be proud as a nation since the gates at Sri Lankan airports have not been closed for our citizens who have requested to return to the motherland.

At present, the country has been normalized with restrictions, dos and don'ts and continuation of this same situation counts on the best health practices and personal responsibilities. My final message for the public is to refrain from acting on misinformation and regulate the conduct according to the Government's reliable information.

In conclusion, I would like to appreciate great people of this nation who endured the difficulties and resonated to the Government's need to curb this deadly disease. I earnestly request the public to strictly adhere to the health practices and guidelines as it is none other than personal responsibility.

Furthermore, people of our country should have one goal in their minds to conduct themselves in a manner that they neither get affected by COVID-19 nor spread COVID-19 to another. That is what my final message to our great people in this country.

I WOULD LIKE TO APPRECIATE GREAT PEOPLE OF THIS NATION WHO ENDURED THE DIFFICULTIES AND RESONATED TO THE GOVERNMENT'S NEED TO CURB THIS DEADLY DISEASE



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COVID Makes Clear Why We Need to Improve Corporate Reporting

Kevin Dancey
CEO

International Federation Of Accountants



*Kevin Dancey,
CEO, IFAC*

The COVID crisis is a human crisis. Its impacts are far-reaching and deeply felt. And, as countries manage the simultaneous public health and economic emergencies, the pandemic is demonstrating clearly how business interruptions can cause huge social and economic impacts.

In the wake of this crisis, there will be lessons for every segment of the economy. IFAC, as the accountancy profession's global body, must understand what we can learn now to better prepare for the future.

One area I keep coming back to is corporate reporting. After months of economic shutdown, corporate earnings season in the US is upon us – and the financial impacts of the crisis are becoming more apparent every day. With many companies unable to provide guidance for future quarters, we must ask ourselves if current corporate reporting practices are fit-for-purpose in an uncertain world.

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This question should force us all to rethink value creation and protection. I see this in my own organization. As CEO, I have to consider how to protect employees and the community, while adapting the organization and finding a pathway to resilience. In making decisions, I'm taking into account our balance sheet, our strategic assets, and how we can have a positive impact on our key stakeholders and society.

As financial and non-financial factors come together to inform decision-making, so too should information come together in corporate reporting to provide a complete picture of value creation to stakeholders. This is even more important given COVID's global impact. Accountants, in partnership

with the businesses they serve, must be able to deliver reporting that provides a comprehensive view of a company's current and future value – one that is robust in its own right and comparable on the global stage.

This is not a new conversation, but it is made all the more urgent given the uncertainty that lies ahead of us. In the last 10 years, the corporate reporting landscape has become a mosaic of mandatory and voluntary disclosures and regulatory fragmentation. It's too complex and too costly. But it's important to keep in mind how critical international accounting standards have been for the maturity of financial reporting and capital markets. Now, we need to evolve again to develop global, high-quality standards for

information related to all aspects of value creation.

As a starting point, we need a widely agreed-upon conceptual framework for corporate reporting that covers all information related to how a company creates value and how it impacts society. I believe that the International Integrated Reporting Framework can be the basis for this, when combined with key principles of other voluntary guidance, including the TCFD Recommendations on Climate-related financial disclosures, and when complementing existing reporting standards and frameworks, including IFRS or US GAAP.

However, a framework alone will not be enough to achieve relevant, reliable and comparable corporate reporting. Relevant organizations need to come together and coalesce around best practice metrics and disclosures. We need to work to develop widely agreed-upon and high-quality standards.

Last month's International Integrated Reporting Council (IIRC) meeting brought the conversation forward. It focused all key stakeholders in corporate reporting on alignment, harmonization, and convergence toward globally-recognized standards for environmental, social and governance information. These conversations will continue, in part, through the **review of the International Integrated Reporting Framework**. The review presents an opportunity to refine the IIR Framework and to position it as the basis for comprehensive and international corporate reporting practices. I encourage all interested stakeholders to share their perspectives during the upcoming consultation period.

As we enter a new decade, it's safe to say we are facing new and enduring challenges. Now more than ever, we need global corporate reporting standards that are fit for the times.

We must embrace this "new normal" and look for opportunities to be more resilient. **Enhancing corporate reporting** is one such opportunity.

"CMA Sri Lanka COVID - 19 SME Development Committee"

Congratulates new Government and confident that development of the SME sector will be given Top Priority

Prof. Lakshman R Watawala
FCMA, FCA, FCMA(UK), CGMA, FCPM

The Institute of Certified Management Accountants of Sri Lanka (CMA) incorporated by an Act of Parliament has taken the initiative to set up the **"CMA Sri Lanka COVID - 19 SME Development Committee" comprising of Professional Bodies, Chambers of Commerce and Industry, Commercial Banks and Industry Experts.**

The Committee is confident that the new Government will give top priority for the development of the SME sector and set up the infrastructure to make this sector sustainable and to be a major contributor to the economic growth and development of Sri Lanka.

At present the SME sector forms the backbone of the economy and is found in all sectors of the economy and accounts for 52 percent of the GDP, and 45 percent of the total employment, whilst making up more than 75 percent of the total number of enterprises in the country.

The recent Covid-19 Pandemic and the lock down has greatly impacted the SME Sector and the committee is engaged to provide urgent assistance for their revival as many businesses may otherwise close down resulting in loss of jobs and increasing the unemployment rate significantly.

The committee which earlier met twice a week since April 2020 now meets weekly and has taken action on the following matters relating to the SME sector.

1. The committee has brought to the attention of the government with the direct support of the Ministry of Industries the urgent need for the establishment of the **Small and Medium Enterprises (SME) Credit Guarantee Institution** targeting SMEs in Sri Lanka, with a special focus on **borrowers without collateral one of the main reasons for banks to reject loans. The committee has noted that the Asian Development Bank has proposed a \$50 million loan to support the establishment of the Small and Medium-sized Enterprises (SMEs) Credit Guarantee Institution, a new nonbank financial institution that would help SMEs to access commercial loans.** This project is listed in the ADB pipeline projects and is now awaiting the approval of the Finance Ministry which we are confident will take place with the new government in place.
2. The commercial banks who are members of the committee have played a major role in assisting the SMEs and in the grant of loans with a moratorium for old loans. They have also supported the setting up of the SME Credit Guarantee Institution which will enable banks to overcome the problem faced by SMEs that lack collateral and expedite the grant of loans.
3. With the COVID -19 Pandemic the committee has realised the urgent need to provide assistance to the SME sector by providing a tax free regime for a minimum of three years to revive the SME sector and has prepared Tax proposals and incentives which will be submitted to the Government shortly.
4. It has also been noted that the Global Contribution of SMEs to Exports is 30% whereas in Sri Lanka it is only 5%. Hence the committee has prepared a Proposal to provide incentives for the setting up of Export Houses to promote the exports of the SMEs.
5. The Committee has also proposed Linkages to the big companies which is important for both local and export sales of products and components of SMEs and providing a ready market to SMEs and to provide tax incentives to big companies that support SMEs.
6. (a) Another important area of utmost importance is Skill Development and it has been decided to provide education and training in the fields of Finance & Accounting, Taxation, Entrepreneurship, Management, which have been identified as lacking in many SMEs. This was

one of the main shortcomings which was number one need of the SMEs as per the survey carried out.

- (b) This includes the provision of Technical Skill development and the need to strengthen government institutions to provide the technical education and training to SMEs.
 - (c) Also to give priority for retraining of existing employees who have lost their jobs so that they could find new employment.
7. Chambers of Industry and Commerce who are members of the committee have set up the **Help Desk to assist SME members** who require assistance to be provided free of charge by the Expert Committees on **(a)** Financial Management, Accounting & Taxation, **(b)** Human Resource / Labour Problems, **(c)** Entrepreneurship & Management development, **(d)** Marketing - Local and Exports, **(e)** Industrial / Manufacturing problems, **(f)** Attract Japanese Investment, **(g)** Assist those having problems in getting loans from Commercial Banks, **(h)** Technology and Digitisation.
8. The committee has also studied the Indian Finance Minister's announcement that, "Employees' Provident Fund Regulations to be amended to include Pandemic as the reason to allow non-refundable advance of 75 percent of the amount or three months of the wages, whichever is lower, lying to the credit of their accounts." to face the financial troubles caused by COVID – 19 Pandemic to benefit the families of workers. This decision of the government which was approved by the parliament will help all those EPF subscribers who may have faced a pay cut or run short of money due to the lockdown period or had been laid off.

The Committee has supported such a proposal to be submitted to the new government as this



would require the change in the EPF Act which has to be approved by parliament.

9. The CMA Sri Lanka COVID-19 SME Development Committee conducted a webinar **"Solutions to Meet Challenges Faced by SMEs in Financial Management and Bank Funding Post COVID -19"** in July this year and this event was well attended and also provided many responses from participants which have been taken care in planning the future activities of the committee. Some of them are the need for a Credit Guarantee Institution, Skill Development, Marketing support, Assistance to obtain Bank Financing for which proposals have been submitted

to Government as well as dealt with by the committee.

10. The committee has decided to organize the next seminar in the Hambantota District in the middle of September and this would cover presentations on two of the biggest issues faced by the SMEs; Financial Management and Bank Funding especially working capital and the use of special Central Bank concessions including credit guarantees on loans. This will be followed by a panel discussion and Q & A session enabling participants to learn more about practical solutions on taxation, management, entrepreneurship, marketing & labour matters.

(FREE) TRADE AGREEMENTS AND SRI LANKA'S CASE

Ajith Perera

*Secretary General / CEO & Executive Secretary to
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Federation of Chambers of Commerce and Industry of Sri Lanka*

The Free trade agreements which typically seek to reduce trade barriers between partner countries goes beyond the trade in good to include services, intellectual property, trade facilitation, customs cooperation, government procurement, ecommerce and investments as well. Therefore the Free trade agreements have been seen by many as promoting broader economic integration. Globally, these wide ranging and controversial bilateral and regional trade arrangements have thus emerged as part of the trade policy landscape.



1) TYPES OF TRADE AGREEMENTS

Broadly, there are three types of trade agreements.

(a) Unilateral trade agreement. It occurs when a country dismantles trade restrictions with partner countries without any reciprocity from other partner country. It would put the country, which is receiving tax reliefs at a competitive advantage. E.g. GSP + by EU to Sri Lanka. The United States and other developed countries only do this as a type of foreign aid. They want to help emerging markets strengthen certain industries. It helps the emerging market's economy grow.

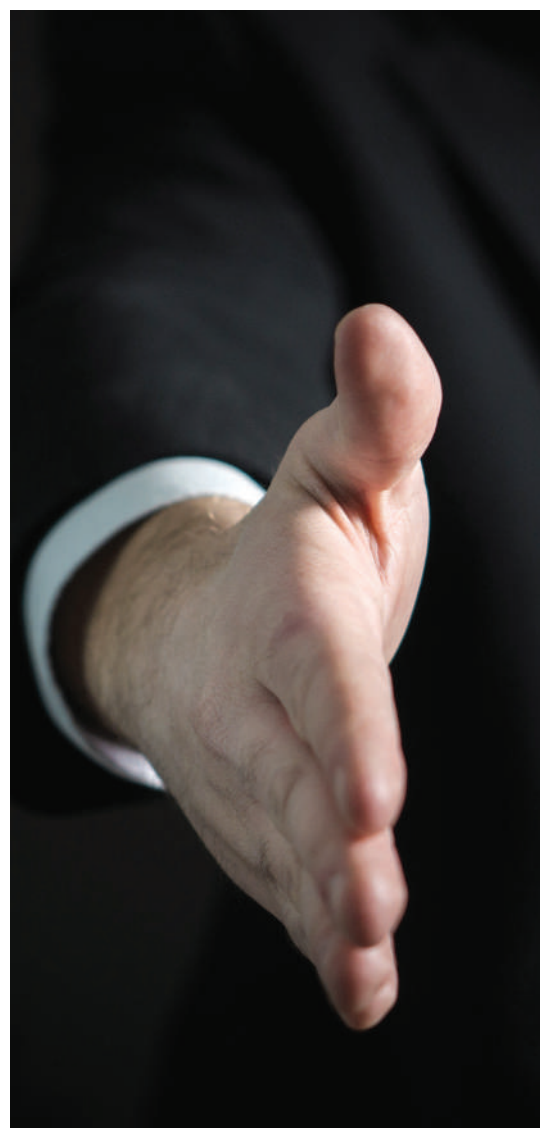
(b) Bilateral Trade Agreements : this is happening between two countries. Both countries agree to loosen trade restrictions to expand business opportunities between them. They lower tariffs and confer preferred trade status with each other. The sticking point usually is many countries protect key domestic industries or try to subsidize domestic industries. For most countries, these are in the automotive, oil or food industries.

(c) Multilateral Trade Agreements : These are among three countries or more and are the most difficult to negotiate. WTO agreements are typically multilateral agreement involving its member countries. The greater the number of participants the more difficult the negotiation are. They are also more complex since each country has its own need and requests and once negotiated multilateral agreements are more powerful than bilateral trade agreements. They cover a large geographic area. That confers greater competitive advantage on the signatories. All countries also give each other most favored nation status. They agree to treat each other equally. E.g. Asia Pacific Trade Agreement in which Sri Lanka is also a signatory. The largest multilateral agreement is the North American

Free Trade Agreement (NAFTA)

Regional Trade Agreements (RTAs) and FTA's coexist and consistent with the rules of WTO/GATT multilateral trading system as provided in **Article 24 and Article 5 of the General Agreement on Trade in Services (GATS)**, though such agreements constitute a departure from the most favored nation (MFN) rule which is the fundamental principle of non-discrimination of the WTO agreements. Under this MFN commitment countries are not allowed to discriminate between their trading partners simply implying that if a country grants a special favour, such as a lower customs duty rate for one of their products to a country, then it has to be extended for all other WTO member countries.

Sri Lanka has entered into three (3) FTA's with India, Pakistan and Singapore. Sri Lanka also entered into regional trade agreements such as Asia Pacific Trade Agreement (APTA), South Asia Free Trade Agreement (SAFTA) and South Asian Preferential Trade Agreement (SAPTA). However, out of many agreements ISFTA (Indo Sri Lanka Free Trade Agreement) is comparatively more active than other trade agreements. Therefore, it is important to have a look at it.



2. SRI LANKA-INDIA TRADE RELATIONS

Trade Flows between Sri Lanka and India under ISFTA

Year	Sri Lanka's Exports (US\$ Mn.)			Sri Lanka's Imports (US\$ Mn.)		
	Total Exports to India	Exports under the ISFTA	Percentage under the ISFTA	Total Imports from India	Imports under the ISFTA	Percentage under the ISFTA
2009	324.87	218.5	67	1,709.93	371.7	22
2010	466.6	358.4	77	2,546.23	573.7	23
2011	521.59	391.5	75	4,349.43	579.6	13
2012	566.37	379.5	67	3,517.23	156.4	4
2013	543.37	368.77	65	3,092.67	393.4	13
2014	624.81	375.8	60	3,977.76	540.1	14
2015	643.03	407.2	63	4,273.30	253.3	6
2016	551.21	375.16	68	3,827.50	186.73	5
2017	689.48	442.29	64	4,495.99	257.04	6
2018	768.71	483.48	63	4,158.18	246.87	6
2019	759.37	489.88	64	3,830.82	198.80	5

Source: Sri Lanka Customs and Department of Commerce

3. SRI LANKA'S PERFORMANCE AT ISFTA :

Total exports under the Indo- Sri Lanka Free Trade Agreement (ISFTA) has reached US\$ 759.37 Million in 2019 and a 64% of this volume (USD 489.88) channel through ISFTA.

India's total exports to Sri Lanka reached USD 3,830.82 and only 5% of this total volume (USD 198.80) channel through ISFTA.. Substantial value of Sri Lanka's imports from India falling outside ISFTA. This includes high-valued items such as automobiles, petroleum products, Iron or Steel & its articles pharmaceuticals, Sugar, cement etc. India has become the biggest sourcing destination of Sri Lanka

One positive factor about ISFTA is even though quantities are not great Sri Lanka has been able to promote a diverse range of products under the ISFTA. This includes furniture, apparel, MDF boards, insulated copper wiring sets and cables, bottle coolers, cocoa products, polished marbles, glass bottles, rubber gloves, copper wires, new pneumatic rubber tires, machinery & electrical equipment parts, electrical panel boards, processed meat products, ceramic tableware & tiles, food & beverage preparations, spices, strawberries, cosmetics, thermal papers, trailers & parts etc.

4. CAN WE EXPORT (WHAT WE EXPORT TO THE WORLD) TO INDIA ?

Comparison and further Analysis of Sri Lankan exports to the world and India,

The following table gives 100 products that are exported to rest of the world but not exported at all or exported in negligible quantities to

India. 27 products out of these 100 products have zero share of exports to INDIA. Sri Lanka's value of exports of these products to the global market is USD 144.71 million (2016) this is against the value of imports of the same products to India from the rest of the world which stands at USD 9.68 billion. (2016) *

Table A3.8: Sri Lanka's Harmonized System Chapter-Wise Potential Exports to India Market

HS Chapters	Potential Exports (\$ '000)	HS Chapters	Potential Exports (\$ '000)
03	4,854	39	14,073
06	4,106	40	88,390
08	4,725	48	13,912
09	826	49	75,044
10	2,666	52	11,599
12	4,765	53	5,910
15	1,268	54	1,202
17	1,139	55	534
18	3,611	56	7,522
19	5,641	58	4,465
20	3,226	59	5,342
21	1,645	61	16,539
24	2,747	62	6,622
25	1,232	71	17,265
26	2,828	73	3,331
30	3,829	84	30,150
32	3,190	85	72,262
33	2,987	87	16,669
34	2,699	88	21,479
35	3,312	89	539
38	29,603	90	1,509

HS = harmonized system.

Source: ADB consultant's estimates based on UN Comtrade Database.

Table 5- shows top HS chapters with the highest number of items at 6-digit level or negligible shares of Sri Lanka's exports to India

Table 5: Top 10 Harmonized System Chapters with Highest Number of Products with Export Potential to India (\$)

HS Chapter	Chapter Title	Product No. (6-digit)	Global Export Value of X	X share of Exports in M	Unit Price Differential*
85	Electrical machinery and equipment	12	73,745,519.50	1.90	3.71
16-23	Prepared food	8	26,380,779.19	7.81	1.96
61-62	Apparel and clothing	8	51,503,935.25	3.11	1.03
84	Machinery and mechanical appliances	8	50,539,387.75	0.62	8.10
39	Plastic articles	7	16,208,268.81	11.49	1.45
48, 49 ^b	Paper and paper products	6	91,730,439.44	10.96	2.23
40	Rubber and rubber articles	5	112,703,667.63	2.60	2.21
52	Cotton fabrics and yarn	5	11,922,843.25	7.23	1.33
33	Beauty products	4	3,204,443.16	1.47	1.78
87	Vehicles parts	4	16,881,787.56	3.51	2.29

HS = Harmonized System, M = Importing country, X = country of exports.

* Export unit price of Sri Lanka/import unit price of the same product in India weighted by exports and imports of each country.

^b Void the value of one product (HS 490700) due to reported unusual price difference considered as an extreme value.

Source: United Nations Comtrade Database at <https://comtrade.un.org/>.



According to this chart electrical machinery and equipment (parts of electrical motors, generators, transformers followed by beverages, biscuits, cereals, apparel clothing, plows, stitching machines etc. The significant feature related to our exports is unit import price of India are higher than Sri Lanka's export prices of most of above-mentioned products. **Clearly the highest and clear price differential (unit import value of India/unit export value of Sri Lanka) is in favour of Sri Lanka putting these products in to a marketable position. (Pl refer the table 5.) Out of all products under HS chapter 84 -machinery and mechanical appliances has the best pricing advantage followed by electrical machinery and equipment (HS chapter 85).** However, pl note HS chapter 85 has more products than HS Chapter 84 so in terms of prospective trade volume products under HS code 85 can bring more trade volumes to Sri Lanka.

Therefore, assuming India has import requirement similar to that of the global market for machinery and mechanical appliances followed by electrical machinery and equipment Sri Lanka's export potential is estimated to be USD 505 million. *

Now It's clear that real potential of some of Sri Lanka's best export prospects cannot be realized in Indian market due to some reasons. Now the question arises

5.WHY SRI LANKA CANNOT REALIZE ABOVE EXPORT PROSPECTS IN INDIA?

- (a) **Impact of Sanitary and phytosanitary (SPS) measures and technical barriers to trade TBT's - in India is heavy.** (TBT – product standards, technical regulations, testing, certification, and procedures involved in determining products conformity.),
- (b) **high production cost of major industries due to inefficiencies in the production processes coupled with high interest and**

lack of production capacity too affect export prospects to India.

Total number of SPS and TBT measures in India are significantly higher than that of Sri Lanka leading to higher cost of compliance. These gaps are significant for fresh fruits (HS 81090) followed by animal and vegetable fats and oil(HS 151790)(*)

prepared food (HS 16-3) : In case of prepared food (HS 16-3) including beverages ,biscuits and cereals for which major export markets are Ghana and Maldives where incidence of SPSTBT are found to be lower than of India. In terms of number of NTM's India has more NTM's on these items than Sri Lanka for the same product group. Sri Lankan exporters of tomato, green chili sauce, mango jam, coconut milk powder, and biscuits face barriers of procedural nature. Good example is exports of sauce samples were rejected by the first laboratory and approved by the second laboratory rejecting the report of the first laboratory. Processed food items face procedural barriers, including delays and high costs of tests, stringent labeling requirements and lack of information.

Case study of Anods Cocoa (pvt) Ltd,

The chocolates factory was built by Anods Cocoa (pvt) Ltd, with an investment of USD 7 million in Sri Lanka targeting India only. Company was to export in liquid, paste, powder or the bulk form to India at zero duty under ISFTA. The first consignment of 28 metric tons of compound chocolates sent by the company to Cochin was held at the port of Chennai by Indian custom citing food safety reasons although all approvals were obtained from relevant authorities this issue led the company to a suspension in production for a year until they start focusing middle east and Bangladesh.

In case of apparel and clothing (HS 61-62) India has introduced a quota system (8 million pieces) and also included in the negative list of SAFTA and APTA .

Electrical machinery and equipment (HS 85) :

This product category face 74 TBT measures in the Indian market which is a high figure in comparison to number of TBT's faced in other major markets.

Machinery and mechanical appliances (HS 84) :

Sri Lanka's major markets are US and Germany. These products are subjects to 66 measures of TBT in India compared to 12 in Sri Lanka. These products are not found in the negative lists of ISFTA ,SAFTA or APTA.so its understood the most logical reason for low/ zero exports from Sri Lanka is the high number of TBT's in India.

Plastic articles (HS 39):

This product category has a major market in Bangladesh and Maldives. In these markets SPSTBT are lower than that of India. These products are subject to 23 measures of TBT in India compared to 2 in Sri Lanka. Most of these items are found in the negative lists of ISFTA, SAFTA as well.

Paper and paper products (HS 48,49) :

Sri Lanka's major markets are Venezuela (29%) and Singapore(14%) where the incidence of SPS-TBTs are lower than that of India .four items are found in the negative list of SAFTA while all these items do not have concessions under APTA.so its evident that low/zero exports from Sri Lanka could be due to high number of TBT-related in India and inclusion of most items in the negative list of India.

Rubber and Rubber Products (HS40) :

Major markets are USA (42%) and Germany (15%) these products are subject to 16 measures of TBT in India compared to zero TBT in Sri Lanka. However, four out of five items are found in the negative list of ISFTA that is why even though Sri Lanka produces world best solid tires those cannot be exported to India. Under this HS chapter, once again the low/ zero exports from Sri Lanka are due to high number of TBT's and inclusion of most items in the negative list of India.

Cotton fabrics and Yarn (HS 52)

– major exports are Bangladesh (73%) and Egypt (8%) with reported SPS-TBT is found to be lower than in India(20 TBT's in India compared with zero TBT's in Sri Lanka. The exports of these products experience delays and high cost of testing, double the inspections, non-recognition of certificates and lack of information. These products are found in the negative list of ISFTA as well.

Vehicle parts (HS 87) ;

Major markets are Australia (18 %) and Bangladesh (11%) and these countries have lesser TBT's than in India. 43 measures of TBT in India compared to 14 TBT's in Sri Lanka. In addition, these items are not found in the list of ISFTA of SAFTA. Overall low or zero export from Sri Lanka could be due to the high number of TBT's related issues in India.

6. WHAT CAN SRI LANKAN GOVERNMENT DO TO INCREASE SRI LANKA'S EXPORTS OF THE IDENTIFIED PRODUCTS TO INDIA/ SOUTH ASIAN COUNTRIES AND THE REST OF THE WORLD?

- (a) Provide incentives, human resources and productivity improvement techniques to all major export sectors.
- (b) Develop an export start up program to assist to engage in production and exports of identified products,
- (c) Develop and implement a marketing campaign to promote exports of these products with the support of Sri Lankan foreign missions.
- (d) Identifying vital and strategic overseas markets for closer trade relationships based on economic modeling or scenario planning and choosing the right type of trade agreement.
- (e) Sri Lanka need to introduce a proper monitoring and review mechanism after signing FTA's and the finding should be reviewed on regular basis

(7) IMPROVEMENT OF THE PRODUCTIVITY OF OUR MAJOR INDUSTRIES :

Sri Lanka need to improve its productivity of all major industries since most of our products has a perennial productivity issues coupled with Sri Lanka's high interest rates and lack of efficiency directly affecting the competitiveness of Sri Lankan exports and eventually the GDP of the country.

(8) TO IMPROVE THE PRODUCTION CAPACITY :

Most of our Sri Lankan SME;s are not in a position to meet the minimum order quantity of Importer and meet the quality standard of exporter.

(9) LACK OF COMPETITIVE ADVANTAGE:

Ceylon tea, Cinnamon have the national advantage being product of Ceylon a powerful branding and positioning in the world but not all products have this national advantage.so in this context Sri Lanka needs to come out with a point of difference to position its products to the world.

(10) ROLE OF FCCISL-

Being the apex body of chamber movement in Sri Lanka started the Indo Ceylon Economic Dialogue (ICE Dialogue) in 2015 with Federation of Indian Chamber of commerce and Industry (FICCI) to start up a private sector dialogue over trade issues and promotion of trade between two countries. The first meeting was held to coincide with the visit of Indian Prime minster Hon Narendra Modi to Colombo.so far FCCISL had six (6) editions in Sri Lanka and India. The focused areas have been investments, Food, SPS and TBT's, Spices, Construction, apparel and Pharmaceuticals etc. FCCISL took up the question of product promotion and removal of many trade barriers with governments of South Asian countries at various forums organized at SAARC Chamber of commerce and industry in Pakistan and APTA chamber of commerce and Industry in china.



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REPORTING AND FRAUD RISK ARISING FROM COVID-19

POSE SIGNIFICANT CHALLENGES FOR PROFESSIONAL ACCOUNTANTS

Globally the COVID-19 crisis is causing huge financial implications for many organizations, as well as exposing them to a variety of other emerging risks related to virtual operations, cybersecurity, and changes in relationships with customers and suppliers that put pressure on operations and service delivery. This new environment creates a heightened risk of fraud and improper financial reporting, as new opportunities and pressures can arise for both internal employees and external parties.

In response to the current crisis, many organizations have had to quickly change working practices and protocols to enable remote working, which presents an increased risk of fraud if internal controls can be bypassed as a result. Incentives to commit fraud may also be heightened with organizations and individuals facing unprecedented economic challenges. In desperate times, individuals under significant work-related or personal pressures can exhibit and rationalize uncharacteristic behaviors such as



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enhanced risk-taking and unethical decision-making. They may also deliberately present a rosier picture of current reality through financial statement and disclosure manipulation.

During the current crisis and its aftermath, the public interest obligation and professional judgment of professional accountants will be under greater scrutiny. This will particularly be the case for those who are board directors or in management roles given they have ultimate responsibility for the prevention and



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detection of fraud in an organization. But in the coming weeks, months and years, it will also be critical for other professional accountants working across roles, including in finance functions, internal audit and external audit to be more alert than ever to the risk of fraud and manipulation of accounting and reporting. Information cannot be taken at face value without an appropriate level of challenge.

For external auditors, an **expectation gap** often exists between what the general public expect from them in

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detecting and reporting fraud, and their actual responsibilities under standards. Under ISA 240, **The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements**, auditors are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The International Auditing and Assurance Standards Board (IAASB) highlight in their **COVID-19 staff alert**, the need for auditors to have heightened awareness of the possibility of fraud or error, with the importance of the exercise of **professional skepticism** top of mind when performing audit procedures.

Professional accountants will need to be alert to the pressure exerted on them or by them on others. The IESBA's **International Code of Ethics for Professional Accountants, including International Independence Standards** (the Code), which establishes the standard of behavior expected of a professional accountant, specifically addresses pressure on accountants that might lead to a breach of the five fundamental principles of the Code (integrity, objectivity, professional competence and due care, confidentiality, and professional behavior). The IESBA staff is also developing a publication to highlight aspects of the Code that might be relevant to accountants in navigating the current crisis, and identifies potential COVID-19 related pressures.

Regulators and oversight bodies are also reminding companies to exercise their professional judgement and pay close attention to accounting standards, the **financial reporting implications of COVID-19**, and emerging risks. For example, the Securities and Exchange Commission and Public Company Accounting Oversight Board in the US released a statement highlighting the risks and exposures of companies based, or with significant operations, in emerging markets where there may be substantially greater risk that disclosures will be incomplete or

misleading.

Key considerations in relation to reporting and fraud risk for professional accountants:

Tone at the Top Needs to be Clear

As in the best of times, what is said and acted upon at the top of the organization sets the tone for behavior throughout the organization. Employees are the first line of defense. Boards and management need to send a clear message to employees that the organization will be judged on how it handles the current crisis, and therefore its values and ethics are paramount.

This extends to their reporting and accounting as well as to their concern for the interests of their stakeholders and how their reputation is perceived. An effective ethics and compliance program is underpinned by a positive culture, strong values and transparency.

In a recent blog on COVID-19, the **National Association of Corporate Directors (NACD)** point out that while boards are responsible overall for overseeing the tone at the top, audit committees also play a key role:

"Their challenge is to discern whether the tone that management communicates to the committee is really the tone that permeates the entire company. This is particularly important now that work is being done virtually—employees may feel isolated and disconnected, and messages can be misunderstood. Feedback from past employee sentiment surveys is unlikely to be indicative of the current environment."

The **Center for Audit Quality (CAQ)** also emphasizes the importance of corporate culture in navigating through, and emerging from, a crisis.

Maintaining an Effective Control Environment

Changes in working practices and remote working may impact the internal controls that are the foundation to the reliability of the

financial reporting process and the credibility of reporting and disclosures. The control implications and challenges of any changes will vary by organization and may depend to an extent on whether controls were predominantly manual or automated before the crisis.

Boards and their audit committees, and management need to assess and continue to monitor a changed control environment, including key controls such as segregation of duties or systems access that may be weakened in a virtual work environment or due to work force displacement and disjointed processes.

Deloitte has identified the following areas in **internal control over financial reporting** that may need additional attention:

- Scoping and risk assessment conclusions may need to be revisited to verify that they are appropriately responsive to the changes in the organization that have occurred since the outbreak of COVID-19
- The design of controls may need to be adjusted
- Evaluation of the operating effectiveness of controls may need to include a plan for increased levels of remote testing
- Changes in workforce and remote working in the business as a result of COVID-19 may increase control deficiencies
- Typical communication plans with senior management and board members may need to be revisited so that they are given the information they need on a timely basis.

A Re-assessment of Fraud and Reporting Risk Focused on Material Areas

Guidance from Deloitte, **Forensic Focus on COVID-19 Financial Statement Fraud** outlines examples

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of financial statement fraud risks that organizations should be conscious of, such as overstatement of revenue, understatement of allowances and reserves, manipulation of valuations and impairments, capitalization of expenses, and margin manipulation. In response to these financial statement fraud risks, the audit committee, which often has delegated responsibility for oversight of an organization's financial reporting process, needs to consider a number of key issues, for example:

- The nature of adjustments, including why the adjustments might be viewed as immaterial
- Uncorrected misstatements, i.e., waived accounting adjustments
- Accounting policies, practices, and estimates - are they defensible? Have any changed in light of the crisis, and if so, why and are the changes justified?
- The use of alternative performance (non-IFRS or non-GAAP measures) such as EBITDA and whether these might mislead
- Whether internal audit priorities have been, or should be redirected in response to COVID-19 related fraud and reporting risks
 - A poll by the Institute of Internal Auditors (IIA) on the impact of COVID-19 on internal audit found that three quarters of internal audit functions have updated their audit plans and over half have updated their risk assessment. 40% of respondents also reported increases in effort related to fraud.
- How to ensure the operational soundness of the organization's whistleblowing systems, which may become more critical than ever. Following-up on suspicions of fraud or inappropriate practices will be critical, and using them as learning opportunities to enhance processes and procedures.
- Any other key areas of fraud risk e.g., bank transfer fraud.



Where there are different views between the audit committee and management, there needs to be dialogue and robust challenge on the differences, for example the credibility of the estimates, valuations and forecasts in relation to management's views.

Professional accountants need to be proactive as well as pragmatic given how quickly events change and the uncertainties that arise. It is will be incumbent on all professional accountants to ensure they are alert to how their professional training and responsibilities will be needed as companies deal with and emerge from COVID-19.

Key References Available on the IFAC COVID-19 Webpage

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- CIPFA: COVID-19: protecting the local government sector supply chain from fraud
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- EY: What audit committees need to consider in the face of uncertainty
- EY: COVID-19 enterprise resilience checklist
- FEI: Going Concerned: Key Considerations for Financial Statement Preparers During this Pandemic
- Grant Thornton: How to define and respond to fraud risk during COVID-19
- KPMG: COVID-19: the perfect fraud and corruption storm
- OECD: Public Integrity for an Effective COVID-19 Response and Recovery

MARKETER'S CHALLENGES AND IMPLICATIONS POST COVID-19

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The unprecedented Covid-19 pandemic took the world by surprise and no one ever imagined that it could be intensely destructive and stall the entire world leaving everyone anxious about what to expect in the future. The pandemic has disrupted commerce and everyday life across the globe. It has brought about enormous pressure on businesses worldwide and this is no exception to Sri Lankan businesses. The pandemic being still a threat, the businesses are considering numerous options for their survival and strategies to adopt for post Covid-19. However, it is uncertain as to how long the pandemic and its effects will prevail. The forecast growth rates of countries prior to the pandemic, have been revised and expected a drop by a few percentiles, anticipating reasonably a quick recovery from this catastrophe created by this deadly virus. However, the complete recovery is still unforeseen as a definite vaccine

or a remedy has not been found yet for this highly contagious disease.

The efforts and measures taken by the Sri Lankan Government in effectively controlling the spread thus far is commendable. The closure of schools, public offices with a few exceptions for essential services was effective from March 2020. The imposition of curfew and suspension of all arrival of flights and ships curtailed the spread of the virus to a greater extent. **93% of respondents strongly agree that Sri Lanka is managing the situation well compared to the rest of the world (KANTAR).** However, undisciplined individuals have caused pressure on the mechanisms implemented to curb the spread and brought distress to the authorities. Nevertheless, the personnel in essential services should be commended for their gallant services rendered to the nation at this time of need.

While some businesses have the blessings of increased opportunities either through modifications or diversification some of the businesses came to a complete halt without alternatives for business continuity. This worry penetrated through the nerve system of the local businesses and in the world of uncertainty, prepared for the worst with pay cuts, retrenchments, indefinite closures to survive through the Pandemic and sending negative notions across the business arena. The most discomforting element was the fact that none were aware how long the pandemic would persist, hence the implementation of extreme measures.

The Sri Lanka Institute of Marketing realizing the importance of its intervention to permeate a positive mindset among local businesses and entrepreneurs introduced "Restart Sri Lanka" to reinvigorate and reengineer their businesses with the auspices of the Prime Ministers office. It is not a mere campaign, but a series of activities spanning through a longer duration and focused on Small and

Medium Enterprises, Entrepreneurs, Inventors, School children and businesses at large.

In marketing theory, the Product Life Cycle (PLC) explains the different stages that a product would go through and generally the diversification is considered at the stage of maturity or decline. However, the pandemic forced the organizations to diversify into products on demand during the crisis demonstrating that the forced diversification could occur at any stage of the PLC due to disorderly external factors, however confined to essential goods and those items required to combat Covid-19. The "Place" being one of the components of the "4Ps" which has now been extended to seven, was heavily disrupted. The "Place" was insignificant and restrained to home deliveries during the lockdown. The department of post and private delivery services thrived, and it also displayed the opportunity and importance of both public and private sectors working together. The question is whether it would have the same importance and relevance in

the aftermath of Covid-19.

As we gradually but surely tread into the "new normal", there are several marketing challenges that companies would face and consider. Primarily, the organizations need to answer the question how different the "new normal" is going to be. This understanding could only come through constant research and turn of future events. As an organization, to attune to a different atmosphere and to bear a cohesive understanding on the future consumer to take advantage of the opportunities that would be presented, it needs to be proactive. It needs to be well connected with the consumer who has already created certain perceptions and experienced a standard of service for which the constant **Marketing Research** is inevitable. The findings through research will play a pivotal role in the 4P's. Constant customer feedback would be necessary in designing the future supply chain consequent to the behavioral changes of the consumer. It is necessary to have the insights on the consumer's perception about your business and how the consumer



would maintain future interactions to devise a post-pandemic strategy.

Due to the uncertainty which still looms, although not to the extent that prevailed during the complete lockdown, anxiety continues in people. Therefore, health and safety are at the helm of their concerns. Marketers should be extra cautious in the process of taking their products from production to the end user. The level of **hygiene** adopted from production to making it available to the end consumer could decide the future product sustainability. Marketers could take advantage by reassuring it and effectively communicating the health measures embraced empathizing with the consumer. The fear psychosis will tend to remain for a considerable period of time and some of the health guidelines would continue and we could expect the consumer to adhere, even though it may not be compulsory.

According to the Kantar survey, whilst 42% believes that the country would go into a long recession, 24% of the people will run out of cash to purchase the essentials. The consumer's expenditure will in all probability will be restricted to essential items so as to save for the future. As a result, the financial industry would benefit and those financial institutions which were considerate during the lockdown, particularly offered their services utilizing mobile units which would be preferred over the others. Those organizations which were compassionate and went the extra mile to service the consumer risking themselves would also be favorably considered by the consumer. **75% of the respondents to the Kantar survey believe that they**

should be more proactive about financial planning. The producers of non-essential goods must portray the hygienic factors and their **commitment** towards the Covid-19 together with the convenience in obtaining their products. Application of the **Marketing Mix Modeling** subsequently, assists the organization to comprehend what the most effective channels of communication are.

There has been a tremendous growth in digital and social media. **According to Kantar 43% had tried at least one digital platform during the lockdown.** This presented a remarkable opportunity to the Information Technology industry as almost every organization sought all possible avenues to make the best use of digital integration to stay afloat. Every organization is now compelled to seamlessly integrate the human interface with the digital to leverage its resources. More than ever before, irrespective of the demographics, the majority of people now use the internet for news, gaming, webinars and conferences to fulfill their official duties and to be kept informed. The majority of organizations will presently stimulate consumers through digital media. Short videos with high quality content will be imperative to gain consumer attention. Many schools, universities, professional entities and institutions have plunged into digital mode and major brands are on drawing boards developing strategies using digital as a catalyst. Remote collaboration will be indispensable and working from home will become the new norm. However, this requires explicit guidelines to be introduced for those who opt for or are required to work from remote locations. Work from

home arrangements will undoubtedly have its positives including cost savings for the organization. As online platforms would be heavily utilized, organizations must evolve more practical and friendly ways of reaching out to the customer. **According to Kantar people were cautious about what channels to trust. Government and private channels become the most trusted sources. There had been 61%, 53% and 21% viewership and listenership on Government TV, Private TV and radio respectively (Kantar).** Despite the spike in digital usage during the lockdown, people turned to TV and Radio indicating the potential this media has to connect with customers.

This pandemic probably is not the only catastrophe we humans would face. There could be a second wave or a different virus disrupting business and the lives of people. Therefore, a plethora of questions could cross a marketer's mind. What would the future hold for a marketer? Should we expect another wave? Will there be a different threat? What communication modes would be available? Organizations mainly relied on the internet and would it still be available in a crisis or would the crisis be the internet itself? Organizations need to be resilient and strategic and should be constantly ready and prepared for any eventuality to ensure success.

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AGILE MARKETING STRATEGY FOR ENTREPRENEURS AMIDST COVID-19 PANDEMIC

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ABSTRACT

The Coronavirus Pandemic may be the biggest challenge in our lifetime and organizations across the world are taking the essential steps to reduce the damage of the COVID-19 epidemic (Serrano, 2020). During these days of uncertainty, organizations of various types and sizes are still fighting to maintain the operation of the organizations (Ozili & Arun, 2020, p. 2). Hence, companies need to implement a systemic strategy to improve the stability of their existing operating processes to ensure they are able to continue their activities throughout COVID-19 (Ozili & Arun, 2020, p. 24). In reality, digital marketing will make a major move forward as a consequence of COVID-19 (DAN, 2020).

This report reveals how an agile marketing strategy should be utilized by small and medium-sized businesses during the COVID-19 epidemic. Agile marketing is a strategic marketing technique in which teams recognize and concentrate their collaborative action on high-value ventures, collaboratively complete those ventures, evaluate their effect, and also constantly and gradually improve returns over time. [Under that discuss the basic concept of the digital marketing here, digital marketing strategies that can utilize during period of COVID-19 to engage with customers, digital marketing tools which able to use during this period and agile customer relationship management which able to use during current days to function the activities of the organizations.]

1. AGILE MARKETING

Agile Marketing is a marketing approach that takes its inspiration from Dynamic Creation and Concepts (Petersen, 2012, p. 3). Further, according to the author the purpose of Agile Marketing is to increase the speed, foreseeability, visibility and flexibility of the marketing method. Agile marketing provides the means to enable a rapid response to a changing business environment. For this purpose agile digital marketing is the most feasible approach these days to effectively react to the industrial changes induced by COVID-19 (Poolton, et al., 2008, p. 268).

2. DIGITAL MARKETING

Digital marketing promotes products or services through computing technology, often on the Internet, but also involves mobile devices, display advertising, and certain other digital media (Chaffey, 2019, p. 7). Businesses exploit digital platforms along with search engines, social media, email and other websites to communicate with existing and potential customers (Morris, 2009, p. 284). Although conventional marketing that occurs in newspaper advertising, phone calls, or physical advertisements, modern marketing may take place digitally and electronically (Tiago & Veríssimo, 2014, p. 703). The author further reveals a range of limitless potential for brands, including email, video, social networking, or web-based marketing. In addition to digital marketing, it is essential for every organization to promote brands in multiple business circumstances (Alexander, 2019).

2.1. Digital Marketing during COVID-19 Epidemic

The COVID-19 quarantine period across the globe is having a significant economic impact (Patel, 2020). People's lifestyle changes such as working remotely require more time indoors, reading digital news, transitioning to home education, avoiding public space,

and concentrating on safety which may also have major impacts on advertisement and marketing campaigns (LaBeau, 2020).

But one of the main advantages of contemporary culture, which was not possible in previous pandemics, is the internet and improved access to it, which has allowed many companies to continue to survive while not being able to open their retail stores (Kapoor, 2020). In other words, the behavioral changes in the community have brought substantial opportunities for digitally engaging with consumers more than ever before (LaBeau, 2020). Kapoor (2020) further reveals that if there has ever been a time for digital marketing to come to a head, then this is the time for it. With a significantly high number of users being online for prolonged periods of time, there is a better chance of seeing online social media advertising or engaging with digital marketing platforms.

The remainder of the study contains digital marketing tools and digital marketing strategies that marketers have been able to leverage over the duration of COVID-19.

3. DIGITAL MARKETING TOOLS

3.1. Social Media Platform

A key element of any digital marketing campaign is social media channels such as Facebook, Instagram and Snapchat, which are a perfect place for advertisers to connect with their followers and build interest in their products. In addition to the regular functionality provided by these networks, there are still several apps that are specially developed for marketing purposes (Taiminen & Karjaluoto, 2015, p. 635).

They include Facebook and Manager, which allow advertisers to run advertisements and monitor ad efficiency. As an additional advantage, social media

management applications such as Buffer and Hootsuite often work well with these channels, making it easier to plan social content and monitor interaction.

3.2. Design Tools

Design is another important aspect of digital marketing, and is particularly popular when it comes to making advertisements and posts, such as social networking posts and blog articles (Taiminen, 2016, p. 394). Although digital marketing is a heavy-duty design field, it will not be feasible to do it successfully without design tools like Canva and Photoshop, programs that enable creating them without any advanced graphic design expertise to attach creative pictures to the content.

3.3. Email Marketing Tools

Email marketing tools are also really essential for digital marketers. They enable advertisers to build email promotions that reinforce their messages and inspire their customers to connect further with the brand to take additional action, such as registering for activities and purchasing goods (Dumitriu, et al., 2019, p. 7).

Popular email tools include email marketing platforms such as MailChimp and Iterable that enable marketers to create email lists and automated email campaigns. These operating systems also offer data analysis for any email campaign, testing and optimization rather quickly and simply.

3.4. Content Marketing Tools

Tools such as CoSchedule and Hubspot are of tremendous benefit to marketers, who are more interested in content marketing especially when it comes to content creating and curing. They can enable marketing professionals recognize content opportunities and create entertaining blogs and social media posts aligned with their viewers (Frick, 2013, p. 147).

3.5. Analytical Tools

Analytical methods are another group of useful tools for digital marketers. This involves everything ranging from Google Analytics (designed to monitor web traffic data on a single site) to Social Network Analytics tools such as Facebook Insights and Twitter Analytics which include engagement-related indicators and support marketers to refine the campaigns (Management Association, Information Resources, 2018, p. 74).

There are also tools like Periscope that monitor user details, web searches and conversion metrics to measure data at the back end of a web (particularly relevant to clicks, purchases and user trends).

4. DIGITAL MARKETING STRATEGIES

4.1. Update Google Business Profile

Whether the organization has closed or stays open during this time, it is crucial to update it in the Google business profile. Google also confirmed that the profile would be shown while the organization is momentarily closed as it is really necessary to keep the customer comfortable and demonstrate the organization's responsiveness. In fact, once the business processes are functioning, organizations should update the operating hours schedule by adding a Google post explaining how the company is evolving in the face of COVID-19 and how customers may become engaged with the enterprise.

Figure 1: Update Google Business Profile



4.2. Answer Regularly Raised Questions from Customers

Ensure that the content of the business page addresses the questions that the searchers are asking to see whether the organization operates or sells such items. Through providing the responses to these queries from the customers and introducing the FAQ scheme to the pages, the company has the ability to rank higher on the Search Engine Results page (SERP) and, in effect, boost traffic and the click-through rate (CTR).

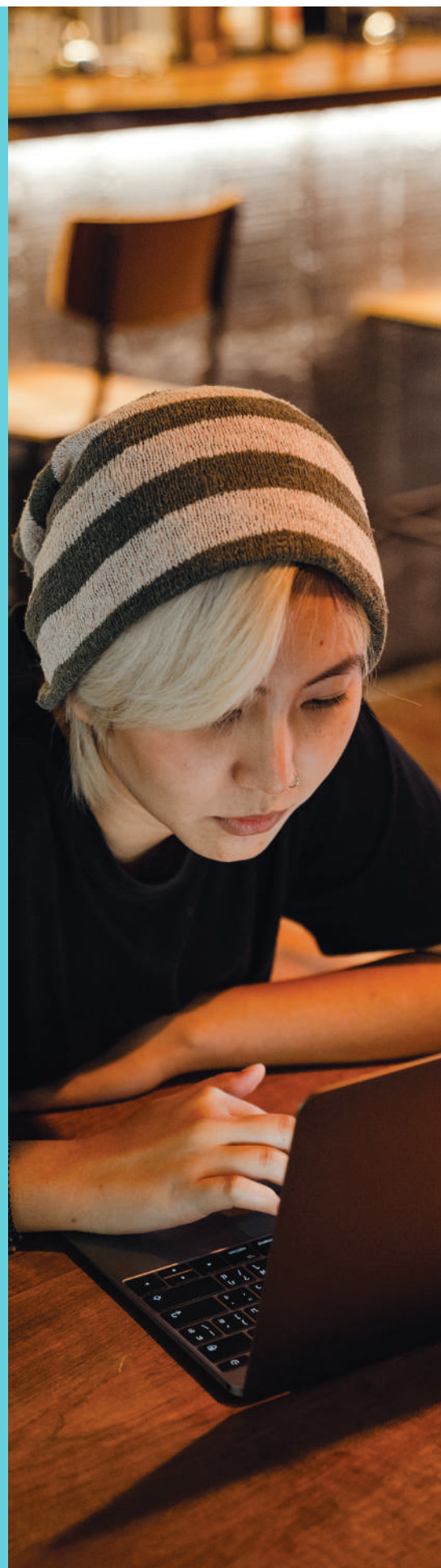
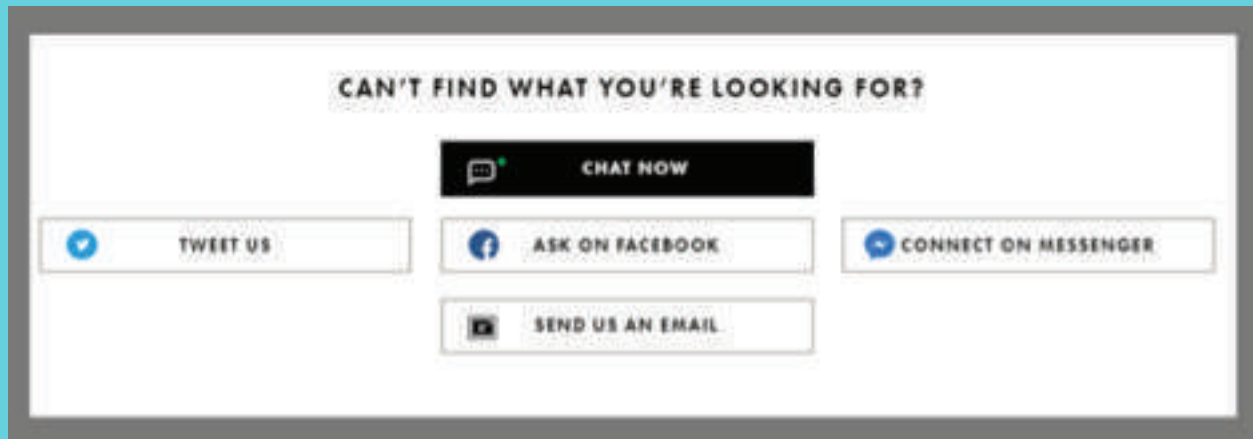


Figure 2: FAQ Scheme



4.3. Create a Campaign on Google Ads

As stated above, it is vital that organizations let consumers know that businesses are still available to deliver products and services to them during this period. Hence launching a Google Ads campaign is also one of the best and easiest ways to reach customers who desire to buy immediately. As companies may foresee a drop in demand for several other goods and services, it is now time to use digital advertisements to press forward with promotions and to help the sales team. Of course, companies need to be aware of a possible interruption to stock and distribution depending on the product and service.

Figure 3: Google Ads



4.4. Using Social Media

Social media or social media targeting are advertisements served to users on social media platforms. Social networks utilize user information to serve highly relevant advertisements based on interactions within a specific platform (McGruer, 2020, p. 32).

Apart from Google, customers search for recent updates on businesses via social media platforms such as

Facebook, LinkedIn, Twitter and Instagram. Using the social media platforms keep consumers updated with the business.

Organizations should create posts that allow consumers to know the physical company's open/ closed status, whether the company still carries out online orders or deals, free shipping offerings and how this operates and post new business policies, for example, allowing only

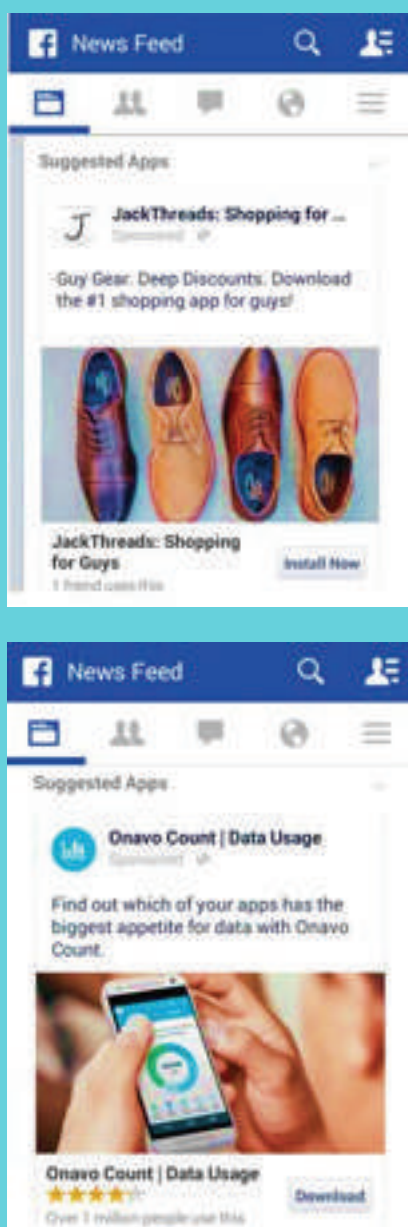
one customer go into the shop at a time. Also notified management strategies, including actions taken by companies to help protect staff and customers (sanitizing work areas, not allowing ill workers to operate, insisting that staff wear gloves, etc.) Further, the ability to launch social media advertisement is important to attract more people during these days. For example, Facebook has quite a complex social media advertising program, which allows the

advertiser to focus on over 1 billion people based on their location, age and other attributes.

To keep customers interested and to keep reading, there are different types of posts that can be made on social media such as,

- Sales or promotions
- Photos of your company or your products and service delivery
- Upcoming events

Figure 4:
Social Media Ads



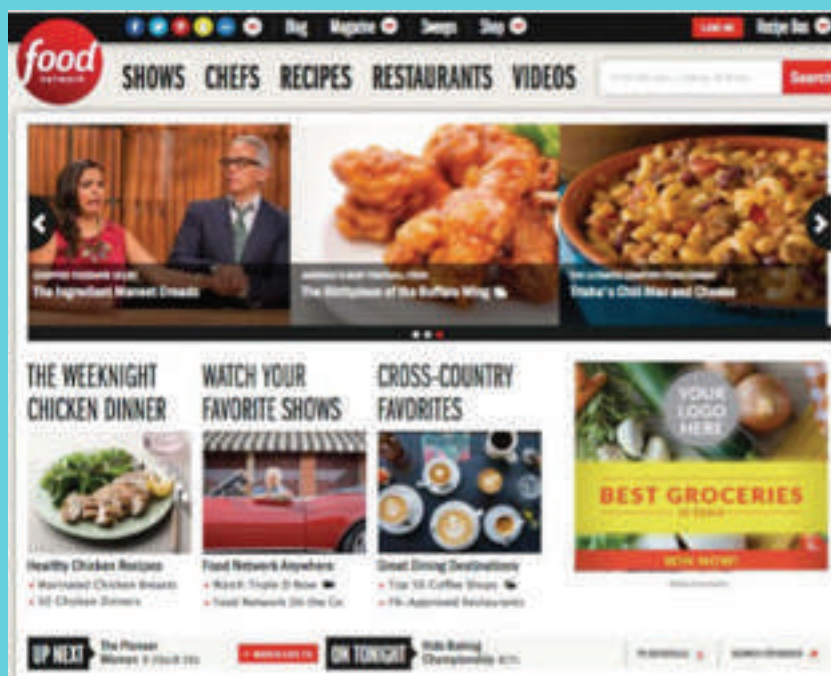
4.5. Display Advertising

Display advertising (banners) is a form of advertising that conveys a commercial message visually using text, logos, animation, videos, photographs or other graphics. Display advertising frequently targets users with particular traits to increase the ad's effect (Kingsnorth, 2019, p. 33).

During these times organizations can use display advertising because display ads present an opportunity to showcase the companies' offers in a wide variety of ad formats. Plus, creating display ads on advertising platforms such as the Google Display Network ads has the potential to reach users on millions of websites around the globe.

Display advertising is an excellent way to build brand awareness and get clicks, conversions, and sales from users who might not have an interest in business per se, but have found the display ad to be relevant to the solution that the customers were searching for. The success with display ads lies simply in targeting the right user on the right website at the right time.

Figure 5: Display Ads



4.6. Live Chat

Live Chat extends the classic possibilities in which a prospective customer can engage with a company to create interactive touch points. Via the website widget, the contact portal or the multimedia business card, the employees of a company can be easily reached by digital means (McGruer, 2020, p. 34).

Live Chat has seen a lot of growth and popularity in recent years and this can be effective during the period of COVID-19 epidemic to engage with the customers. It is being integrated on websites of various companies because businesses have begun to understand the importance of customer engagement in real time. For getting the most out of the live chat it is vital to respond hastily and understand the needs of the customer even during this period. Live chat technology is also a great way to assess customer satisfaction and gather feedback about products and services.

5. AGILE CUSTOMER RELATIONSHIP MANAGEMENT

The term 'customer relationship management' (CRM) is used typically to apply to a CRM program or a device that will assist users with customer management, revenue management, control of work performance and other tasks (Chen & Popovich, 2003, p. 672). Further, CRM is simply used to maintain the interactions and relations in the organization with staff and prospective customers.

Agile CRM is a customer relationship management application typically developed for small and medium-sized businesses (Rayner, 2020). Agile CRM has a set of standards that focus directly on customer value, adaptive and gradual services. This cloud-based software aims to integrate

sales, service, marketing, social media and other means of interaction to develop a centralized data centre for customer reporting, analytics and marketing.

Below points focusing on marketing strategies to manage the effect of COVID-19 on companies with the assistance of agile CRM are explored.

5.1. IVR and Mass Mailing

The capacity of CRM applications to interface with an IVR program helps to allow process-driven communication (Florio, 2020). It strongly facilitates

both the pre-and post-sales dimensions of companies, particularly during these days. Enabling CRM and Telephony device convergence allows improving the market and boosting consumer access and service. The ability to handle mass mailing with the aid of CRM Groups helps to encourage promotion to a certain degree by delivering updates, product and service notifications and promotion communications with convenience (Nasscom Community, 2020).

5.2. Adjust for Relationship Marketing

In these periods of global catastrophe, it is really necessary to express sympathy with the customers than ever before. Mass messaging may not be the optimal way, in this period, to connect with customers and then establish personal connections, not because it will help the company but because it is what the consumers require (Vexelman, 2020).

5.3. Managing Business Operations

Because of COVID-19 one of the greatest problems that managers encounter is how to manage their business operations during this period. CRM programs provide managers with the opportunity to incorporate information. Integrating and delivering information in ways that generate new ventures, enhance customer service and inspire employees, provide management with a tactical tool (Estrada, 2020).

CRM applications can be reached anywhere that any device offers managers a highly useful management capability. Since COVID-19 has pushed many companies to virtualize when more employees are operating on private devices even without the same facilities they might have at the office (Marks, 2020).

Conclusion

The study concludes that, in addition to its serious risks to human well-being, COVID-19 has a huge influence on business and the economy. It is



therefore very important to develop business practices in accordance with the market conditions in order to carry out business operations within this period.

Here, agile marketing should be seen as a strategy to address the challenges of this phase and in the context of agile marketing, concentrating primarily on digital marketing concerns and agile CRM. Numerous studies have shown that digital marketing plays a vital role in the performance of business functions during this period. The report explores the digital marketing strategies that can be utilized during this period to maintain consumer relationships and to retain sales of the organizations. After this, the different digital marketing tools that can be used throughout this particular period and agile CRM that can be used to manage the functions of the enterprise throughout this time period can be discussed.

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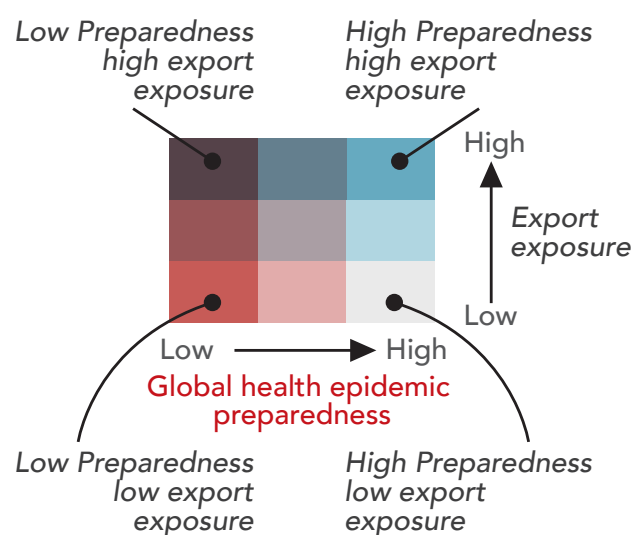
PARADIGM SHIFT IN CORPORATE GOVERNANCE

AFTER COVID-19 PANDEMIC

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The COVID-19 pandemic has created significant impact on a global scale. The latest figures shows that there are over 10 million cases with over 500,000 deaths globally. The COVID-19 pandemic is one of the number of pandemics amongst others such as the Swine Flu, SARS and Ebola which have devastated different parts of the world. However, nothing has had such a global impact as that of the COVID-19 virus in recent times.

If we further investigate the economic preparedness of countries in the presence of a pandemic globally, there are varying degrees of how countries are affected.



(Source: <https://www.geospatialworld.net/wp-content/uploads/2020/04/626-INT-covid19-trade-graphic.png>)



For exam, countries such as Australasia and Europe can be considered as prepared (though not all countries in the region), while countries such as Sri Lanka fall under a category of being relatively prepared and moderately impacted by the virus from an economic perspective. The economic impact globally is estimated to be billions of US dollars. South Asia has been estimated to have an economic impact of around USD29 billion. China's economic fallout is estimated at USD112 billion while the US and Europe had a USD 268 Billion and USD 290 Billion respectively (Source: <https://www.pwc.com.au/publications/australia-matters/economic-consequences-coronavirus-COVID-19-pandemic.pdf>).

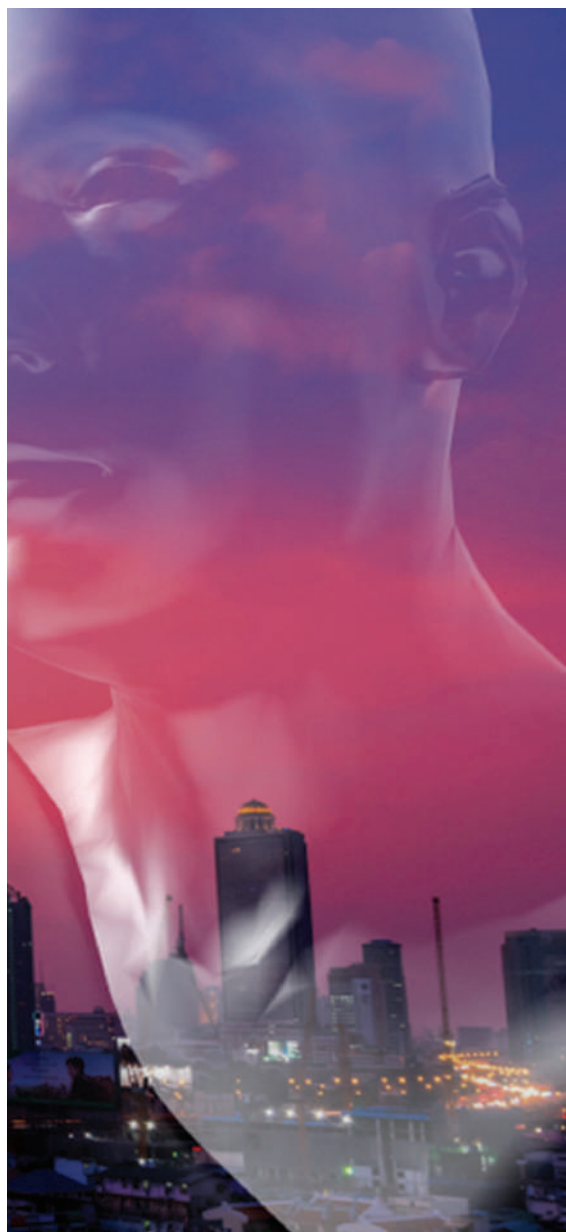
As noted above, the economic fallout would have a direct impact on organizations in the region as they struggle to manage this unforeseen risk which has threatened the very fabric of existence for companies. Companies would then look at how to navigate through this crisis and that would mean organizations would need to revisit how the Corporate Governance could be further strengthened to face the current and future pandemics.

The implications of COVID-19 has the potential to create an impact around a number of governance oversight areas including governance structures itself. From the perspective of those

charged with governance, there are number of aspects to consider.

A. The governance structures:

Organizations will need to seriously reconsider their "Purpose" (vision and mission) due to the disruption caused by the pandemic. Furthermore, corporate board structures including expertise represented on the board and succession planning would also need to be carefully considered. Executive and Board compensation strategies would need to be realigned and given due consideration due to the impact on job losses. Excessive executive pays and bonuses would



create a significant threat to the legitimacy of an organization due to income and job losses. Another aspect that Boards would need to consider is the future risks and opportunities which includes the risk register of an organization and how it hopes to navigate in the future. This would require organizations to revisit their strategy on resource allocation. Furthermore, the pandemic will have a direct impact on current and future performance of an organization and how this would affect the going concern.

B. Impact on the business model and different capitals of an organization:

How we do business is going to fundamentally change due to the COVID-19 pandemic. In essence, many business models of organizations have become obsolete overnight caused by the behavior changes of consumers or due to government interventions such as lockdowns. Boards and Executives would need to rethink the business model of the organization and its viability to withstand pandemics for the current and future business environments.

Organizations also need to look at all the different capitals that would be affected due to the pandemic. Financial Capital would be significantly impacted due to the loss of income and direct consequences of consumer demand for goods and services. Similarly, this will also have a direct result on Capital asset considerations (Manufactured Capital). The pandemic will create a fundamental shift of consumer choices in the short, medium and long term. Intellectual property considerations (Intellectual Capital) would also be something that the boards would need to reconsider given the changes in how we do business. Affects on the environment (Natural Capital) is also a significant factor given lock downs in different regions which has had a positive impact on the environments. Interestingly, one of the main capitals that is affected in the Intra and Inter business relationships (Social & Relationships Capital). Due to lockdowns and move to online work environments, there is a significant impact on the social and relationships that can be created. Boards would need to consider this in relation to the organizations that they govern.

C. Affects from Communication perspective with stakeholders

Open and clear communication with various stakeholders is paramount especially during times of crisis (and at all times). Pandemic has thrown an interesting light on how we communicate from a corporate perspective. The conducting of AGMs during times of social distancing or lockdowns has made online meetings more relevant and important. Furthermore, board meetings and other related meetings have moved online with most organizations. Some organizational and country specific rules and regulations would need to be revisited in relation to corporate reporting and communication requirements which may limited some forms of communication. There are other dynamics which come in to play due to working from home and virtual work places, which includes IT security and also the mental health & wellbeing of a society due to working from home together with the effects of social restrictions and lockdowns.

While larger corporates may have the deep pockets needed to be resilient, the micro, small and medium organizations may struggle to survive the pandemic and there is a good change that many of these organizations may disappear entirely.

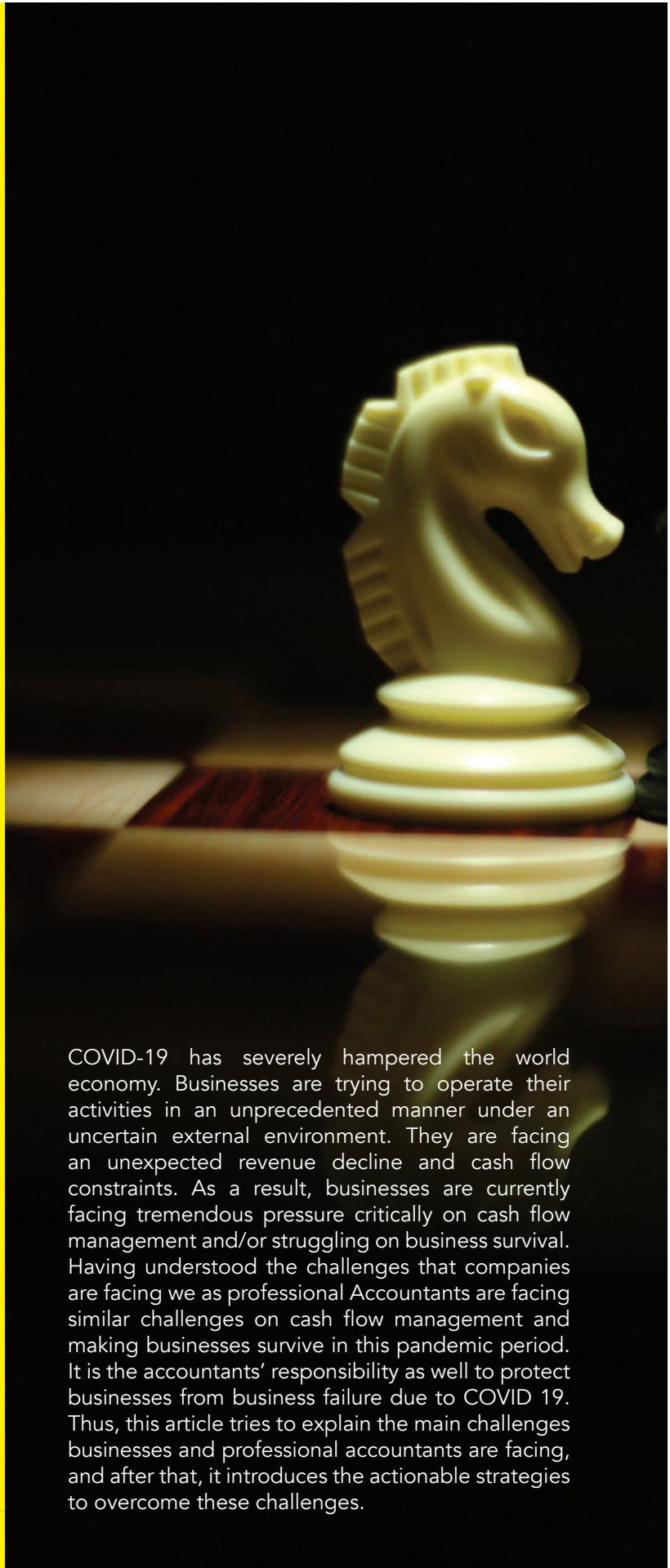
The post COVID-19 Pandemic world will not be the one we left behind prior to COVID-19. Things will change forever in every aspect of our lives, in everything we do. We will need to reconsider how you would act within our own place of employment and consider how we need to adopt and change in these times of global re-alignment.

COVID 19 Pandemic- Challenges

for Businesses,
and Professional
Accountants

Actionable strategies

Dr. Chamara Bandara
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COVID-19 has severely hampered the world economy. Businesses are trying to operate their activities in an unprecedented manner under an uncertain external environment. They are facing an unexpected revenue decline and cash flow constraints. As a result, businesses are currently facing tremendous pressure critically on cash flow management and/or struggling on business survival. Having understood the challenges that companies are facing we as professional Accountants are facing similar challenges on cash flow management and making businesses survive in this pandemic period. It is the accountants' responsibility as well to protect businesses from business failure due to COVID 19. Thus, this article tries to explain the main challenges businesses and professional accountants are facing, and after that, it introduces the actionable strategies to overcome these challenges.



It is the accountants' responsibility as well to protect businesses from business failure due to COVID 19

It is essential to have a better understanding based on the facts available regarding the coronavirus to distil anxiety, worry, and fear. And also, before we help our businesses, we must possess the knowledge of the behaviour of the external environment, including facilities and support extended by various parties locally and internationally to ease the business and cash flow issues.

This article recognizes that the biggest challenge that businesses will face is business failure. Business failure could occur due to many reasons, but COVID 19 pandemic is the biggest threat to business continuity as usual. Similarly, professional Accountants will also face the same challenge as the responsibility to protect the respective business from its failure due to COVID 19.

As anxiety develops in us by going through unimaginable social media posts, the psychology of an average person is neurologically fluid into a negative thought process beyond the capacity threshold of a human. Therefore, we must understand that every entrepreneur who is in the process of going through this challenging time passage will awake their entrepreneurial mindset to rebuild/rebegin their business differently and powerfully. Hence, for them to do regain their business back to a new normal, they need assistance from professional Accountants more than before.

On the other hand, this is an excellent opportunity for entrepreneurs and professional accountants to correct their past mistakes in the business decision-making process and streamline the business operation to formal business. It is essential to understand that streamlining the business from informal business practices will help them to face critical issues similar to COVID 19. Research finding suggests that occurring business failure (business failure risk) is less in formal businesses than informal ones.

Role of Professional Accountants

Accountants are responsible similar to medical professionals to save our businesses which are vulnerable to business failure due to COVID 19. Business failure that I meant here is anything between loss-making situation through severe liquidity problems to business closure. Accountants are the most responsible professionals to assist the organizations irrespective its size to maintain the healthy organizational environment by analyzing, understanding, predicting/projecting the business behaviour under various circumstances to prepare the business for its resilience in this pandemic.

It is not a doubt that Accountants are superior ahead of anyone in understanding and projecting the business through figures and scenarios. Our educational background, recognition and experiences are the biggest resources in us to provide the direction to business organization in this pandemic period. Entrepreneurs need our knowledge and experience more than before as this a situation where the intellectual contribution is essential to mitigate the risk arising from COVID 19 for business survival. Thus, it suggests, accountants should be in the forefront, resilient leaders and help responsibly to save businesses from the impact getting from COVID 19.

In a crisis similar to COVID 19, practical approaches and actionable strategies are the most recommended methodologies for application in business survival. This article emphasis some practical approaches

Accountants are responsible similar to medical professionals to save businesses

and actionable strategies where Entrepreneurs and Accountants can apply confidently to save businesses from the crisis of business failure.

Knowledge gathering and disseminating

Accountants' assistance to business for its cash flow management and business survival shall start with gathering knowledge on various facets. Theoretical knowledge in business failure due to various circumstances are also important to obtain. Notably, a business failure will not occur overnight. Business failure is a process. Scholars have stated that business failure is a dynamic process; thus, it has a spiral effect. If a business fails in a manner as stated above, it takes easy to treat by knowing through its symptoms. For example, recognition of business failure due to COVID 19 has two categories. There are businesses they are running with chronic diseases such as thin margin businesses, uneven pattern of profit generation, informal business operations, unpredictable cash flow behaviour due to various reasons such heavy internal consumption by its owners. Businesses in this nature will be severely affected by COVID 19 due to revenue decline and informalized nature. Another category is healthy businesses running with evenly generating profits and steady cash flows. In this case, we as Accountants can recognize different approaches under each category to remedy their business failure issues. Therefore, understanding of the business before COVID 19 is critical as our approaches and strategies have to be business-specific.

In addition to knowing the business failure patterns, our knowledge gathering must extend toward general information relating to business and COVID 19. The attitude to gather knowledge despite your learning about COVID 19 is essential. It is advisable to study the availability of low-cost credit lines, the extended government support for you to rearrange financial projections and budgets.

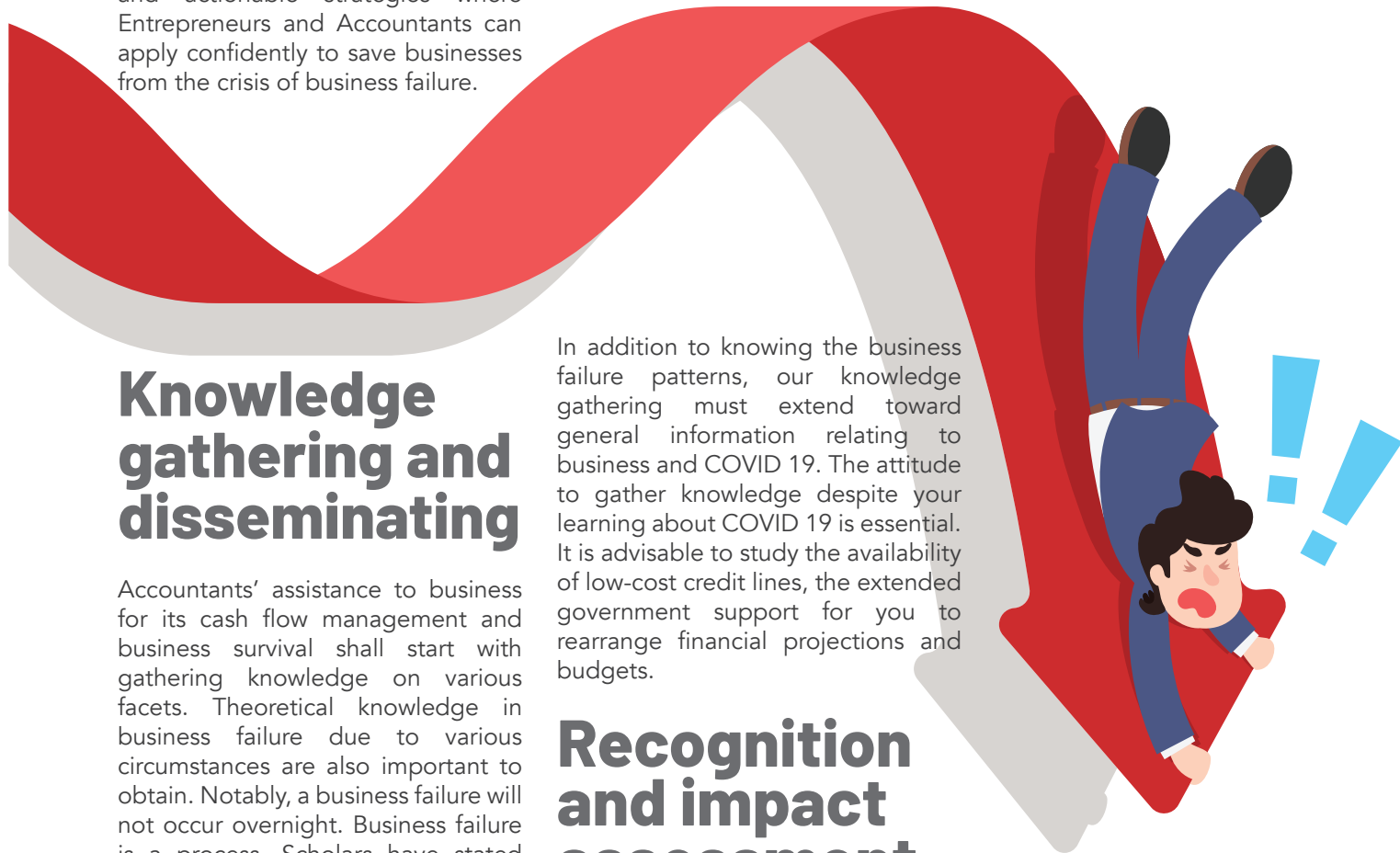
Recognition and impact assessment

This is an unexpected and unprecedented worst-case scenario for everyone. We never expected business devastation in this magnitude in many sectors, mainly tourism and retail businesses. Recognition and impact assessment of affected areas due to this circumstance is critical for many as financial projections shall be made based on specific criteria and assumptions by considering those areas. The immediate financial obligations, the immediate working capital needs, impact on the production process, blockage in revenue streams and supply chain, internal processes, including human capital and even transportation are some of the critical areas. Also, identifying whether your business abilities such as exportability, marketability in the local market, cash-generating abilities, and productivity have been affected by COVID 19 is essential. After carrying out the identification of areas where damaged have occurred, then, the

financial assessment shall be carried without failing because it requires to make financial projections. Financial projections are important because it needs to put the business into survival mode soon. After that, in a crisis like this, the business shall be managed strictly under budgetary controls.

It is advisable to consider when preparing financial projections to examine scenario-based assumptions such as COVID 19 will continue as a vaccine for immunity takes a long time to come, and the vaccine will be available shortly. When it before preparing your projections, considering the following matters among others is suggestive. There are several factors we must consider when assessing the COVID 19 impact on business. It mentions some principle considerations.

1. How badly the cash inflow is affected. Whether it is possible to reach to your existing debtors for recovery (how much is recoverable immediately)



2. How far your financial obligations are met. Is it possible to pay critical suppliers immediately?
3. Is your negotiation power affected? Once your financial projections are prepared, you can see the possibility of meeting the mandatory requirements of the banks.
4. Up to what extent the business turnover is affected. This can be measured separately to include in your financial projections.
5. Is there a mismatch or negative result in your projected cash flow statement? It means that there is an operational cash deficit due to this impact.
6. What is the projected amount of revenue would lose due to COVID 19?
7. Up to what extent your supply chain was affected. Need to quantify and value it

Proactive measures

There are two main proactive measures that any business is taking recommendable. The number one in the list is planning and giving leadership on resilience. Resilience is vital to face a crisis. In resilience planning, your soft power is much crucial- analytical abilities, logical thinking abilities, accounting and math abilities and networking abilities to influence the people are some soft power of Professional Accountants. In preparing for resilience, focusing on the following elements are essential.

1. Put people first. The safety of employees and family members is the primary aspect of your resilience plan. The safety of employees and family members is important because their contribution is vital for their and business's future.
2. Stay connected with your stakeholders and government authorities. It is essential to be connected with every important person and organizations during this pandemic. Information, advice and support are required at any moment to take immediate actions and pro-actions to recover your business and the safety of employees.
3. Identify the short-term goals of the business and communicating them with employees is essential to keep them motivated and to show them the direction to provide a positive business environment.
4. Be proactive. Preparation of business plan, including financial projections, work guidelines for employees' safety, are a valuable contribution to business continuity.
5. Be positive. In a pandemic situation, it is natural that negative thought process is developing over your positive thinking. To be positive, connecting with positive

people, and things, understand your purpose will also help you to keep yourself positive in your leadership.

The second crucial proactive measure is the goals/strategy setting and cashflow planning. In this process, It suggests having three-term goals/ strategy setting approach to ensure continuing business operations with no cash flow issues. The strategies shall be formulated as usual for three terms such as short, medium and long term. In this case, the short-term strategy shall be the focus on business survival. Therefore, developing strategies targeting business growth is not recommended at this moment.

Consequently, it is essential to put the business into the survival mode. In this case, the business can defer immediate liabilities to a short/ medium-term liability. Therefore, it needs to identify its urgent financial obligations. You need to negotiate it with the parties related. In this negotiation process, need to possess the knowledge of relief packages. It requires to delay of immediate liabilities through recommended manner and to obtain a working capital loan are essential under short term goals/strategies. Once the business is in operation, it is advisable to sell your held-up stock at a price below the market price to improve your cash inflow immediately. As a medium- and long-term strategy, the productivity of the organization, should be developed to minimize the operational cost.

Once the business turns into a survival mode, then the next step should be addressing the long-term issues that the business faces. Looking for opportunities such as tying up with venture capital companies, getting new an investor (s) and business diversification are some examples.

Entrepreneurs will expect advisory and leadership role from professional Accountants more than before in this crisis.



8. Is it required to reconsider your products' pricing (pricing policy)?
9. Whether gross profit margin is getting thinner to a serious level where you cannot manage the company overhead.
10. Finally, it is required to evaluate whether to restructure the business?

Recognition of opportunities to overcome business failure from COVID 19

Entrepreneurs will expect from professional Accountants advisory and leadership role in a business failure crisis due to this pandemic. Therefore, our core competencies (knowledge, network, abilities and experiences) are valuable resources to get their attention and respect to lead the organization. Having understood this fact, advice of professional Accountants as resilience leaders is crucial for businesses on the below-noted areas during this pandemic.

If it suggests streamlining the business operations, this is the right time for it. Informal business practices, inappropriate and poor financial disciplines should be corrected to face the business failure risk. Some businesses have already increased the capacity by spending on capital expenditure, leading to overcapacity without the proper mechanism to recover their overheads. If that is the case, restructuring of the business is much advisable.

Similarly, introducing new technology such as establishing infrastructure to work from home, cloud accounting, the introduction of an online sales platform, virtual meeting facilities are some examples of technology grabbing. And also, there could be business expansion opportunities for businesses if we lead them to think differently. Improvement to revenue can be expected through introducing online sales, and a new investor can be attracted through past performance. It encourages business leaders for harnessing new business alliances, potential export markets, and planning out new geographical areas to improve local sales.

Conclusion

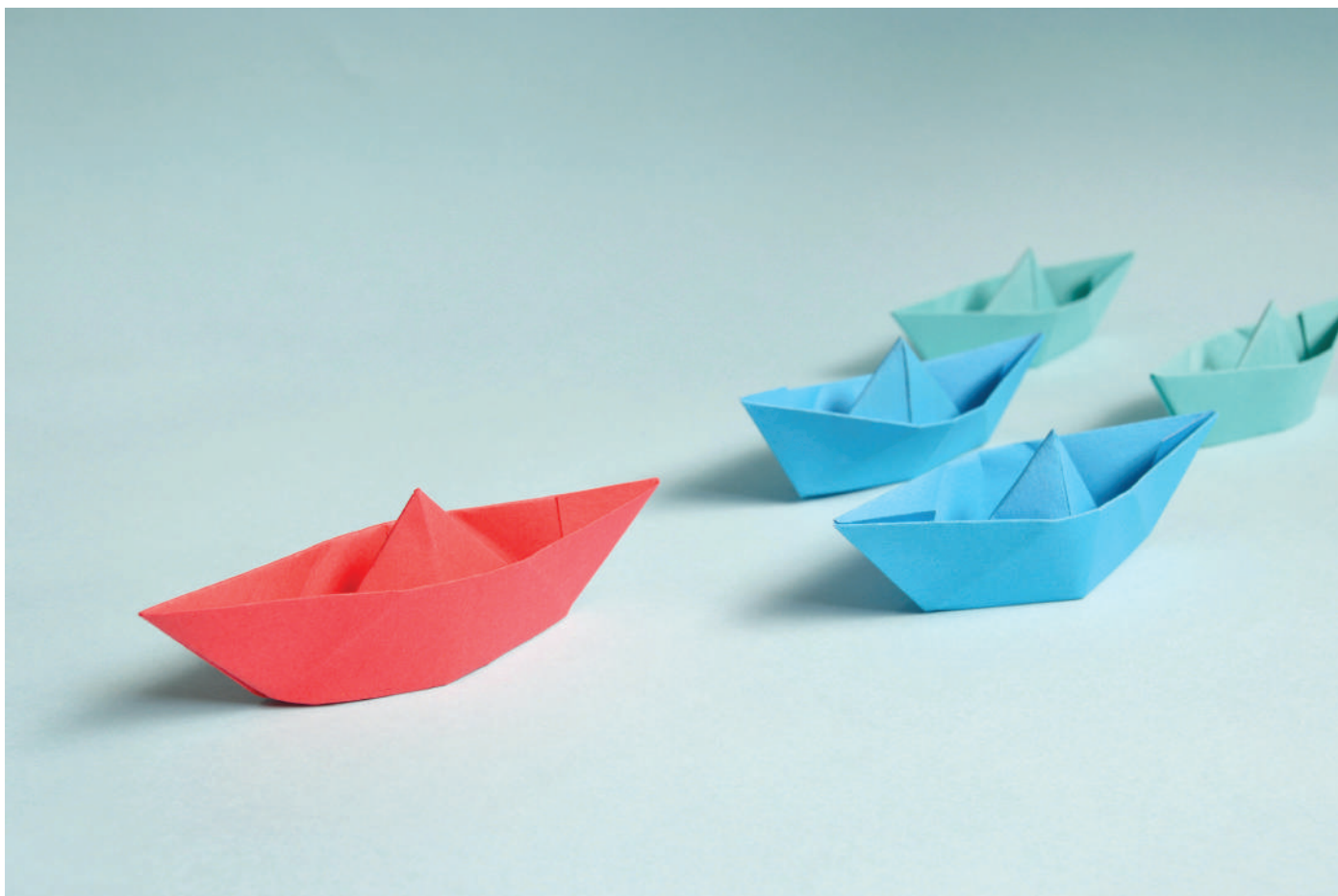
It is evident that a business will not fall overnight. Business failure is a dynamic process; thus, it has a spiral effect; we can recognize its failure in advance to treat it systematically. A methodology can be developed to save our businesses from COVID 19 impact if we can identify early symptoms of business failure. It suggests that a well plan business will confidently face business failure crisis due to COVID 19. It recommends recognizing the areas affected in the business, financial assessment, proactive measures, projection and cash flow planning, the introduction of new technologies, and running the business strictly on budgetary controls, and thereby business will run on survival mode in this pandemic.

POST COVID 19 DEMAND: THE UNDERPINNING NEED IN THE STRATEGIC LEADERSHIP AGENDA

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We are compelled to pay attention to manage health crisis and short-term economic/business shock caused by COVID-19 pandemic. It is evident that negative implications are critically hitting us such as reduction in spending power (globally); capacity constraints in institutions; unemployment challenges across the world; restrained in fiscal stimuli in countries, etc. As leaders who are managing and driving institutions, what are the key learning for future strategy, and where might there be opening for growth in future. One should not be merely carried away with survival thinking mindset during this unimaginable pandemic time. This article is an attempt to explore underpinning need in the strategic thinking/leadership agenda irrespective of the nature of the crisis.

Taking a profit motive an organization's direction to a desired sustainable business model is a multi-faceted task. Waddell et al. (2000) treat organizational transformation as a part of overall business strategic or corporate strategic intervention. Perhaps, an organization may need a new structure, or a different strategy, or some systems' changes in order to remain competitive and survive in the long run (making it strategic, high level, long term change), but this doesn't mean that the change will be 'frame-breaking'. Any frame-breaking change must serve to enhance organizational survival and sustainability in an increasingly competitive world (i.e. volatile, uncertain, complex and ambiguous) – making it 'strategic'. This is why transformational change is a critical task and an acute challenge to leadership which is driven by strategic outcomes.



ORGANIZATIONS ARE COMPLEX SYSTEMS

Organizations are complex systems that are steered to produce outputs and outcomes in an environment with an available set of resources. It is of paramount importance to understand the dynamics of an organization as the first is strategy, the pattern of decisions that emerges over time about how resources will be deployed in response to environmental competitiveness. The second is an organization where the mechanism that is developed is to turn strategy into outputs/outcomes. It consists of work, people, formal structures and processes, and informal structures and processes. If we do maintain the desired congruence among these elements, that would lead to effectiveness and efficiency. Effectiveness is the ultimate when an institution's strategy is consistent with environmental circumstances, and there is internal consistency, or fit, among the above four organizational components. The most effective way of organizing is determined by both

the nature of the strategy as well as the task.

STRATEGIC MENTAL MODELS

The new era relates to the information age or the knowledge phase which is radically different to the dynamics of the industrial age. The environment of our organizations today is so much more complex, chaotic, uncertain, fast changing, interconnected and global (COVID-19 pandemic gives an additional pressure). This requires 'new mental models' to foster strategic leadership thinking. Some argue that this is essential because we are experiencing a time of living in a blurred-line between expected stability and unprecedented chaos. As management professionals, we have alluded to on-going sweeping business demands, and we are expected to become 'readily available learning organizations', whereas knowledge-sharing portray the corporate culture and executive life. In this context, my observation is to gear up and challenge the

leaders who are engaged in the strategic decision making process of today and tomorrow to think about organizations as 'higher order' learning organizations. This can be identified as the sphere of transformational change where management professionals need to play that vital role of bringing structural learning (explicit learning) into organizational learning (tacit execution). A COVID 19 pandemic has created unimaginable conundrum in our learning and execution in a given situation.

The organizational change is not new, yet dramatic societal changes do impinge on different responses than before. Typically change initiatives are originated by the leaders of organizations rather than external consultants (however, there are exceptions). They are closely knitted to strategic business issues, not just questions of organizational process or style. Most of the changes can be drawn directly from external factors, such as new sources of competition, changes in ownership,

new technology, deregulation, legal initiatives, maturation of product sets, shifts in fundamental market structures, etc. (current pandemic has accelerated and exacerbated of the change). These changes affect the entire organization (whether it is a corporation or a business unit) rather than individual SBUs (strategic business units) or departments. They are also profound for the organization and its members because they usually influence organizational values specifically regarding stakeholders.

TRANSITION TO WISDOM DOMAIN

This attempt is to navigate a new theme of testing the ability to shift from our knowledge domains to wisdom domains in organizational affairs. In fact, it is a transition from the 'knowledge-based' organization by making out a case for going for 'wisdom-based applications'. The idiosyncrasy of data, information, knowledge and wisdom is hierarchical in an ascending order. In the framework of data to wisdom, 'data' refers to raw facts, 'information' means meaningful and useful data, and 'knowledge' is a clear understanding of information (Knowing what and why), while wisdom refers to the ability to exercise decent judgment in the selection and application of knowledge (ability to see through), which is appropriate to any given circumstance in organizational affairs. Knowledge is amply available; yet the challenge is to transform that knowledge into wisdom in organizational matters.

Beck (1999) brings wisdom to the forefront with the aim as to ultimately entail the 'awareness used by the self, to relate successfully to the environment'. Argument is that 'wisdom is comprised of both knowledge (understanding the truth) and action (*doing what is good*)'. In this sense, then, 'wisdom is not merely a result of inquiring and reflecting on the relationships between self and society, but it is also the quintessence of action taken to transform self and society towards a better whole. In short, wisdom takes into account

the bigger picture'. According to this interpretation, it interconnects 'means' and 'ends'; 'spiritual' and 'rational'; 'wisdom' and 'science' in organizational encounters. The question thus seems intriguing that in this day and age of complexity, whether we can have an absolute split between the 'hard' (rational) and 'soft' (*non-rational*) dimensions of organizational life and corporate performance.

TRANSFORMATION AND LONG TERM SURVIVAL

Many scholars invite us to pay our attention to the harnessing of competences to facilitate strategic transformation, stressing that strategic organizational transformation is about being able to transform itself to ensure long-term survival. It implies a significant work in internal yet inextricable matter like organizational culture. The accepted wisdom and the way of doing things within an organization may have to change in order for it to survive. One argument is that it must become a part of the unconscious competence-mindset of the organization, a natural way of managing the organization, which, in fact, would be a part of everyday business life. It means that a transformational mindset should be a natural outcome, as challenging the accepted wisdom and way of doing things is a natural, everyday matter regarding which everybody should have a responsibility.

Leaders who have strategic orientation do require to essentially re-thinking the very purpose of organizations in a long term psyche. Morton emphasizes in his book 'Beyond World Class' (1998) (highly relevant to the current context) this fact as we should realize that business organizations are embedded in society without being in isolation. Leaders who have strategic focus should build high performing learning organizations that are excellent at what they do and how they do it in an ever-changing environment, thereby leading organizations to be competitive, and hence, developing

strong economies that can 'produce good societies that meet peoples' needs'. This brings us to some of the issues and challenges related to organizational transformation.

THE PERSPECTIVE OF THE GREATER SCHEME OF THINGS

Transformation in organizations calls for learning towards making sense of the potential of a 'deeper meaning' of organizational life. Dunphy et al. (2003) refer to transformation towards the 'third wave' corporation. These reveal some calls for reflecting on the 'wisdom' of the way we have been doing business, to question the suitability of strategic leaders' focus only on short-term financial gains adding to the shareholders. Is this what our world needs? Leaders who think strategically need to perhaps take on the challenge to place our approach to business and society in the perspective of 'the greater scheme of things'. This entails a different kind of learning – towards establishing new thought patterns or mental models.

Many studies in the USA and Europe have shown that consistent and enduring policies give long-term profitable results provided that companies show continuity, and are sensitive to their customers, employees, suppliers and the communities in which they live. The key to 'Becoming World Class' as Morton articulated, was to harness the potential of resources inside and outside the organization to reach operational excellence. To achieve the reinvention and renewal necessary to maintain a competitive edge beyond World Class, gives a recipe that takes the intellectual capital of employees, customers, suppliers and communities beyond competing today to making strategic choices for the future. A company can, by operational excellence, become 'world class' but its products/services are likely to be 'commoditized', and unless it 'reinvents itself' through innovation and a wider perspective, it will cease to be world class, and probably will

cease to exist. It is identified that in a world class company, the setting of an integral part of a three-legged stool comprising the person, the institution, and society are needed to contribute for the others' sustainability.

Corporations are not enemies in the broad social system. My observation is that new circumstances require new responses. The crises faced by humanity can only be resolved by the use of rigorous corporate action. It is an irrefutable analysis of identifying inputs, processes and outputs within an integrated broad system which brings ultimate value to the society. Organizations are instruments of social purpose, formed within society to accomplish useful social objectives. If they engage in the creation of outputs, they have a right to a continued existence, a license to use resources, and a responsibility to yield socially beneficial products and services.

We face extraordinary circumstances, arguably like never before, in the history of the world, and much of the life on this planet is being under threat from humanity. If we are to live healthy, fulfilling lives on this planet in the future, we must find new life-affirming values and forge new patterns of living and working together. The unwarranted situation in which we find ourselves has been brought about by multiple causes, but one important contributory factor is the rise of the corporation. Business institutions are the fundamental cells of modern economic life, and their phenomenal success in transforming the earth's resources into wealth has shaped the physical and social world in which we live. An alarming question is to be raised in the current context as to whether the current model of the corporation needs to be modified to contribute to the continuing health of the planet, and for the survival of humans and other species.

THE EMERGING DEMANDS

Are the existing systems ready to transform in line with the emerging demands? Do they adequately use

their 'wisdom' in making such business decisions? These interventions bring about important alignments among organizational strategies and competitive environment, frame-breaking, and sometimes, revolutionary interventions are mostly directed at the culture within the organization. These changes are often associated with significant alterations in the firm's business strategy. Such fundamental changes necessitate new perspectives for organizing and managing organizations. The change-process is characterized by considerable innovation and learning. COVID-19 pandemic has compelled us to radically revisit our thinking, action process and being ready for future. That is the underpinning need in the strategic leadership agenda!

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1. Introduction

At the end of December 2019, the corona virus (COVID-19) had started spreading from Wuhan in China to other countries so extensively and rapidly that on 11th March 2020, the World Health Organization (WHO) [(2020?) declared the COVID-19 pandemic as a response to preventing the spread of the corona virus and saving lives. As a responsible government, the current government imposed desperate measures of social distancing, widespread lockdowns, and restrictions on travel and gatherings.

COVID 19 has caused very serious consequences for almost all sectors in Sri Lanka including the Small and Medium Enterprise Sector (SMEs). SMEs play an important socio-economic role in this turmoil. They employ 70 percent of the country's industrial workforce (over 30% of all employees) and contribute 30 percent of total value addition in the manufacturing sector. This sector accounts for nearly 90 % of industrial establishments while contributing to about 26% of GDP. Firms in this segment are facing a significant slowdown in their operations mainly in the form of low liquidity and shortage of workers and insufficient profitable orders. To ensure sustainability, many companies, both large and small, have taken severe survival measures such as layoffs, cost reductions and salary deductions.

This article discusses the challenges and opportunities faced by SMEs in this crisis and explores possible short- and long-term survival strategies or measures they could follow in this specific situation.

Research methodology

This is an exploratory study based on a case-study design. This design allows multiple sources of data to be included during collection and analysis. The data was obtained through semi- structured interviews with ten owner-managers of businesses in the SME category.

Importance of Enhanced Financial Inclusion to support the **economic development** amidst COVID-19 Pandemic

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Challenges faced by SMEs in the COVID 19 pandemic

Every crisis brings challenges and threats for entrepreneurs and their ventures. This crisis came from outside of the businesses and entrepreneurs have only limited controlling power. The interviews conducted with owner-managers of SMEs revealed the specific problems and challenges they face, which are summarized below:

Managing working capital

Most of the SMEs are experiencing cash flow issues. Usually, small businesses have similar key expenses such as office rent, employee salaries and utility bills. Due to their informal nature, they had got used to paying meeting such expenses through regular sales revenue. COVID 19 has disrupted the cash flow cycle and created liquidity issues. In this situation, entrepreneurs need to select the people who need to be paid in the upcoming months and look for options for spreading out the costs. Sometimes, creditors might also suggest some options or will understand the situation as they want to continue business. Moreover, entrepreneurs must be careful about the payment arrangements with other small businesses and ensure fairness for both parties.

Furthermore, owner-managers of SMEs need to look at their personal finances, seek advice from people who may support them to face the situation and also search for ways to cut costs. They can freeze hiring any new employees and work with freelancers on a project basis. Entrepreneurs have trained employees for multitasking. They can also consider reducing the size of the office and using co-working space on more affordable and flexible payment terms.

Operating business with under capacity and adopting health and safety measures

The government has lifted certain restrictions and directed that business activities be conducted according to health and safety

guidelines. According to these guidelines, 1/3 of employees have to work on one shift following health guidelines. Precautionary measures such as wearing face masks, body temperature screens, social distancing, and sanitization processes need to be followed. Many entrepreneurs are unable to achieve daily production targets with such constraints. In general, they have only limited physical space and assistants.

Breakdown of supply chain and cancellation of orders

Most of the SMEs rely on imported raw materials and other local suppliers. Due to the COVID 19 pandemic almost the whole supply chain was disrupted. As they work with limited financial resources, they do not keep excess stocks. SMEs should try to localize their supply chains wherever possible and reposition their products and services in response to and relevant to consumers' needs. In addition to the supply chain issues, most of the orders have been cancelled. Owner-managers of SMEs have to explore the possibility of finding local materials to replace imported materials.

Opportunities arising for SMEs from COVID 19

Increased sales of certain products

COVID 19 increased the demand for certain products including personal hygiene products, digital health instruments, online learning, mobile cards, Fast Moving Consumer Goods (FMCG) and SMEs that produced or distributed such products or services could achieve higher profits. The author met an entrepreneur who had converted his finance recovery company into a vegetables delivery service provider overnight. Small and medium garment factories that depended on subcontracts of large garment manufacturing companies could convert into face mask producing companies and they have to explore the possibility of supplying garments for local markets with local brand names.

Logistics Sector development

During the COVID-19 pandemic,

Sri Lanka's e-commerce industry expanded at a fast pace. This fast growth is mainly due to the increase in the number of online shoppers. It has also triggered the transformation of the Sri Lankan SMEs' business strategy into e-commerce and Internet-of-Things (IoT). This has opened opportunities for the main logistics drivers in the country such as food and beverages, e-commerce, and third-party logistics sectors.

Promoting agri-entrepreneurship

With the COVID 19 pandemic many countries including Sri Lanka are



concerned about developing the agricultural sector to ensure food security. The current Sri Lankan government is also encouraging people to grow vegetables at least in home gardens. In addition, the government has taken many measures to discourage imports. Entrepreneurs should take this as a real opportunity and make value addition for agricultural products.

Emerging new markets/industries

Before this pandemic there was no

substantial demand in areas such as online education, online sales, delivery services and [tele-medicine?] Sri Lanka. Now, new startups are emerging in those areas.

Identifying alternative business opportunities /markets

For example, due to the inability to engage in office cleaning duties some of the cleaning service providers began offering sterilization and disinfection services for entrances to buildings that were still in use. The demand isn't as high as normal, but

in this critical time period. They have helped them to meet their personal needs such as providing necessary grocery items for their families. They have tried their best keep their full-time and part-time employees. Due to poor financial situation some of them could pay only half the monthly salaries in the month of April and it is worthy of note that some of those entrepreneurs have promised their employees to pay the balance of the salaries when the situation returns to normal.

Find new ways to deliver products or services

Most of the SMEs deliver their products at the customers' doorstep through their own delivery systems. Sometimes, they build contacts with delivery businesses for mutual benefit. Although some of the SMEs had been practicing online sales prior to COVID 19, it was not very popular among the general public. With the lock down people have no other option but to search for what they need to through the social media. At the same time, many business owners began promoting their products through the social media.

other expert opinion, the author would like to make the following recommendations for SMEs.

Reevaluate the existing business model

SMEs have to reassess the suitability of their business models for the new normal situation. They must reassess market expectations explore new markets and new customer segments, introduce new products, redesign packaging sizes and quantities suitable and relevant for the new marketplace, and determine what consumers are willing to spend on. They need to predict what may emerge from the new normal. Entrepreneurs should analyze how they expect their customers to behave, things that will and won't matter to them, and how they can accommodate a new type of customer. For example, a fair number of Sri Lankan customers may search for budgeted items. Manufacturers can also consider digitizing their products or start selling them online. Furthermore, they can also use technology to balance any loss of earnings by offering new ways to connect with customers.

Enhancing operational efficiency through new technologies

SMEs need to understand the benefits of technological adoption for their businesses, overcoming skill gaps, perceived costs, and the risk of change to proactively develop a digital strategy to bring transformative change to their businesses and serve the needs of their customers. SMEs must consider the adoption of new technologies, digitalization, and implementing e-commerce solutions to reduce costs and save time and resources. As all employees cannot come to the workplace at the same time working from home is an available option for some employees. Then, owner-manager of SMEs should ensure the availability of necessary tools for working from home. Slack, Zoom, Google Docs, Skype and Google Meet are some of the free tools available for SMEs.

it allows them to continue operating during this unprecedented situation. Similarly, many of the micro and small level home based garment manufacturers have shifted to making face masks.

Adopted best practices by Sri Lankan SMEs

Looking after human resources

Most of the entrepreneurs the author interviewed have looked after their employees by playing a care taker role

Recommendations for SMEs

At the time of writing this article, no one has found an effective medicine for COVID 19. Therefore, it is too early to talk about post COVID 19. As many medical experts forecast, people have to adjust to a new normal situation by following health and safety guidelines for a certain period. Based on the interviews and



Adopting social media as a marketing and communication tool

SMEs also need to learn how to use social media platforms for marketing and branding and ultimately to reach more customers. The use of the Internet and social media has increased tremendously in the lockdown period. Therefore, entrepreneurs could easily promote their products and services through social media at a relatively lower cost. In addition, SMEs use social media for customer relationship management. They could communicate their updates effectively to customers through social media.

Following occupational health and safety standards

Top priority should be given to the safety of everyone in the organization including the owner. In addition to the following regulations, entrepreneurs should develop voluntary practices and relevant norms of face masks, body temperature screens, social distancing, and sanitization processes. The physical layout of some offices will present difficulties for practicing social-distancing. Staff rotations (where staff alternate working from office/home on different days to minimize the number of persons physically present in office) may be a solution but this could also adversely affect productivity.

Making cashless payments

With the high risk of corona virus contamination present in physical bank notes and coins, cashless payments such as mobile e-wallets and contactless debit and credit cards are expected to be widely used. Cashless transaction includes methods such as cloud-based point of sales (POS) systems and account reconciliation packages (ARP).

Adopting risk management practices Most SMEs do not have a separate fund for use in unexpected situations and it is one of their shortcomings. With such a cash reserve they could protect their businesses during times of difficulty. They should refrain from overinvesting through the expansion and purchase of major assets, such as properties, which are difficult

to liquidate during difficult times. Overdependence on one customer group also enhances risk. Therefore, SMEs should try to diversify their customer base.

Implications for Government

The Central Bank of Sri Lanka (CBSL) under the instructions of the Government of Sri Lanka has taken several policy decisions and measures to support SMEs. More specially, CBSL has introduced a new refinance facility for businesses adversely affected by the COVID-19 outbreak, under the Saubagya (Prosperity) Loan Scheme ('Saubagya COVID-19 Renaissance Facility'). It is a 4% per annum refinancing facility for two months working capital and it will benefit SMEs facing having working capital issues. In addition, the following areas also need to be considered by government and other supportive organizations.

Support policies

The government should implement support policies with clear transparent criteria to reach the right beneficiaries. The beneficiaries of any kind of assistance from government should be selected by independent government officers. The support package for SMEs should be carried out immediately.

Suspending or removing some regulations

According to the latest World Bank annual ratings, Sri Lanka is ranked 99 among 190 economies in the ease of doing business. The rank of Sri Lanka improved to 99 in 2019 from 100 in 2018. But still there are some areas to be addressed. The government must actively find ways to reduce red tape and the cost of doing business to allow businesses to go back to their normal routine. Further, government has to extend or simplify the provision of loan guarantees in order to enable commercial banks to expand lending to SMEs.

Support for digital adoption

Digital adoption should be considered a new norm. However,

many traditional requirements are still required (e.g. signing a declaration form) which are cumbersome to do online and run counter to the importance of businesses to follow new technologies and digitize. Laws and regulations need to be altered to reflect and encourage digital adoption. These policies aim to address urgent short-term challenges, such as the introduction of [teleworking?] but also contribute to strengthening the flexibility of SMEs in a more structural way and support their further growth.

In addition to the above interventions, the government should introduce specific schemes to monitor the impact of the crisis on SMEs and enhance the governance of SME-related policy responses.

Conclusion

All interested parties should take serious note of the emerging challenges and opportunities highlighted and those yet to be identified and initiate appropriate action to the advantage of the motherland. If stakeholders of SMEs lack the foresight to take appropriate steps, the SME sector will face a setback that negatively impacts on economic and social development while hindering the generation of high calibre entrepreneurs in Sri Lanka.

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SILVER LINING AMIDST DARK CLOUDS: ENVISIONING THE BANKING SECTOR POST COVID-19

*The authors are employed at the Central Bank of Sri Lanka. The views expressed in this paper are their own and do not necessarily reflect those of the Central Bank of Sri Lanka.

01. Introduction

As the COVID-19 crisis continues to unfold, people everywhere are feeling its effects: political leaders are struggling to effectively manage governmental responses to this public health crisis; industry leaders are dealing with massive transformations in their sectors to deal with changing consumer habits and manage a volatile economy; and, most importantly, families are struggling to stay healthy and financially stable. According to the Central Bank's early estimations, the socio-economic impact could also be extended with the loss of income and livelihoods for a large

segment of society (Central Bank of Sri Lanka, 2019). A large percentage of those employed being from the informal sector (approximately 60 per cent) and an estimated 1.9 million being daily wage earners, the COVID-19 restrictions and ensuing business shut down has affected a large number of households to remain in a precarious position.

The hit on the economy has been felt the hardest by the self-employed and the sole entrepreneurs with limited cash flow due to pandemic especially impacting the small to medium scale manufacturing industries. COVID-19

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isolation measures have resulted in shutting down of many businesses while increased social distancing has led to industries vacant of skilled workers. Although official figures are wanting at the moment of how the Services sector suffered during this period, one perceives that the Services sector would be the least to be affected due to its access to internet facilitating remote access. Most affected from the services sector was the banks due to its traditional component of customers being used to having a more face to face relationship with the bank staff in accessing bank's services. COVID has changed this too – the first to suffer were the banks that did not have an adequate web presence – digital portals and services offered remotely.

These are just some of the issues that the world is dealing with right now, but individuals in all sectors also have to predict what our world will look like when we find a new “normal”-politically, economically, and otherwise. This article attempts to address many of the concerns of the banking business as a service sector and highlights policy questions surrounding the present and future economy that is emerging from COVID-19, in view of the silver lining that has emerged, the remote access to banks' services and digital platforms to perform it from the safety of the home.

02. Impact of the lockdown on the banking sector

The lockdown of the country had a significant impact on the way of doing routine operations of the banking industry. The banks were forced to

limit the volume of transactions due to locking down the country for a period as a precautionary measure to face COVID-19 pandemic. Most of the banks started promoting digital banking during this crisis period. Liu (2020), the FATF Chairman, states that the FATF encourages governments to work with financial institutions and other businesses to use the flexibility built into the FATF's risk-based approach to address the challenges posed by COVID-19 whilst remaining alert to new and emerging illicit finance risks. He further encourages the fullest use of responsible digital customer onboarding and delivery of digital financial services in light of social distancing measures. The current regulatory regime does not allow digital onboarding of customers due to some limitations of the identification documents. Therefore, it is questionable whether the banks could position digital banking successfully due to the current regulatory framework. The traditional regulatory mind-set of policymakers has to be converted to an entrepreneurial regulatory approach where all the expectations of stakeholders and regulatory measures are taken to benefit all stakeholders (Jayasekara, 2020). Under such an approach always a regulatory regime will always be strengthened by focusing on all the expected consequences in terms of stakeholders.

03. Digital banking and Financial inclusion

Digital banking is growing fast because of increased competition in the banking industry as well as the

rapid development of information and communication technology. This growth of digitalization enables financial institutions to provide efficient, high quality, timely, and economical services to customers. The importance of having a high level of financial inclusion was considered an essential part of delivering social welfare to the poor segments of the population during the crisis period. Gardeva & Rhyne (2011) define financial inclusion as a state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices in a convenient manner and with dignity for the clients. The World Bank (2017) found that financial inclusion is on the rise and the global financial inclusion level had reached 69 per cent. This implies that 69 per cent of adults, a person aged over 15+ years, report having an account by themselves or together with someone else at a bank or other type of financial institution or report personally using a mobile money service in the past 12 months. The position of financial inclusion is not satisfactory enough when it comes to low-income countries. There is also a trend for evolving mobile money accounts in low-income countries which indicate market penetration by mobile service providers and FinTechs. However, the FinTech service providers are not subject to strict regulation compared to financial institutions. Therefore, countries should focus on financial institutions in order to promote financial inclusion. Some selected indicators of the Global Findex databases (2017) relevant to Sri Lanka are shown below:

Table 1: Some indicators of financial inclusion in Sri Lanka (Year 2017)

Indicators	Percentage
Account (% age 15+)	73.65
Financial institution account, out of labour force (% age 15+)	65.56
Used the internet to pay bills in the past year (% age 15+)	4.74
Debit card ownership (% age 15+)	32.25
Borrowed from a financial institution (% age 15+)	14.84
Borrowed from a financial institution or used a credit card (% age 15+)	17.37
Borrowed any money in the past year (% age 15+)	34.64
Sent or received domestic remittances in the past year (% age 15+)	20.25
Mobile money account (% age 15+)	2.42

Source: World Bank (2017)

These indicators show the opportunities available to banks and other financial service providers to penetrate the conventional banking market through digitalisation. According to the 2017 Global Findex Survey (World Bank, 2017), the lack of documentation was the primary barrier to accessing financial services by 26 per cent of [unbanked/non-banking] individuals in low-income countries. The World Bank (2018)

explains that beyond extending legal ID to address these gaps, the introduction of a legal digital ID could potentially increase the adoption of financial services, furthering the financial inclusion agenda and supporting development goals.

By looking at Sri Lanka's most recent social indicators (see Table-2), a further perspective could be added to the figures in Table 1.

several challenges. These challenges are broadly related to customers as well as institutions. Customer-based challenges, as noted earlier, include financial literacy issues, digital and cyber literacy issues, logistical issues such as access to a cellular service provider, increased cost of data and the cost of technological developments in terms of smart phones. The services offered need not be limited to phones only.

Table 2: Some Key Social and Financial Indicators of Sri Lanka -2019

Social and financial indicator	Statistic
Mid-year population	21,670,000
Age distribution: 15-64 yrs. Above 64 yrs.	14,499,000 1,701,000
Employment: Private sector Public sector	8,015,000 1,411,000
Banking density (branches per 100,000 persons)	16
ATM density (ATMs per 100,000 persons)	21
Credit cards in use (per 100,000 persons)	8,504
Telephone penetration (per 100 persons):	
Fixed lines	11.5
Including fixed lines and cellular phone lines	161.6

Source: Annual Report of the Central Bank of Sri Lanka (2019)

At the fairly moderate level of banking density in Sri Lanka, which reflects that there are few banks located far apart in a given region serving the population, the digital platforms using cellular phones could serve a vast number of the population. Another factor that contributes to this development is the large penetration of cellular phones in society. Table 2 shows us that 100 Sri Lankans, on average, possess around 150 cellular phones – which is a significantly higher penetration that may lead us to believe that Sri Lanka is operating above its full saturation level in cellular phone connectivity (Central Bank of Sri Lanka, 2019). However, this fact should be viewed with some caution, especially when applying it to the use of the digital platform for remotely operable banking services. These digital platforms and their use are limited by the type of phone

supporting such application software, and the digital savviness of the user. One has to keep in mind that most of the handheld cellular devices may not be of the "smartphone" variety that supports application software (apps) provided by the banking network to access their services. Further, the digital savviness of the user is a critical point. The less digital-savvy the person is, the more prone he would be to carry out an erroneous transaction that may place his account at jeopardy. However, taking these factors into consideration, Sri Lanka possesses vast potential to grow and benefit from the digitization and remote access of financial sector services, especially banking services.

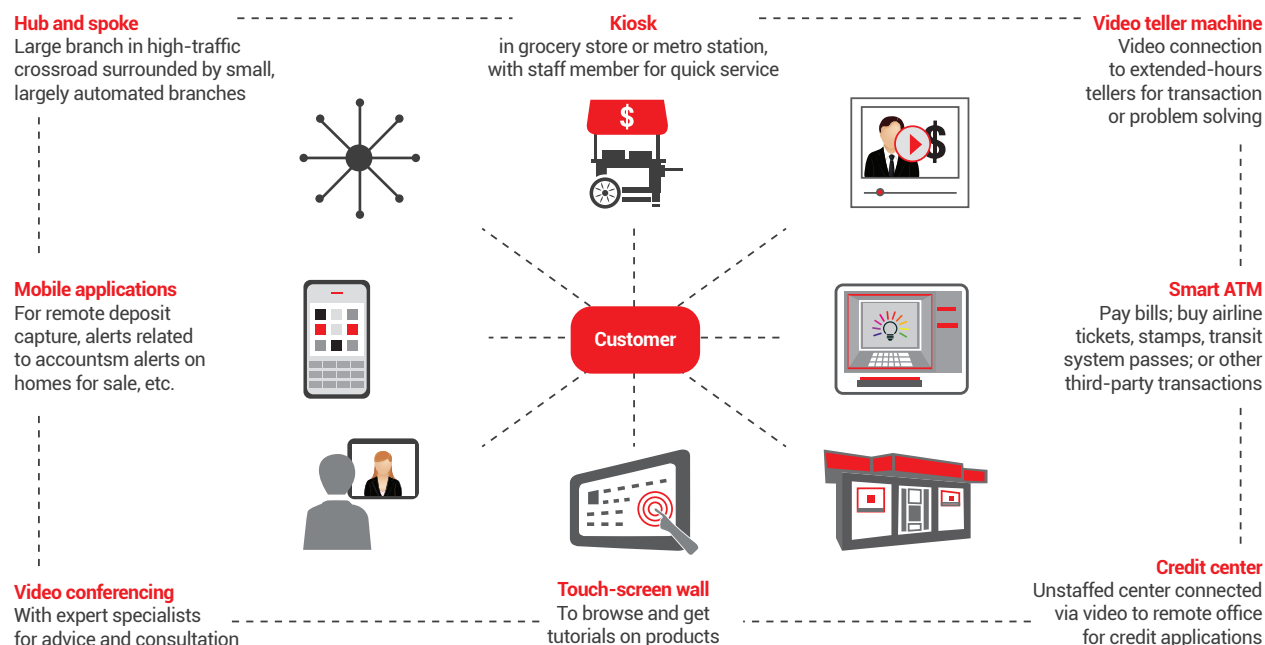
04. Limitations and challenges

The remote access provided for banking sector services faces s

In considering the institutional based challenges, the caveat is that the challenges are often unique to the most preferred channel or channels utilised by the bank and/ or the banking network. The multiple options have also brought in several attractive features and also drawbacks to the customer as well as to the institution. Several options of these multiple-channels could be preferred over some others by the customer as well as the bank utilising that option to attract customers based on their preferred category such as the youth or the millennials, professionals, senior citizens, remote access-only customers among others.



Figure-1: Several elements of the multiple channels available today



Source: Bain & Company

The institutional-based units are based more on the services offered. When focusing on the banking sector, the institution should have an up and running remotely accessible web portal also equipped with up-to-date encryption and security software and firewalls to prevent possible intruders to the site. Further it should have a sound risk assessment and risk mitigation policy that would mitigate the risks emanating from customer on-boarding, network breakdowns, indemnity to protect the institution and the customer from possible theft of information, server and technological issues, and any other third-party risk that may arise due to malware, product piracy, confidentiality issues and other customers being encroached by the competitive environment of the banking sector. Apart from these two segments, the financial sector, overall, is affected by the loss of confidence if any event deters the services being offered crashing causing irreparable damage; from the regulator perspective, the prudential regulator may be worried about what challenges would be brought in by the remote access services to regulatory risks; the AML/CFT regulator would be concerned about access being provided to potentially harmful elements that would pave

the way for illegal proceeds and terrorism financing flows that would compromise the integrity of the legitimate financial system. Overall, the policymaker would need to balance the innovative features of the banking solutions provided online and the safety of the customer and the sector as a whole.

05. The Silver lining: Benefits of increasing the coverage of online services

The Bain Report (Bain & Company, 2019), a decade-long annual publication that reports on the online experience of the customers surveyed based on the bank customers' satisfaction level after carrying out regular banking and internet-based banking also made some alarming findings worthy of note. In 2019, the Bain Report revealed that retail banks are leaking customer business to their competitor banks, FinTech companies and to single-line specialists (online product line offered on single banking product/service) at an alarming rate. The losses are usually hidden from one another as the customer loyalty factor prompts the customer to maintain a low-activity checking/savings accounts with their primary banks. However,

established tech companies like Google have also entered this race, which has further intensified the pressure on the traditional banks to innovate and move toward digitally enabled platforms.

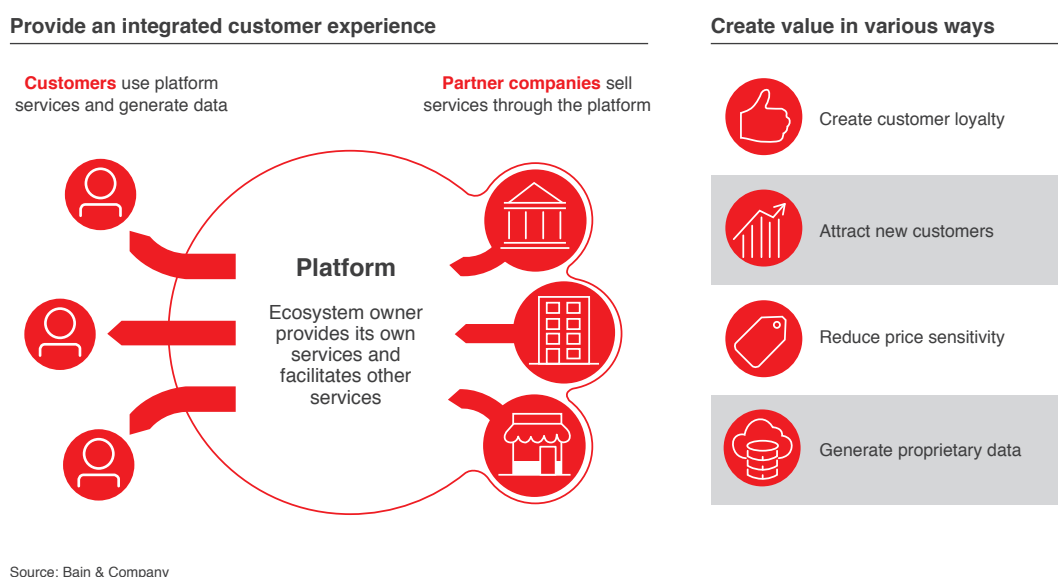
In this context, it is worth identifying the customer interest in banking platform innovations that have gained popularity due to the pandemic outbreak challenges. While Sri Lanka is still in the very early days, the financial services eco-system is rapidly undergoing changes. Advanced economies, owing to the increased access to services offered via the internet has provided a creative platform far different from the usual brick-and-mortar level traditional bank branches. Critics may still disagree that the interests of customers are still with the traditional bank branches, with the rapid evolvement of technology and the hype created by added features in the banking service portfolio – often fee-based activities – such as advisory services, tax calculation and payment, investment portfolio management and other such services may increase the popularity of the banking sector. These robust online ecosystems could allow banks to tap into new profit pools by using the inbuilt survey features of the web portals, keeping

track of the accessed numbers, what is popular and not popular, etc., addressing more current customer needs while utilizing more resources to attract new customers, especially the youth and new entrants to the job market and improve the value-for-price equation (Bain & Company, 2019). Commencing with simple

solutions such as payment of utilities, the consumers in emerging markets have been brought in slowly and they have continued to show the strongest interest in ecosystems, as do young consumers in every country. The internet facility would also provide a one-stop-shop for small business services to utilize bank web portals

to market their related product, such as e-commerce and online trading platforms. Further, the banks would benefit from optimum resource allocation to areas of AML/CFT risk mitigation, payments management, accounting, human resources and bank transactions.

Figure-2: An ecosystem of interconnected services can benefit both the bank and its customers



06. Conclusion

The COVID-19 pandemic has evolved into a global challenge which may have a social and economic impact on the country. These implications may cause threats as well as opportunities for the banking sector. Therefore, this condition provides opportunities to the financial institutions to rethink the banking models focussing on digital banking. The policymakers and the government are required to support the digital banking initiatives of banks providing a suitable regulatory and legal framework. The banks also have to be prepared to adopt a proper sound, risk-based approach to minimise exposure to vulnerabilities and risks of digital banking. A coordinated approach by regulators and financial institutions will support the improvement of the level of financial inclusion of the country and improve the level of efficiency of the banking system. The banks also have to consider the level

of digital penetration in the country. The limited access to ATMs and bank branches which shows a moderate level of banking density is also an opportunity to focus on digital banking. However, there are some challenges to be faced by regulators and banks promoting digital banking. The literacy issues of customers, basically the financial literacy and cyber literacy of customers, are important for the journey. The regulators and policymakers have to provide a common infrastructure which enables financial institutions to perform customer onboarding digitally in an efficient manner. On the other hand, banks also have to invest in new technology including proper systems and controls to reduce the exposure to the risks of digital banking. The collective efforts of all parties will provide a golden opportunity to position digital banking over conventional banking which ultimately benefits the customers.

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PUBLIC INTEREST RESPONSIBILITIES MUST REMAIN PARAMOUNT IN AN AGE OF COVID-19



A Statement from the International Federation of Accountants

While the long-lasting societal and economic implications of CV-19 have yet to be fully realized, we have already begun to see the toll on the global financial ecosystem. Economic crises have historically served as a powerful catalyst for financial malfeasance, and this risk is no different in the current environment.

All professional accountants need to be attuned to this heightened risk and continue to exercise high levels of diligence, integrity, and professional judgment. The International Code of Ethics for Professional Accountants, including International Independence Standards, establishes the standard of behavior expected of a professional accountant. That is our public interest responsibility.

Professional accountants -- whether serving as members of a board or audit committee, organizational leaders, preparers or auditors -- are critical to the financial reporting ecosystem. And while it is not possible for our profession to prevent corporate failures, it is our responsibility to continue to provide fair and reliable financial reporting and disclosures that appropriately incorporate our best judgments, estimates, and assessments as well as being alert to the

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increased risk of fraud and financial misrepresentation.

In such a fast-changing and uncertain environment, management and board members, with their ultimate responsibility for preparing and overseeing financial reporting and communication, are urged to continually maintain an effective control environment, which will likely change or has changed as a result of adapting operating environments to remote working and other CV-19 demands. Auditors, likewise, should focus on the implications of any such changes to the control environment and any new or changed risks, and adapt their audit approaches accordingly to obtain sufficient appropriate audit evidence on which to base their opinions.

Because of the unprecedented nature of CV-19, greater transparency and disclosure of forward-looking information on an organization's

operating performance, financial position, liquidity and future prospects are more critical than ever even though current circumstances make this more challenging. Professional accountants in business need to make reasonable, good-faith judgments in the context, and on the basis of, information currently available. Transparency on known and material uncertainties, as well as robust processes and documentation supporting such disclosures, will help promote sound decisions, and auditors' assessments thereon, that will stand the test of time. Importantly, this will also enable investors and creditors to make the most informed decisions possible.

Professional accountants also need to play a pivotal role in ensuring the continued ability of organizations to be resilient to the significant challenges they face in these difficult times. This applies to all

organizations—big and small—across all sectors of the economy, and involves helping organizations focus on good governance, sound strategy and strengthening their business models.

Our actions today will have a significant impact on our reputation and standing tomorrow. By upholding the highest standards of our professional and ethical conduct during CV-19, and by challenging ourselves to exercise heightened diligence and being open and alert to further action needed, we will live up to our public interest responsibilities and continue to positively shape how our profession is viewed.

Recognizing greater levels of pressure and stress facing many accountants, professional accountancy organizations stand ready to offer support to their members in the form of advice, support, and counseling.





SURVIVAL AND PROGRESS OF SMALL AND MEDIUM ENTERPRISES [WITH/IN THE] COVID 19 PANDEMIC SITUATION IN SRI LANKA

1. Introduction

At the end of December 2019, the corona virus (COVID-19) had started spreading from Wuhan in China to other countries so extensively and rapidly that on 11th March 2020, the World Health Organization (WHO) [(2020?) declared the COVID-19 pandemic as a response to preventing the spread of the corona virus and saving lives. As a responsible government, the current government imposed desperate measures of social distancing, widespread lockdowns, and restrictions on travel and gatherings.

COVID 19 has caused very serious consequences for almost all sectors in Sri Lanka including the Small and Medium Enterprise Sector (SMEs). SMEs play an important socio-economic role in this turmoil. They employ 70 percent of the country's industrial workforce (over 30% of all employees) and contribute 30 percent of total value addition in the manufacturing sector. This sector accounts for nearly 90 % of industrial establishments while contributing to about 26% of GDP. Firms in this

segment are facing a significant slowdown in their operations mainly in the form of low liquidity and shortage of workers and insufficient profitable orders. To ensure sustainability, many companies, both large and small, have taken severe survival measures such as layoffs, cost reductions and salary deductions.

This article discusses the challenges and opportunities faced by SMEs in this crisis and explores possible short- and long-term survival strategies or measures they could follow in this specific situation.

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Research methodology

This is an exploratory study based on a case-study design. This design allows multiple sources of data to be included during collection and analysis. The data was obtained through semi-structured interviews with ten owner-managers of businesses in the SME category.

Challenges faced by SMEs in the COVID 19 pandemic

Every crisis brings challenges and threats for entrepreneurs and their ventures. This crisis came from outside of the businesses and entrepreneurs have only limited controlling power. The interviews conducted with owner-managers of SMEs revealed the specific problems and challenges they face, which are summarized below:

Managing working capital

Most of the SMEs are experiencing cash flow issues. Usually, small businesses have similar key expenses such as office rent, employee salaries and utility bills. Due to their informal nature, they had got used to paying meeting such expenses through regular sales revenue. COVID 19 has disrupted the cash flow cycle and created liquidity issues. In this situation, entrepreneurs need to select the people who need to be paid in the upcoming months and look for options for spreading out the costs. Sometimes, creditors might also suggest some options or will understand the situation as they want to continue business. Moreover, entrepreneurs must be careful about the payment arrangements with other small businesses and ensure fairness for both parties.

Furthermore, owner-managers of SMEs need to look at their personal finances, seek advice from people who may support them to face the situation and also search for ways to cut costs. They can freeze hiring any new employees and work with freelancers on a project basis. Entrepreneurs have trained

employees for multitasking. They can also consider reducing the size of the office and using co-working space on more affordable and flexible payment terms.

Operating business with under capacity and adopting health and safety measures

The government has lifted certain restrictions and directed that business activities be conducted according to health and safety guidelines. According to these guidelines, 1/3 of employees have to work on one shift following health guidelines. Precautionary measures such as wearing face masks, body temperature screens, social distancing, and sanitization processes need to be followed. Many entrepreneurs are unable to achieve daily production targets with such constraints. In general, they have only limited physical space and assistants.

Breakdown of supply chain and cancellation of orders

Most of the SMEs rely on imported raw materials and other local suppliers. Due to the COVID 19 pandemic almost the whole supply chain was disrupted. As they work with limited financial resources, they do not keep excess stocks. SMEs should try to localize their supply chains wherever possible and reposition their products and services in response to and relevant to consumers' needs. In addition to the supply chain issues, most of the orders have been cancelled. Owner-managers of SMEs have to explore the possibility of finding local materials to replace imported materials.

Opportunities arising for SMEs from COVID 19

Increased sales of certain products
COVID 19 increased the demand for certain products including personal hygiene products, digital health instruments, online learning, mobile cards, Fast Moving Consumer Goods (FMCG) and SMEs that produced or distributed such products or services could achieve higher profits. The

author met an entrepreneur who had converted his finance recovery company into a vegetables delivery service provider overnight. Small and medium garment factories that depended on subcontracts of large garment manufacturing companies could convert into face mask producing companies and they have to explore the possibility of supplying garments for local markets with local brand names.

Logistics Sector development

During the COVID-19 pandemic, Sri Lanka's e-commerce industry expanded at a fast pace. This fast growth is mainly due to the increase in the number of online shoppers. It has also triggered the transformation of the Sri Lankan SMEs' business strategy into e-commerce and Internet-of-Things (IoT). This has opened opportunities for the main logistics drivers in the country such as food and beverages, e-commerce, and third-party logistics sectors.

Promoting agri-entrepreneurship

With the COVID 19 pandemic many countries including Sri Lanka are concerned about developing the agricultural sector to ensure food security. The current Sri Lankan government is also encouraging people to grow vegetables at least in home gardens. In addition, the government has taken many measures to discourage imports. Entrepreneurs should take this as a real opportunity and make value addition for agricultural products.

Emerging new markets/industries

Before this pandemic there was no substantial demand in areas such as online education, online sales, delivery services and [tele-medicine?] Sri Lanka. Now, new startups are emerging in those areas.

Identifying alternative business opportunities/markets

For example, due to the inability to engage in office cleaning duties some of the cleaning service providers began offering sterilization and disinfection services for entrances to buildings that were still in use. The



demand isn't as high as normal, but it allows them to continue operating during this unprecedented situation. Similarly, many of the micro and small level home based garment manufacturers have shifted to making face masks.

Adopted best practices by Sri Lankan SMEs

Looking after human resources

Most of the entrepreneurs the author interviewed have looked after their

employees by playing a caretaker role in this critical time period. They have helped them to meet their personal needs such as providing necessary grocery items for their families. They have tried their best keep their full-time and part-time employees. Due to poor financial situation some of them could pay only half the monthly salaries in the month of April and it is worthy of note that some of those entrepreneurs have promised their employees to pay the balance of the salaries when the situation returns to normal.

Find new ways to deliver products or services

Most of the SMEs deliver their products at the customers' doorstep through their own delivery systems. Sometimes, they build contacts with delivery businesses for mutual benefit. Although some of the SMEs had been practicing online sales prior to COVID 19, it was not very popular among the general public. With the lock down people have no other option but to search for what they need to through the social media. At the same time, many business owners began promoting their products through the social media.

Recommendations for SMEs

At the time of writing this article, no one has found an effective medicine for COVID 19. Therefore, it is too early to talk about post COVID 19. As many medical experts forecast, people have to adjust to a new normal situation by following health and safety guidelines for a certain period. Based on the interviews and other expert opinion, the author would like to make the following recommendations for SMEs.

Reevaluate the existing business model

SMEs have to reassess the suitability of their business models for the new normal situation. They must reassess market expectations explore new markets and new customer segments, introduce new products, redesign packaging sizes and

quantities suitable and relevant for the new marketplace, and determine what consumers are willing to spend on. They need to predict what may emerge from the new normal. Entrepreneurs should analyze how they expect their customers to behave, things that will and won't matter to them, and how they can accommodate a new type of customer. For example, a fair number of Sri Lankan customers may search for budgeted items. Manufacturers can also consider digitizing their products or start selling them online. Furthermore, they can also use technology to balance any loss of earnings by offering new ways to connect with customers.

Enhancing operational efficiency through new technologies

SMEs need to understand the benefits of technological adoption for their businesses, overcoming skill gaps, perceived costs, and the risk of change to proactively develop a digital strategy to bring transformative change to their businesses and serve the needs of their customers. SMEs must consider the adoption of new technologies, digitalization, and implementing e-commerce solutions to reduce costs and save time and resources. As all employees cannot come to the workplace at the same time working from home is an available option for some employees. Then, owner-manager of SMEs should ensure the availability of necessary tools for working from home. Slack, Zoom, Google Docs, Skype and Google Meet are some of the free tools available for SMEs.

Adopting social media as a marketing and communication tool

SMEs also need to learn how to use social media platforms for marketing and branding and ultimately to reach more customers. The use of the Internet and social media has increased tremendously in the lockdown period. Therefore, entrepreneurs could easily promote their products and services through social media at a relatively lower cost. In addition, SMEs use social media for customer relationship management. They could communicate their

updates effectively to customers through social media.

Following occupational health and safety standards

Top priority should be given to the safety of everyone in the organization including the owner. In addition to the following regulations, entrepreneurs should develop voluntary practices and relevant norms of face masks, body temperature screens, social distancing, and sanitization processes. The physical layout of some offices will present difficulties for practicing social-distancing. Staff rotations (where staff alternate working from office/home on different days to minimize the number of persons physically present in office) may be a solution but this could also adversely affect productivity.

Making cashless payments

With the high risk of corona virus contamination present in physical bank notes and coins, cashless payments such as mobile e-wallets and contactless debit and credit cards are expected to be widely used. Cashless transaction includes methods such as cloud-based point of sales (POS) systems and account reconciliation packages (ARP).

Adopting risk management practices

Most SMEs do not have a separate fund for use in unexpected situations and it is one of their shortcomings. With such a cash reserve they could protect their businesses during times of difficulty. They should refrain from overinvesting through the expansion and purchase of major assets, such as properties, which are difficult to liquidate during difficult times. Overdependence on one customer group also enhances risk. Therefore, SMEs should try to diversify their customer base.

Implications for Government

The Central Bank of Sri Lanka (CBSL) under the instructions of the Government of Sri Lanka has

taken several policy decisions and measures to support SMEs. More specially, CBSL has introduced a new refinance facility for businesses adversely affected by the COVID-19 outbreak, under the Saubagya (Prosperity) Loan Scheme ('Saubagya COVID-19 Renaissance Facility'). It is a 4% per annum refinancing facility for two months working capital and it will benefit SMEs facing having working capital issues. In addition, the following areas also need to be considered by government and other supportive organizations.

Support policies

The government should implement support policies with clear transparent criteria to reach the right beneficiaries. The beneficiaries of any kind of assistance from government should be selected by independent government officers. The support package for SMEs should be carried out immediately.

Suspending or removing some regulations

According to the latest World Bank annual ratings, Sri Lanka is ranked 99 among 190 economies in the ease of doing business. The rank of Sri Lanka improved to 99 in 2019 from 100 in 2018. But still there are some areas to be addressed. The government must actively find ways to reduce red tape and the cost of doing business to allow businesses to go back to their normal routine. Further, government has to extend or simplify the provision of loan guarantees in order to enable commercial banks to expand lending to SMEs.

Support for digital adoption

Digital adoption should be considered a new norm. However, many traditional requirements are still required (e.g. signing a declaration form) which are cumbersome to do online and run counter to the importance of businesses to follow new technologies and digitize. Laws and regulations need to be altered to reflect and encourage digital adoption. These policies aim to address urgent short-term

challenges, such as the introduction of [teleworking?] but also contribute to strengthening the flexibility of SMEs in a more structural way and support their further growth.

In addition to the above interventions, the government should introduce specific schemes to monitor the impact of the crisis on SMEs and enhance the governance of SME-related policy responses.

Conclusion

All interested parties should take serious note of the emerging challenges and opportunities highlighted and those yet to be identified and initiate appropriate action to the advantage of the motherland. If stakeholders of SMEs lack the foresight to take appropriate steps, the SME sector will face a setback that negatively impacts on economic and social development while hindering the generation of high calibre entrepreneurs in Sri Lanka.

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COVID 19 Impact: **Measuring Corporate Revenue** **Volatility for Scenario Building –** **A Statistical Approach Using** **Financial Statements of Listed Corporates**

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Abstract:

The impact of COVID 19 pandemic on the livelihoods of people, markets and businesses is significant and persistent compelling policy makers to accommodate policy setting to the new normal. In this backdrop businesses are obliged to re-forecast the revenues to factor adversity in their business models. Revenue forecasting during turbulent periods facilitates businesses to take crucial decisions. This article attempts to statistically measure revenue volatility in a crisis and enable a company to form the basis for scenario planning. These statistical tools could also be used to complement other revenue forecasting methodologies and facilitate benchmarking. The article

revolves around three statistical approaches viz. use of quartile distribution, use of dispersion-based shocks on revenue growth rate and assessing the tail risk of distribution of revenue growth rates. These statistical inferences have been tested on a sample of 136 companies listed on Colombo Stock Exchange representing seven sectors employing ten-year published financial statements.

Disclaimer

The views expressed in this paper are those of the author and do not necessarily represent the institution with which he is affiliated.

Key Words: Revenue, Forecasting, Volatility, Standard Deviation, Benchmarking, Quartile Distributions, Colombo Stock Exchange, Tail risk

COVID 19 Impact: Measuring Corporate Revenue Volatility for Scenario Building– A Statistical Approach Using Financial Statements of Listed Corporates

The outbreak of COVID 19 has shattered the global economies and markets to a level that one could ever predicted. Its implications have so far proliferated far beyond health-related concerns. It triggered a significant change in consumers' behaviour, impaired livelihood of households and caused many disruptions in businesses and markets. The impaired livelihood of households and plummeted business revenues could eventually erode their capacities to honour contractual payments, leading to a cascade of non-payments (McKinsey & Company's Saving our livelihoods from COVID 19 (April 2020), Garatti et al (2020)), posing a threat of heightened default risk in many advanced and emerging markets. A prolonged cure for current epidemic could affect social-wellbeing and welfare; further aggravating economic meltdown. However, timely economic policy responses entailing decisive use of monetary and fiscal tools together with regulatory easing to support flow of credit to private sector and government (Drehmann M. et al (2020)) are expected to defend a crisis.

Nevertheless, a decrease in revenue is unprecedented for corporates and the magnitude of contraction may vary characterising the idiosyncratic attributes of the industry and the nature of business models. Revenue re-forecasting is essential in the hindsight of COVID 19 as the pandemic has already affected the viability of some businesses. Unlike ordinary periods, revenue forecasting during turbulent periods is cumbersome and challenging. The process entails activities such as demand planning, market researching, analysing supply constraints, use of statistical findings and a degree of judgemental forecasting. Given the uniqueness of the outbreak, the forecasting of corporate top-line shall be backed by multifaceted approaches under

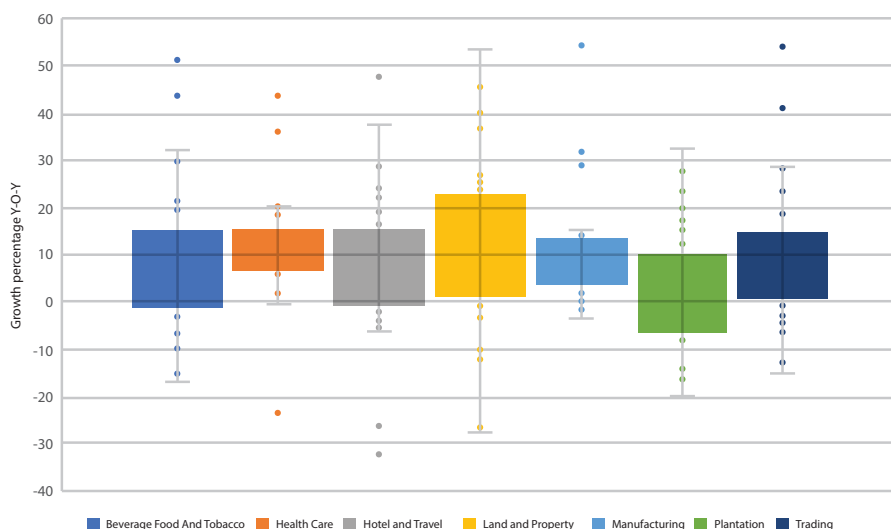
multiple scenarios. Measuring corporate revenue volatility for scenario building using a statistical approach is one such basis to facilitate forecasting in adversity.

The ensuing sections will discuss measuring corporate revenue volatility for scenario building using a statistical approach. For this purpose, ten-year published financial statements of 136 companies belonging to 7 sectors that were registered on the Colombo Stock Exchange (CSE) were used. These sectors collectively account for approximately 42.7 per of total market capitalisation as at end February 2020.

Use of Minimum Revenue Growth Rates and Lower Quartile Growth Rates

Box plots and whisker plots in chart 1 illustrate the aggregate revenue growth rates of each sector and their distribution. The chart highlights lower quartile, mean, upper quartile, lower & upper extreme values and outliers. These statistical inferences may form a basis for measuring revenue volatility and thereby facilitate revenue forecasting.

Chart 1 – Sectoral Revenue Growth Rates of Listed Companies – Inter-Quartile Distribution



Source: Colombo Stock Exchange and Analysis of Author



Note: The analysis has been confined to seven sectors as classified by Colombo Stock Exchange as at end February 2020. However, the sectoral classification of CSE has been revised effective from March 1, 2020. Each data point represents aggregate revenue of each sector. The data has been adjusted for anomalies to minimise their disproportionate impact on the data series.

Using the box plots and whisker plots for sectors classified by CSE, we could devise statistical multiples to be applied on individual companies in forecasting the revenue. These statistical parameters could also be used for benchmarking the existing revenue forecasts of an enterprise. Table 1 tabulates a few such statistical parameters for each sector.

Table 1: Sectoral Revenue Growth Rates – Lower Quartile and Minimum Value

	Beverage Care Tobacco	Health- Trading	Hotels and Travels	Land and Property	Manufacturing	Food and	Plantation
Minimum Growth Rates (%)	(16.7)	(23.2)	(32.1)	(27.6)	(3.5)	(19.7)	(15.0)
Lower Quartile Value (%)	(0.9)	6.7	(1.1)	1.0	3.6	(6.6)	0.9

Source: Colombo Stock Exchange and Computations of Author

Note: Minimum growth rates and the lower quartile value of the distribution of growth rates of each sector have been tabulated above. The sectoral growth rates have been computed by aggregating revenues of all companies in the sector.

The growth rates at lower quartile of the distribution (i.e. the value that corresponds to 25th percentile of the distribution) and the minimum growth rates of each sector could be considered as the fall-back positions when designing the scenarios for revenue forecast in the hindsight of COVID 19. For example, a hotelier could benchmark the historical revenue growth rates of listed companies tabulated in table 1 above and forecast a revenue drop of 35 per cent in financial year 2020 for his business as the number could be justified statistically. It is apparent that the sectoral revenue growth rates at lower quartiles of the distribution may not be sufficed given the far-reaching effects of the pandemic.

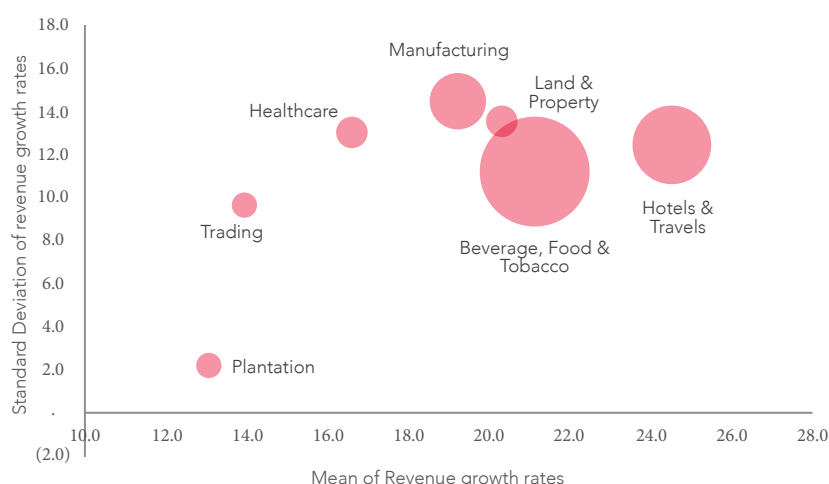
Use of One-Standard Deviation Shock on Revenue Growth Rates

The COVID 19 outbreak has undoubtedly shattered the growth prospects of many businesses in Sri Lanka. Companies are currently attempting to quantify the shock and its implications on bottom-lines and business viability. Many crucial

business decisions such as operate or discontinue, scale-down or shutdown, redundancy or pay-cut, financing and opting for moratorium, restructuring and revamping etc. will be contingent upon these assessments. Analysing

the volatility in revenue growth rates in the past explicitly facilitate decision making on future growth distribution of revenue. Accordingly, a shock on revenue could be modelled into the forecast with statistical inferences.

Chart 2: Mean and Standard Deviations of Sectoral Revenue Growth Rates – Scatter



Source: Colombo Stock Exchange and Computations of Author

Note: A scatter point corresponds to the standard deviation and mean value of the distribution of sectoral revenue growth rates. Size of the data point represents the share of each sector in total market capitalization.

Table 2: Sectoral Standard Deviations and Means of Revenue Growth Rate

	Beverage Food and Tobacco	Health- Care	Hotels and Travels	Land and Property	Manufacturing	Plantation	Trading
Mean Growth Rates (%)	11.2	13.0	12.4	13.6	14.4	2.2	9.7
1 x Standard Deviation of Revenue Growth Rates (%)	21.1	16.6	24.5	20.3	19.3	13.0	14.0
1.5 x Standard Deviation of Revenue Growth Rates (%)	31.6	24.9	36.7	30.4	28.9	19.5	21.0

Source: Colombo Stock Exchange and Computations of Author

Standard deviation in this context represents the dispersion of sectoral revenue growth rates from its mean of the distribution. A negative standard deviation shock on revenue implies that in an adversity such as COVID 19, revenue growth of a company could decrease by the amount of standard deviation. For example, a food & beverage company could assume a revenue drop of 21.1 percent for the financial year 2020, if it exerts one-standard deviation shock on revenue. The company could exert a negative 1.5 standard deviation shock if a single standard deviation shock appears to be understated thereby forecasting a revenue drop of 31.6

per cent for the financial year 2020. Similarly, 1 to 1.5 standard deviation negative shocks can be applied on other sectors when modelling the scenarios for revenue forecasts. Moreover, statistical inferences stated in table 2 pertinent to a given sector could also be used to benchmark the revenue forecast of a company derived through alternative forecasting methodology.

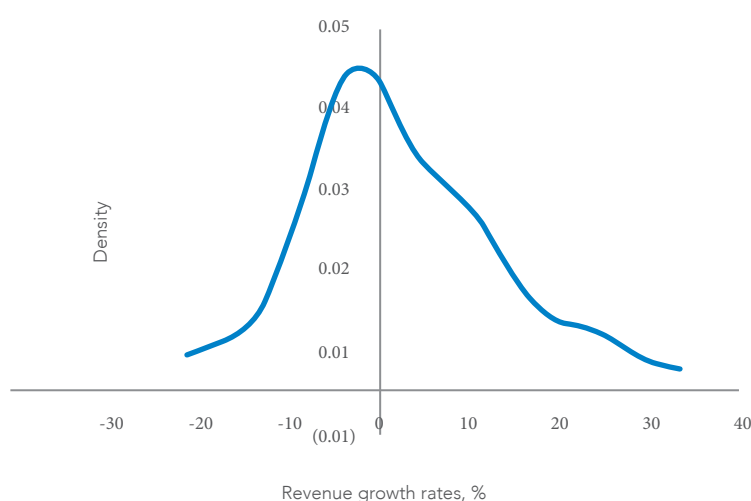
Assessing Tail Risks of Distribution of Revenue Growth Rates

Tail risk of a given distribution shed lights on less frequent yet high impact

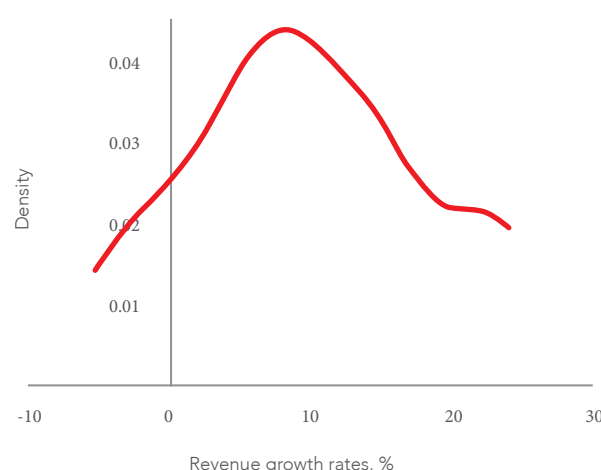
events that are characterised by extreme ends of a Probability Density Function. More emphasis is generally placed on left tail as stakeholders are sensitive to losses. In the context of distribution of revenue growth rates, the tail risk represents significant drop in revenue as reported by a company or the sector in the past. Moreover, probability density function in this exercise plots probability densities against corresponding revenue growth rates. Chart 3 below represents Kernel Probability Density Functions for two companies operating in Manufacturing and Healthcare sectors.

Chart 3: Probability Density Functions

Panel 1: Company A – Manufacturing Sector



Panel 2: Company B – Healthcare Sector



Source: Colombo Stock Exchange and Computations of Author

Note: Probability density functions of revenue growth rates of two listed companies based on the published financial statements have been presented in Chart 3. Panel 1 represents kernel density functions of a company operating in the manufacturing sector. Panel 2 represent kernel density function of a company operating in healthcare sector.

Table 3: Assessing the Tail Risk at $p(x) = 0.03$

	Probability at the left tail-end $p(x)$	Corresponding Revenue Growth rate, %
Company A – Manufacturing Sector	0.03	(20.90)
Company B – Healthcare Sector	0.03	(5.13)

Source: Colombo Stock Exchange and Computations of Author

Table 4: Assessing the Tail Risk at $p(x) = 0.05$

	Probability at the left tail-end $p(x)$	Corresponding Revenue Growth rate, %
Company A – Manufacturing Sector	0.05	(19.01)
Company B – Healthcare Sector	0.05	(4.84)

Source: Colombo Stock Exchange and Computations of Author

Company A has reported a revenue drop of approximately 20.9 and 19.0 per cent, respectively at 3rd percentile and 5th percentile in the past. Similarly, Company B reported a revenue drop of 5.13 percent and 4.84 percent, respectively at 3rd and 5th percentiles. Accordingly, Company A and B could use these low probability negative growth rates (negative tail-end values) when forecasting for financial year 2020 to capture the business impacts of COVID 19. If the revenue decrease for Company B under this statistical methodology appears to be insufficient, it could employ negative revenue growth rates at 3rd or 5th percentiles as reported by a competitive company operating in the same sector which is usually used for benchmarking. Alternatively, sector tail end value could be employed.

Conclusion

This article illustrates three statistical methodologies to assist revenue

re-forecasting and measuring the revenue volatility for scenario building in the hindsight of COVID 19 pandemic. Statistical inferences presented on this article have been devised using revenue-based performance of 136 companies listed on CSE. These statistical inferences could also be used to complement other alternative revenue forecasting methodologies and facilitate benchmarking during turbulent time periods. Considering the uniqueness of each adversity and its context, experts' judgements could be incorporated into statistical forecasts with the view of minimising the forecasting error.

Disclaimer

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COVID-19 CHALLENGES THE MONEY GODS:

Impact on the Banking Sector and the Way Forward

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ABSTRACT

The Covid 19 outbreak in China and its subsequent acceleration as a pandemic have claimed the lives of over a quarter million people globally while destroying the livelihoods and social and economic well-being in all nations on an unprecedented scale. Countries have isolated themselves from the world by closing their boundaries and imposed local lockdowns to mitigate the spread. Currently, many countries are gradually opening-up and striving to restore normalcy amidst continuing

health risks. Sri Lanka is also currently in the opening-up stage. Authorities, research institutions and academics are attempting to measure overall as well as sector-wise the economic impacts of this outbreak in order to propose policy measures for a V-shaped economic revival. In this context this article aims to discuss the impacts on and the vulnerabilities of the banking industry in Sri Lanka and to provide options for the way forward to withstand current and future crises.

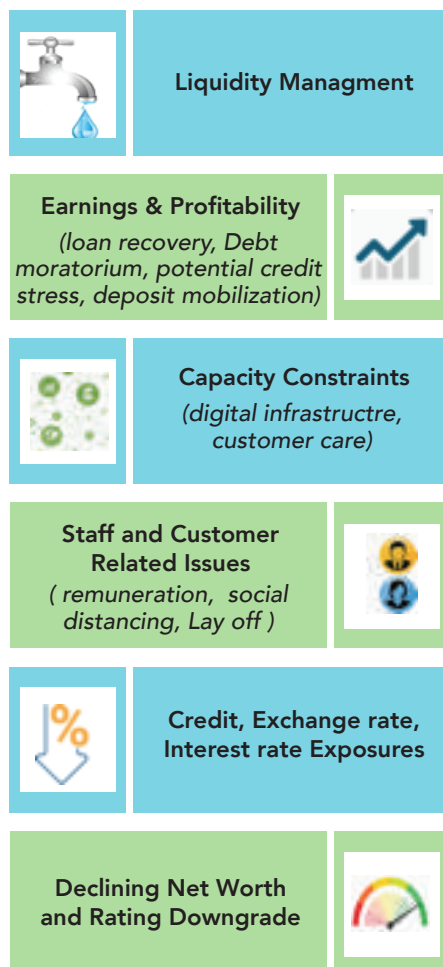
1.0 BACKGROUND

The world is moving to a recovery phase at present after several months of stagnation. Several multilateral institutions, governments, profit and non-profit organizations are collectively working tirelessly to reduce the social and economic costs of the pandemic and restore normalcy. The International Monetary Fund (IMF) has predicted that this pandemic could cause a deep recession globally, second only to the Great Depression. Months of 'Great Lockdown' and social distancing adopted locally and globally hit businesses badly by a loss of revenue resulting in subdued demand and breakdown of supply chains and logistic arrangements while continuing to bear a substantial portion of overhead cost, including salaries and wages. The banking sector is no exception.

2.0 THE IMPACTS AND VULNERABILITIES TO THE BANKING SECTOR

Banking is one of the key sectors that felt the immediate direct impact of the global outbreak of corona virus as well of the spill-over effects arising from other sectors of the economy. During the lockdown in Sri Lanka, the banking sector service was affected partly by limited physical access to banks and mainly by digital banking and mobile banking channels. The banking institutions in Sri Lanka suffered from several immediate adverse impacts and are expected to remain vulnerable over an extended period. Figure 1 shows the main impacts of the COVID-19 pandemic on banking institutions. They suffered due to a liquidity shortage triggered by heavy cash withdrawals by customers and the preference of banks to maintain adequate liquidity to meet any contingencies in the immediate aftermath of the lockdown. All central banks immediately responded to this need for liquidity by excessively pumping money to the market through conventional and unconventional measures. The Central Bank of Sri Lanka (CBSL) also took numerous measures including monetary policy easing, reduction of statutory reserve ratio (SRR), overnight and short-term open market operations and several other extraordinary regulatory measures to improve rupee liquidity conditions in the banks. However, a shortage of foreign exchange could still continue until foreign currency inflows to the economy and to the banking sector normalize. Over seven weeks of lockdown and inevitable economic disruptions are expected to severely impact the revenue generation capacity of the banks especially in an environment of already rising non-performing loans (NPLs) and declining profitability. Interruptions to international trade and travel and local businesses could also affect fee-based income to some extent. In addition to the short-term vulnerabilities, a narrow revenue stream of the banking is also envisaged in the coming years prompted by the local as well as

Figure 1:
Banking Sector Impacts and Vulnerabilities



global economic recession, thereby further narrowing profitability. The Sri Lankan banking system that relies heavily on rupee deposits (over 70% of total funding) could be impacted by a decline in bank deposits in an environment of business disruptions, increasing unemployment and low interest rates. Over-reliance on customer care, digital and mobile banking at an unprecedented rate have led to delays and disruptions in banking service deliveries as these systems were not designed and tested to handle massive volumes at once. Further, banks are facing many staff-related and customer [related operational issues. The current layout of the banking premises may not support required

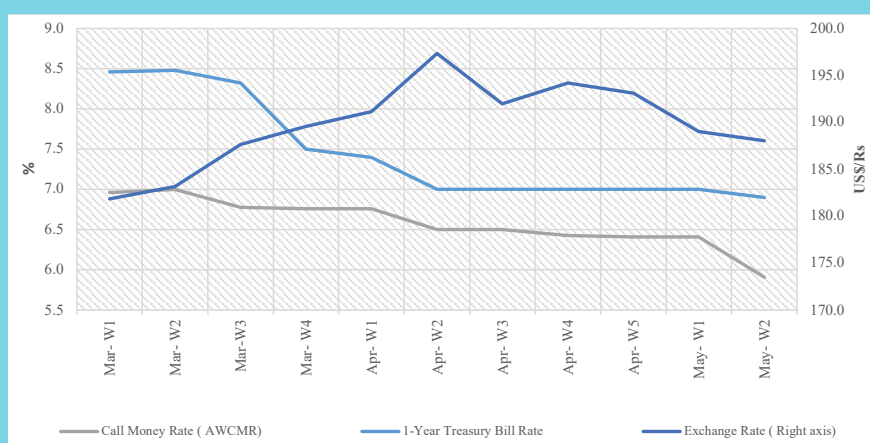
social distancing thereby interrupting service delivery while creating an uncongenial work environment for the bank employees. Further, in the backdrop of shrinking profit avenues banks may be compelled to rationalise their overheads by way of closure of non-critical bank branches, laying off contractual and non-critical employees, limiting training and development, slashing salaries and fringe benefits (staff costs accounted for 48% of non-interest expenses of the banking sector in 2019). All these control measures could cause several indirect adverse impacts on the banks in the coming years.

Banks are invariably exposed to several risks such as credit risk, market risks, liquidity risks etc. The business outlook of the banks in the near future is expected to be gloomy with more risk exposures in terms of credit, liquidity, exchange rate and interest rate. The NPLs of the banking system was already on an increasing trend even in the pre-pandemic period as shown in an increase in gross NPL ratio to 4.7% in 2019 compared to 2.5 % in 2017. This trend could be further aggravated with the epidemic and NPLs could reach a precarious level, creating gloom in the profitability and resilience of the banking system. Further, broad-based monetary policy easing all over the world and in Sri Lanka (as shown in interest rate movements in Figure 2) could pose interest rate risks to the banks. Time deposits contributed to 66.5 % of total deposits in 2019. Banks that are committed to offer higher interest rates on long-term time deposits are subject to sizable interest rate exposure under the current low interest rate environment. KPMG (2020) stresses that a low interest rate environment along with a flat credit growth will impact the net interest margin of the banking sector and partly negate the positive impacts of recently offered tax incentives. Similarly, banks' exchange rate exposure was also very high in the aftermath of the pandemic as the Sri Lankan rupee experienced severe pressure and volatility as shown in Figure 2. Another vulnerability to

note is the declining net worth and downgrading the contingent rating. The banking sector has lost over Rs. 54bn (20%) in market capitalization compared to the pre-pandemic level, even with seven weeks closure of the Colombo Stock Exchange. Meanwhile, Fitch Rating revised the banking sector outlook to 'Negative' in March 2020 quoting challenges on operating conditions, asset quality and profitability. Further, it downgraded three Sri Lankan banks' Issuer Default Ratings in May

2020 and maintained a Negative Outlook on the banks' ratings. Given the sovereign rating downgrade in April 2020 and the deteriorating operating environment further downgrading of the banking sector and individual bank rating cannot be ruled out. Meanwhile, any policy or regulatory changes being adopted to contain the spread and to support quicker economic recovery could weigh negatively on banking sector profitability.

Figure 2: Movements of Exchange Rate and Selected Interest Rates



Source: Weekly Economic Indicators, Central Bank of Sri Lanka

3.0 WAY FORWARD IN A CHANGING BUSINESS LANDSCAPE

The current pandemic and associated economic recession are very different from the adverse events that the world has witnessed in the past. Uncertainties to do with the scale, duration and frequency of waves of outbreak and socio-economic implications remain high. There is widespread consensus that the world will move to 'new normal' rather than returning 'back to normal'. Thus, banks need to operate innovative banking practices during this time of crisis, while pursuing future strategic plans with dynamic business models. Recent banking consumer 'pulse' survey findings of Boston Consulting Group confirm radical acceleration of digital transformations in retail banking with 24 % respondents (out of 5000 respondents from 15 markets) willing to skip or reduce branch visits and 44% of participants aged 18 to 34 enrolling in online or mobile banking for the first time. Banks' front office operation have to be managed carefully with limited staff rotated at different times on different days, strengthening customer care hotlines, digital banking and mobile banking facilities, shuffling staff to essential services, closure of non-critical bank branches, enhancing and extending the 'bank on wheels' distribution channel, constantly communicating and messaging with customers to reinforce brand image and quick staff training and preparation for changing working conditions. Showing empathy to customers with temporary debt relief, whether mandated by the government or not, and showing commitment to the local community and small and medium scale businesses would definitely pay off through customer loyalty and redefined brand image. Customers' discomfort and inexperience with virtual banking practices should be given due consideration in designing and implementing service delivery. Sri Lanka reports 32.9 million mobile connections with 150.8 mobile penetration

and 61.5 internet penetrations (connection per 100 persons). Banks could make use of these advances in telecommunication facilities to reach out to existing and potential customers to deliver banking services and carry out marketing and promotional campaigns with broad-based customer awareness initiatives. Automation of routine work, regulatory and risk compliance procedures and work from home and flexible working arrangements could reduce the burden on back office operations during this crisis and help going forward.

Banks should gradually prepare to face a dynamic operating environment in the medium to long term. Unparalleled challenges and changes created by the current pandemic have made digitalization imperative for future success. Until last year digitalization was rather an option for the banks. Now however banks are in a trap of 'forced' digitalization. Recent global experiences have proved that banks that have heavily invested in digital infrastructure have been successful in managing business continuity under lockdown with less stress and are at the edge of the competition. Careful preparation and adequate investment in digital infrastructure could be made by the banks to manage steep increases in demand for virtual service delivery. The Central Bank of Sri Lanka has already taken pre-emptive measures to facilitate faster digitalisation of the payments and settlements system by declaring 2020 the 'Year of Digital Transactions'. Increasing adaptation to e-commerce, e-wallets and other mobile payments redefine the future of finance business and payments and settlements. 'Banks interested in reducing the risks to their business, enabling integrated balance sheet management and modernizing compliance must develop a clear digital strategy, redesign core processes, and establish the right digital enablers' (BCG, 2020, p.5). In addition to facilitating digital banking, demographic changes with rapid aging in Sri Lanka should also be taken into consideration by the banks

in plotting future business strategies and in designing customized products and services. While the current crisis disrupted many businesses across the board, it has developed new avenues and acceptance for some business models and sectors, such as neobanks and fintechs. This creates both challenges and opportunities to traditional banks worldwide. Conventional financial institutions, while quickly preparing themselves to meet emerging competition from these unconventional models, should also be looking for opportunities to operate in collaboration with these new establishments. It is also the right time to build capacity to face any forthcoming large crises such as cyber threats and climate changes caused by natural disasters. Cyber security and risk management infrastructure have to be developed along with digital technology development. UN-ESCAP (2020) highlights that the threat of climate change outpaces the shift to green financing and the financial sector does only little to reduce this and invests only little. In Sri Lanka, the 'Roadmap for Sustainable Finance' has already been formulated with stakeholder consultation and all relevant authorities should actively engage in partnering and promoting green financing as an essential ingredient of future banking and finance. Lastly, the Sri Lankan banking system is exposed to the challenges and opportunities of the proposed International Financial City in the Colombo Port City. 'Despite several achievements in the past, the financial

sector of Sri Lanka could experience challenges in transforming itself into a state-of-the art financial service provider within the context of an international financial hub' (CBSL, 2020). The Sri Lankan financial sector, especially the banking sector, should build its capacity on several fronts to safely sail in the rough sea ahead of us.

4.0 CONCLUSION

It is widely believed that unlike the shock amplifier role played by the banks during the global financial crisis (GFC), banks should act as shock absorbers under the current health crisis and resultant economic recession. Thanks to the stringent regulatory norms and buffers built worldwide after the GFC, the Sri Lankan banking system too has built capital, liquidity and other buffers broadly according to the above the regulatory requirements. Also, the sector has proven its resilience

against several adverse events including three decades of internal conflict, GFC and the recent Easter Sunday attacks. As a backbone of the Sri Lankan economy the expectations of the people, government and the regulator of the banking industry's ability to mitigate wider socio-economic impacts of COVID crisis and to drive quicker economic turnaround is very high. Supported by easing monetary conditions and regulatory burdens, the sector will once again prove its stability and resilience, though with forgone profit and growth in the short term.

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Covid 19 Pandemic Business and professional challenges

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Abstract

2020 can be mentioned as a begin of a new era. We have a hope at the beginning .But unfortunately nightmare has come across the hope. Not only the country but also the whole world had been suffering from a huge health shock.covid 19 had become a real headache to all not only poor but also rich people suffered lot.More than 150000 died due to this health shock. The aim of this paper is to evaluate covid 19 Pandemic Business and professional challenges. Here I am going to evaluate how health shock lead to economic shock in the country and impact on accounting profession banking and finance sector .Personally as an accountant in an semi government authority with no government contribution I had faced a great difficulty to maintain a proper working capital flow. We have to take steps to face uncertainty and risky situation.

Key words: Accounting, Banking and Finance sector, IT

1) Introduction

Covid 19 was first identified in December 2019 in Wuhan the capital of Hubei province in China. Then it spread to the whole world in March 2020. We too had started to face this sad dangerous situation. The government of Sri Lanka had took several steps to prevent detect and respond to covid 19. They are

- 1) Keeping social distancing.
- 2) Traveling is prohibited and airports are closed
- 3) Island wide stick curfew

These all directly cause to drawback in economy. Development include both economic growth and sustainable development. As we all know health is wealth. In this dangerous situation government has to spend special attention to improve the health facilities. So what happened to the economy. Sri Lankan economy basically consist with manufacturing sector, service sector, retail and wholesale trade, textile sector, tourism and many more things. Health shock leads to economic shock. At the beginning of 2020 central bank estimate that Sri Lankan economic growth will be 4 percent but sad to said that at the end of the first quarter it had become a minus figure. Because of Keeping social distancing and strict curfews unemployment percentage had become increased. Self-employment industries destroyed. SME, plantation and all had faced a huge threat. Government main task is to protect human being so government donated many relief to the public.

2) Banking, Finance, Accounting and IT

As we know banks are back bone of any economy. There are three main categories of financial institutions in Sri Lanka.

- 1) Licensed commercial banks(LCB)
For example BOC, Peoples bank, NDB, Commercial bank, HNB, Sampath bank

2) Specialized commercial banks (SCB) For example NSB, SDB, RDB, HDFC

3) Licensed Finance companies(LFC)
For example LOLC, Peoples leasing, Valible Finance

Because of Covid 19 these financial sector had become a key task force. Government donated many relief to public through these financial institutions.

As an accountant in a semi government authority which had categorized as an essential service during the curfew I have to face great risky and uncertain situation during this time period. Banks specially BOC Rathnapura, NSB Kuruwita, Peoples bank Rathnapura, state mortgage bank, Sana sa, RDB. Sampath bank, HNB gave a great helping hand to me. our current accounts are held at boc Rathnapura other banks help me to deposit salary of 84 employees. We are not rich with IT facilities so during the curfew all tasks had been completed manually.

When curfew started we had an overdraft of 3.5 million which matured on 22nd of March I had to pay salaries on 25th. Debtors were locked down, no government aids. Luckily in this day I managed to settle the overdraft from internal funds. There was fund to purchase machinery. I used all these to settle the overdraft and the efficient bank once again grant 3.5 million overdraft to pay salaries. Here they had gone out of process to submit the overdraft. Then again problem arise because I have to find another 3.5 million to pay April salary on 8th of April. Also the governor had announced us to be an essential service. So I have to find much more money to maintain working capital cycle. Again bank gave a great helping hand to me. But I have to settle the overdraft before 22nd of April. It had become a real challenge. As debtors are locked down. Only debtor that active was hospitals and regional director health service office. To do our payments Regional office need certified bills from hospitals. Regional office is at the center of new town

but hospitals are at the corners of the district. Postal, transport all these had been restricted. So our team personally visit these places and collect bills to settle overdraft on time and improve our cash flow. So I was able to protect the reliability and going concern of the bank.

Government arrange many programs to grant relief to public through banks. Government had to maintain financial stability too. Actually it is not an easy task. As the first step on 24th March 2020 central bank had issued circular no 4 of 2020 and 27th of March circular no 5 of 2020. Both of them mentioned the relief to the public by the government. I myself had an opportunity to work under these circulars within my banking system.

3) Evaluating the theme using Related work and my own data

During the last few months covid 19 Pandemic is one of the main research topic. We can find many related work through papers, magazines, circulars as well as online.

Whole world is suffering from a huge economic draw back according to Vinson Marvin Fernando's 23rd April 2020 Lankanewswebnet(LNW) article covid 19 and economic growth of whole world during the first quarter can be summarized as follow.

Country	Economic growth
China	6.8% decrease
France	6% decrease
America	3%_4% decrease
Great Britain	0.4% decrease
Italy	0.3% decrease
Asian Zone	2.1% decrease
Whole world	1.5% decrease

In his analysis he also mentioned about Sri Lankan's economic growth for last 5 years.

Year	Economic growth
2015	5%
201	4%
2017	3.4%
2018	3.2%
2019	2.3%

Due to covid 19 any force could not be able to stop this economic growth become minus.

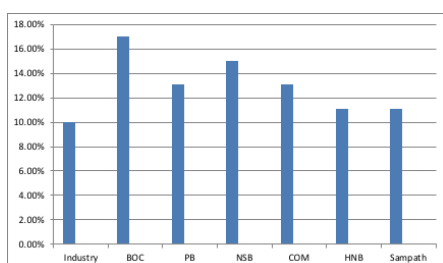
It is common to both developed and under developed countries. In such a situation government had to do a great sacrifice to provide relief to public through banking system.

A Primer on banking and finance industry published an article on impact of covid 19 on Sri Lankan banking and financial sector. From that article I got an idea of Sri Lankan banks Return on equity for 2019. As we all know

$ROE = \frac{\text{Net income (annual)}}{\text{Share holders equity}}$

Look at the following chart

Name of the bank	ROE
Industry	10.3%
Boc	17.4%
PB	13.9%
NSB	15.3%
COM	13.5%
HNB	11.6%
Sampath	11.8%



To maintain the above situation in 2020 and providing relief is not an easy task. But during this covid 19 Pandemic population is the most important asset. So to protect population government had taken various steps to maintain financial stability.

Vinson Marvin Fernando mentioned in his article about standard deposit facility rate, bank rate and statutory reserve ratio. Also how central bank had adjusted these rates to face these crisis and protect the Sri Lankan banking system. Here I am going to summarize it.

Central bank's policy interest rate is known as standing deposit facility rate (SDFR). Central bank took steps to reduce this rate. Currently it is 7%. Central bank had been reduced statutory reserve ratio to 4%. By this reduction liquidity of banks had been increased. Through these steps banks were protected and also the government financial burden too had been reduced. In this process bank rate too plays an important role. Bank rate is the rate charged by central bank as the lender of last resort in the process of providing loans to commercial banks. This can be mentioned as a material financial instrument central bank used to adjust monetary policy. Banking rates of certain years can be summarized as follows.

Year	Bank rate
1950	2.5%
1965	5%
1977	10%
2000	25%
2003	15%
2020	10%

Even during the civil war period this rate could not be reduced but during the covid 19 Pandemic it has been reduced by 5%. It is a huge step to protect Sri Lankan financial sector. As I mentioned earlier this topic is continuously researched and changes. While I am writing this I noticed that on 6th May Hiru news announced that central bank policy rate had been further reduced. Here I am providing a summary of that news.

Rate	%
SDFR	5.5%
SLFR	6.5%
Banking rate	9.5%
SRR	4.0%

In the page number 62 of A Primer on banking and finance industry article they had mentioned some other steps that the government had taken to protect financial sector.

3) Regulatory relaxation

- 1) D_SIB and Non_D_SIBs are permitted to draw down their capital conservation buffers by 100 bps and 50 bps respectively.
- 2) Defer enhancement of capital by LSBs until end 2022.
- 3) Liquid assets requirements maintained by LFCs has been reduced to 6% of savings deposits and 10% of time deposits.

By providing all these facilities to financial sector government tried to provide financial relief to public. As we all know $\text{spending} = \text{Money} + \text{Credit}$. If credit expansion boosts economic growth increases as it allows you to spend more than you earn. On the other hand credit contraction reduces economic growth. Paying back borrowings reduces growth as you must spend less than you earn. Here the main thing is covid 19 Pandemic. So public welfare is the main target.

4) Relief measures to assist covid 19 affected Business and Individuals

Here I am going to mention some important facts of circular no 4 and 5 of central bank issued on 24th March 2020 and 27th March 2020. Page no 62 of the article of a Primer on Banking and Finance industry had summarized some facts of these circulars.

Loan Moratorium

Period	Eligible Loans
6 months	Three wheelers, school vans, lorries, small good transport vehicles and buses and taxies. Affected industries in SME, Tourism, Apparel Plantation, IT etc and all other eligible sectors/ business eligible trade finance facilities maturing during period ending 25.03.2020
3 months	Personal loans and leasing rentals less than LKR 1 million
2 months	Temporary OD's
Up to 30.9.2020	Permanent OD's Eligible trade finance facilities maturing during period ending 25.03.2020. pawing facilities maturing during period ending 25.03.2020
Up to 31.05.2020	Personal loans to all private sector non executives given a moratorium.

As the accountant of semi government authority I have to face this loan moratorium of our employees. Sanasa issued first debt moratorium form. Then state mortgage bank and RDB issued debt moratorium forms. Other banks ask me to just took a request letter from each employee. At the time of circular issued March salary had been already deposited. So for the month of March only state mortgage and RDB account holder employee's get the benefit of personal loan moratorium. In practical I find two banks work beyond the circular and providing benefits of loan moratorium to their customers. It is a great task that we must appreciate. state mortgage bank Rathnapura gave moratorium facility to more than LKR 1mn personal loans during the month of April. Also NSB Kuruwita provide moratorium facility to more than LKR 1mn personal loans for the months of April and May. They count three months from April to June. According to circular moratorium form or request letter must submit

to the bank on or before 30th April. But Sri Lankan banks are very flexible and I saw in LinkedIn advertisement that this closing date had been extended up to 15th May. Banks provide all these extra facilities to full fill customer needs. As intelligent customers we must value their great service.

Now I am going to take the opportunity to mentioned some other facts in the circular.

- 1) Financial institutions shall charge a maximum interest rate of 15% on local credit card transaction of value up to Rs. 50000 the monthly payment on credit card shall be reduced by 50% and repayment of all all credit cards below the limit of Rs. 50000 to be extended until 30.04.2020.
- 2) Licensed banks shall extend the validity period of cheques valued less than Rs 500,000 until 30.04.2020.

This has also been extended up to 15th May 2020. I had been identified it from BOC Rathnapura branch during this week.

- 3) As the (5)th point of circular No 5 they had been mentioned about New working capital or investment purpose loan. Working capital loan is providing to 4% interest rate for maximum two years time period. This is known as covid 19 Saubagaya.

I had a chance to apply this loan as an accountant of our authority. Here working capital is something different. I have to inquire from the bank. They are only considering the obligatory expenses. For example salary, EPF, ETF, allowances, electricity, telephone, Insurance. Here I am providing the working capital flow I had prepared to apply Saubagaya covid 19.

WORKING CAPITAL STATEMENT FOR 2 MONTHS

	April	May
Monthly salary	3,013,260.00	3,050,000.00
EPF	244,636.20	250,000.00
ETF	61,159.80	65,000.00
Monthly salary_press	102,640.00	105,000.00
EPF_Presss	8,428.80	8,500.00
ETF_Press	2,107.20	2,500.00
Days pay salary._press	53,384.00	75,000.00
Days pay salary	198,550.88	200,000.00
Security service salary	104,000.00	110,000.00
Monthly allowances	36,675.85	50,000.00
Over time for essential workers	27,345.01	35,000.00
Director board allowances	54,000.00	54,000.00
Civil section casual salary Rathnapura	64,500.00	65,000.00
Civil section casual salary Kegalle	365,700.00	375,000.00
Electricity	365,700.00	40,000.00
Telephone	24,482.50	25,000.00
Insurance_Employee	13,144.00	15,000.00
Insurance_Fire	4768.14	5000.00
Taxes	200,000.00	200,000.00
TOTAL	4,615,102.53	4,730,000.00

4) According to the circular a moratorium for a period 25.03.2020 to 30.09.2020 will be granted for both working capital loans and investment loans.

Government had provide many financial relief to public.According to Vinson Marvin Fernando's analysis central bank had been provided 240 billion rupees of liquidity to the banking system and out of that amount 140 billion rupees had been gone to people and entrepreneurs. Also in the Primer on Banking and Finance industry article I saw a graph which represents that according to the data as of 28th April 2020 of central bank ,in January 2015 325,000 million rupees of currency had been held by public and in January 2020 it had been increased to 600,000 million rupees.Both these data proves that government had fulfilled their target.But what happened in the future? Will the future become another nightmare?

5) IT vs Sri Lankan Banking

Thanks to the information age whole Sri Lankan Banking system had been digitalized.Marvelous thing is that we can do our banking while sitting at home.At the door step of Boc Rathnapura branch there is a board which advertise about Digital banking.B App,smart pay ,digitalized pass book, DIGI self service banking some components of it. At NSB Kuruwita branch there are advertisements regarding NSB Reach,cash express money transfer,NSB E connect .Other banks too regularly advertised about e banking through internet and Mass media.During the covid 19 Pandemic NSB had full filled a great social responsibility through mobile ATM banking system.It was very useful to lockdown areas.But unfortunately most Sri Lankans are not using these e banking facilities.It was evident by huge queues in front of banks after the curfew was removed.

6) Conclusion or Summarized part

Threat still here.Risk and uncertainty had not been removed still.Huge amount of money within public. Government couldn't receive any financial aid from foreign countries yet.In the future we will surely sure receive some foreign financial aid. If we don't receive it on time.We will surely fall into a huge depth. Also government must encourage to improve local investments.Then only Sri Lankans can gain maximum benefits from refinance schemes. Hon President and government had been already encouraged to improve cultivation.It is a very important concept.By all these we must try to improve National income as well as economic growth.

As an accountant I had gain a huge experience during the covid 19 lockdown period about risk and uncertainty. The main lesson that I had learned is as an institute we must not depend on one bank.It is a huge threat during such a situation.Also we must save money and built up a fund.As this is an authority I am not permitted to open bank accounts in private sector.So I had proposed to the managementsent and glad to said that director board had approved my proposal and I was be able to opened a savings account at kuruwita NSB on 6th of May.In the future I hope to open a current account at Rathnapura main branch.I hope these steps will help me to face risky and uncertain situation in the future.

As I mentioned at the very beginning we are very poor regarding IT facilities .There are many E banking systems but sad to said that we even don't have slip system to pay salaries.I think our management must improve these facilities and also must train our employees to face risky and uncertain situation and also must train our employees to face risky and uncertain situations and as well as to work online during such a terrible situation. Also government must encourage banking system to spread

their e banking system to government sector too.As money is main germ Carrier I personally think that we must do it on time.

Eventually I think we all must start New era from 11th May 2020.We won the war which last for thirty years.We had also faced T.Sunami bravely.Then why can't we won this covid 19 Pandemic?Yes let's get together and do it.

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By CAMERON COOPER

There is no place for the faint-hearted in the next 12 months, as company leaders and finance teams brace for challenges on many fronts.

At a glance

- Companies and economies batten down the hatches for what looks to be a year of economic uncertainty and slow growth.
- Trade tension, regulatory changes and technological disruption are some of the factors driving uncertainty in 2020.
- Amid slow growth, CEOs, accountants and finance professionals will be called upon to help businesses navigate challenges.
- Increased automation will provide greater scope for accountants and auditors in risk management, strategic thinking and creative problem-solving.

As Grace Ng CPA contemplates the business outlook for the next 12 months, the enormity of the challenges facing her company – **SF Holding Company Limited**, an integrated logistics service provider based in China – is not lost on her.

Trade tensions continue to buffet economic confidence in Asia and elsewhere. Digital disruption poses the constant threat of tech-driven upstarts offering cheaper alternative services. Tough regulatory changes in China will also put her finance team on notice to meet compliance standards.

“The Chinese consumer market still enjoys a strong growth rate due to expanding domestic consumption, but the market demand has shifted

from higher-end to lower end products.” says Ng, the group CFO at SF Holding, which operates throughout China.

“For resource planning purposes, we don’t know for sure whether we’ll have strong growth in consumption and demand, or whether we will have weak growth, or whether such demand will come from the high end or the low end of the market. There are lots of uncertainties in the macro-economy, so we need to be very agile and responsive.”

Ng will closely monitor likely market trends for 2020 and beyond, while being wary of automatically assuming weak growth in the region.

“[The problem] if the market then

picks up unexpectedly is that our resources won’t be adequate to meet demand, and we’ll lag behind our competitors.”

Economic challenges on the horizon

Participants at the 2019 Bengaluru Tech Summit in Bangalore, India.

As economies slow around the world, the onus will be on CEOs, accountants and finance professionals to guide businesses of all sizes through stormy waters.

CPA Australia’s tenth annual **Asia-Pacific Small Business Survey** confirms that global trade tensions are likely to be the chief cause of a weakening in small business

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confidence.

The survey of small business owners in Australia, Mainland China, Hong Kong, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Vietnam reveals that small businesses that are growing strongly or that expect to grow strongly are far more likely to invest in technology, including new digital and online payment innovations. They also focus on customer satisfaction, innovation and social media to better engage with and understand their customers.

Tan Wee Ko FCPA, the CFO and executive director of Singaporean consumer electronics chain **Challenger**, agrees that 2020 is shaping up as an uncertain year for business.

"Our last global recession happened many years ago and, based on past cycles, it looks like the next one will be coming very soon," he says.

The impact of technological disruption will intensify pressure, according to Tan.

"This will result in a significant drain on companies' resources and a significant reduction in their profitability. Businesses will not only have to be on the lookout for their traditional competitors, but they must also be aware of the threats from non-traditional potential competitors using advanced technology to grab a part of their business."

The upshot? Tan expects job cuts across multinational and local corporations, forcing management to outsource services and production facilities to cheaper locations.

In India, multinational **Wipro** remains upbeat despite India's GDP growth slipping to 5 per cent for the first quarter of the 2020 financial year, the lowest in six years. Wipro provides IT, consulting and business process services to myriad sectors from from its headquarters in Bangalore.

Rajesh Udayamurthy CPA, who heads the Oracle sales, solutions and strategy for all regions except the Americas at Wipro, says India is "still performing far better than many other countries". He believes government tax incentives for business, robust foreign direct investment (FDI) policies and greater ease of doing business courtesy of digitisation and simplification of compliance mean the economy is well placed for steady growth.

For his fellow Indian CPA colleagues, Udayamurthy says an increasingly digitised economy means accountants will have to make the transition from being numbers people to becoming valued business consultants.

"There is a good future for CPAs here, as long as they are able to wear a consultant's hat and use numbers for business transformation. That's the future of accounting here and elsewhere."

What's ahead for auditing?

AMP's then acting CEO Mike Wilkins leaves the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in Melbourne in November 2018.

Auditing rarely appears on the front pages, but Australia's **Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry** and a general atmosphere of regulatory zeal across the region have clearly lifted the profile of this important discipline.

In Australia, Susan Drew, senior regional director of **Hays Accountancy & Finance**, says there has been a clear increase in internal auditing roles, especially in banking and financial services, "on the back of the royal commission".

"Internal audit has always been an

area that's been quite candidate short because it's quite a niche area, but we're definitely seeing a spike," she says.

Drew adds that while there will inevitably be some level of automation of the role in the future, there will still be a requirement for auditors who can provide "the human touch".

"Internal audit has always been an area that's been quite candidate short because it's quite a niche area, but its definitely seeing a spike." Susan Drew

More broadly, Tan says accounting professionals must be able to think strategically, link and anticipate potential issues or problems, and eventually solve them.

"Unfortunately, such skills cannot be entirely taught in classrooms and through continuous training," he says. "It will have to be learned over time with experience and lessons learnt from past mistakes."

Benjamin Jotkowitz, director of Benneaux Accounting Recruitment in Australia, says that as accounting professionals consider their career options in 2020, salaries will not be the only thing on their minds. Cultural fit is increasingly important for job seekers, along with work-life balance allowances such as the ability to work flexibly from home as required.

"That's what [the younger generations] are expecting as the norm, as opposed to always having to clock in and out," Jotkowitz says. He adds that it is incumbent on firms to keep up to date with technology trends. Tech-savvy candidates emerging from universities will balk at firms using old platforms.

"If a business or firm has legacy systems, the candidates will say 'thanks, but no thanks'."

Investing in technology

Visitors look at the newly launched OnePlus 7 and OnePlus Pro series

Source: CPA Australia. Copyright©2020 CPA Australia Ltd. Used by permission.

smartphones at the OnePlus Experience store in Bangalore, India, in May 2019.

According to the CPA Australia small business survey, Asian businesses are far more likely to be using technologies such as online sales, new payment technologies and social media than counterparts in Australia and New Zealand.

While digital disruption presents a threat to SF Holding, Ng says technology is also part of the solution. With a view to increasing the predictability of operating and financial outcomes, her finance team assists the business development and marketing teams, integrating financial predictions and narrowing the analysis on trends and data to inform strategy on product and service delivery. Weekly cost reports are also a critical element of planning. "I don't think we can do it all manually, because we have so many business units across China."

Udayamurthy says in India there is pressure on all businesses to continue to innovate and automate to remain competitive. Most companies, he says, are investing in IT automation labs to bring together transformative enablers such as a digital workforce, cloud ERP, advanced security (particularly on data privacy) robotic process automation and cognitive automation.

Economic opportunities abound

A pedestrian walks past a display by French luxury fashion brand Louis Vuitton in Causeway Bay, Hong Kong, China.

In 2020, there is little doubt that the smart business leaders – in addition to investing in the strategic management skills of their enterprises – should be targeting opportunities in the fast-growing economies of Asia.

Tan says challenges for finance professionals will increase as CFOs

are called on to anticipate and solve complex issues that have the potential to impact finances.

"[However], these challenges provide an opportunity for CFOs to demonstrate their ability to deal with multidimensional problems and become an important part of the senior management team."

Ng says soft skills such as leadership credentials and the ability to communicate will be paramount. Most importantly, senior leaders must be able to pivot quickly.

"What may be your cash cow now could in a few months be killed off by a new business model that comes totally out of nowhere," she says.

The high end of the market – that is, the express delivery of luxury items – has been a money-maker for SF Holding, but Ng knows things can change quickly. Whereas finance teams once focused on what was profitable and what was not profitable, the emphasis now is on what competitors are doing and responding appropriately.

"For example, we may have to give more discounts to make sure we keep our market share. When there is digital disruption, usually these new services or products are free [at first] or very cheap. Sometimes you have to give up your [short-term] profits in order to be able to keep your competitors out."

Accountants mean business on ESG

As expectations rise for businesses to become more sustainable through an environmental, social and governance (ESG) lens, **accountants will be in the spotlight.**

How? Through corporate reporting that helps companies integrate non-financial and financial information; and through auditing that informs stakeholders and helps businesses achieve their sustainability objectives.

Dr John Purcell FCPA, CPA Australia's ESG policy adviser, says there will be debate about how auditors and accountants contribute to corporate and economic transformation in relation to the challenges of climate change and associated issues such as biodiversity loss and the degradation of ecosystems.

"There needs to be a clearer understanding from accountants of the complex interconnection between environmental challenges and opportunities, and economic activity," he says.

Purcell envisages accountants playing a key role in understanding such opportunities, for example, how financial numbers can inform ESG decision-making. Yet accountants will have to go beyond mere figures, and ascertain what those financial numbers mean in terms of the prospects and opportunities for an organisation, and at the same time grapple with a proliferation of non-financial ESG-type disclosures. In this sense, their soft skills will be tested.

Accountants should relish the challenge. "It's an opportunity to engage," Purcell says. "Never before has the profession been in a better position to understand some of the global trends that are taking place." What is clear is that in the future, ESG reporting must become part of a healthy business environment, rather than a burden. This includes responses to the Modern Slavery Act, which requires entities to make annual reports on their actions to address slavery risks in their operations and supply chains.

Purcell says, as a consequence, accounting practices will require a deeper understanding, analysis and focus on supply chains, including elements such as blockchain.

Improved transparency will also come to the fore as corporate governance goes well beyond shining a light on internal behaviours only, Purcell observes.

"It opens organisations up and gives them an opportunity, the wherewithal and the tools to analyse their practices... not so much to be able to detect instances of poor practice and wrongdoing, but to actually build resilience, which prevents the incidents from happening in the first place."

Regulatory frameworks in the spotlight

Expect the regulatory environment to again be in the headlines in 2020 across the Asia-Pacific region.

A **parliamentary joint committee inquiry into the regulation of auditing in Australia** has been established, with a report set to be issued in March 2020. The inquiry will consider, among other issues, the relationship between auditing and consulting services and potential conflicts of interest.

The move comes as CPA Australia also issues a call for a review of the current financial advice frameworks to address regulatory complexity, with general manager external affairs Paul Drum FCPA commenting that "the wholesale review must identify policy changes needed to ensure that consumers can access quality, affordable advice from their choice of trusted adviser".

Regulatory frameworks are in the spotlight in China, too. The Chinese Government is making changes to the business environment – for domestic and foreign firms alike – that are expected to vastly increase the amount of data companies must share with authorities.

The idea is to collate information from businesses and integrate it into a centralised digital database, according to the European Union Chamber of Commerce in China. The move has been likened to a social credit system under which regulators could rate companies according to compliance with regulations, and

put them on blacklists if they do not adhere to the rules.

Ng says there is no doubt such digitally driven reforms could put additional pressure on finance teams, which could be subject to a "red flag" if they get reports wrong or do not comply with regulations.

"If you do not have a good system to capture that red flag, then there will be real compliance issues."

In Singapore, Tan says complexity around finance and accounting-related rules has stabilised. The regulators are zeroing in on issues such as sustainability, carbon footprint and personal data protection.

He adds that the buck will stop with CFOs in terms of compliance. "[They] will inevitably be expected to have oversight and ensure adherence. This will add to the existing demands of a CFO."

State of the job market

There is good news for accounting and finance professionals seeking permanent work in Australia.

Recruitment agency Hays reports that the permanent recruitment market has been "busier and more buoyant" since the start of the financial year, and notably after the end of the federal election in May. Permanent roles have increased by about 25 per cent compared with 2018.

"People were probably holding ground in the lead up to the election, and they now have more confidence," Susan Drew says.

Benjamin Jotkowitz comments that the Big Four accounting firms are "doing it tough" in terms of retaining staff and recruiting new talent.

"The feeling we get is that most candidates want to move out into industry... if they've got no desire to move into a partnership level," he says.

More than ever, Jotkowitz says accountants want to be in client-facing advisory roles "doing analysis, forecasting and budgeting".

According to the **FY2019/20 Hays Salary Guide**, senior finance salaries in Australia are not rising above CPI, the exception being in-demand analysts, management accountants and commercial managers who can analyse a vast array of data.

Drew says the greatest potential for salary hikes comes in the form of counter offers for candidates looking externally "because [firms] don't want to lose talent".

The **2019 Hays Asia Salary Guide** reports that in China, the consumer goods industry – including fast-moving consumer goods (FMCG), retail and luxury – is undergoing a digital transformation, which is creating demand for talent around digital and e-commerce finance.

In Hong Kong, compliance work is strong, while the emergence of artificial intelligence, cloud technology and blockchain has led to demand for candidates with different skill sets to the norm within the accountancy and finance and risk and compliance fields.

In Singapore, accountants and finance managers are being sought to ensure corporate governance and compliance standards are met.

CPA Australia has an existing Member Pathway Agreement with CMA Sri Lanka, to find out more, visit <https://www.cpaaustralia.com.au/become-a-cpa/professional-bodies/icmasl>



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