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**A study of Incentives Offered by the BOI for the
Software Development and IT Training Sub Categories
of the IT Sector**

A case study

By

C. Gamlath

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Master of Business Administration

Faculty of Commerce & Management Studies

University of Kelaniya,

Sri Lanka



Abstract

A pilot study carried out by the researcher revealed a decreasing trend of applications for IT sector of the BOI from 2000 – 2009. It was further observed that this downward trend is attributed only to the two sub categories, IT training and Software development. The objective of this empirical case study is to find out whether there is a relationship of the suitability of BOI incentive package with the downward trend of applications. BOI incentive package is a set of incentives and eligibility criteria. Incentives are exemption from income tax custom duty and Exchange control regulations. Eligibility criteria comprises of minimum levels of investment, employment and export. If any of the criteria is not fulfilled, incentives will not be granted. It was hypothesized that there is a relationship of the suitability of BOI incentive package with the downward trend in new applications. The problem concerned was observed in three different angles. Applications submitted from 2000-2009, opinion of non-BOI companies and views of key government and non government officers were examined. Primary data collection is conducted using a questionnaire and interviews while using secondary data for support. It was observed that the downward trend of IT training applications is merely an internal diversion of new applications to another sub sector in BOI portfolio. Therefore, only the software development category has to be focused in the study. Case study research method was adopted in conducting the study. Data analysis was done using MS Excel 2007. Descriptive statistics, linear and multiple regression, chi square and z test were the statistical techniques used for analysis. Results of primary and secondary data analysis show that only income tax exemption is the useful incentive for companies. Other two incentives are less useful. Only the export criteria can be fulfilled by the majority of companies. Other two criteria are difficult to fulfill. Accordingly, there is a mismatch of the BOI incentive package with industry requirements for software development. However, there is no relationship of the suitability of the incentive package with the downward trend of applications. The contribution of the other factors is higher than that of the mismatch of BOI incentive package to the downward trend of applications.