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MINISTRY OF INDUSTRY AND ENTREPRENEURSHIP DEVELOPMENT

Industrial Development Board

Performance Analysis Report

Planning Division - 2026

Industrial Development Board

1. Introduction

1.1 Brief Introduction of the Institution

The Industrial Development Board (IDB), established under the Industrial Development Act No. 36 of 1969, is a key statutory institution responsible for promoting and facilitating industrial development in Sri Lanka. Operating under the Ministry of Industry and Entrepreneurship Development, the IDB provides a wide range of technical, technological, business development, infrastructure, training, and advisory services to support entrepreneurs and industrial enterprises. While historically focused on the development of small and medium-scale industries, the IDB has evolved to play a broader role in strengthening industrial competitiveness, productivity, innovation, value addition, technology adoption, and market access. Through its island-wide network of regional offices, industrial estates, technical facilities, and specialized services, the IDB contributes to developing an innovation-driven, export-oriented, and environmentally sustainable industrial sector while supporting the growth and transformation of local enterprises and enhancing their competitiveness in both domestic and international markets.

Vision

"Development of all industries all over Sri Lanka"

Mission

"Provide the strategic, technological & commercial foundation needed to encourage, promote & develop all industries all over Sri Lanka"

Key Services and facilities provided for the industries by the Board

- Provide management training, marketing assistance, services related to entrepreneurship development and consultancy services.
- Disseminate industrial information to industrialists, clients, and IDB staff.
- Raise awareness among SMEs and potential entrepreneurs about emerging and priority business areas.
- Deliver technological services and develop foundry facilities for the local metal industry to recycle metal scraps and reduce metal imports.
- Prepare project proposals to secure funding and approvals from relevant institutions.
- Offer product development, testing, extension, and consultancy services for industrialists in the rubber sector.
- Provide facilities and support for the development of leather products and footwear.
- Provide engineering services & metallurgy testing services for industries.
- Assist to develop automobile industry, component manufacturing.
- CNC machinery services and workshop facilities.
- Provide Industrial layout, industrial facility design and industry infrastructure development services.

1.2 Goals

- Decrease the "Ease of Doing Business" Rank from 99 to below 50 by 2030.
- Increase the Entrepreneurship percentage (Increase industry Formation) - from 2.8% to 10% by 2030.
- Increase the manufacturing industry contribution to the GDP - from 15% to 25% by 2030 (Stability - New/ Existing industries).
- Improve the current per capita exports (596 US$) up to (1527 US$), 50% of global average (3055 US$) by 2030.
- Increase Land extent percentage for industrial zones from 0.04% to 1% by 2030.
- Reduce GHG emissions against the BAU scenario by 7% in the industry sector by 2030 through enhancing mitigation activities while embracing and incorporating resource efficiency, green technology and circular economy concepts.

1.3 Challenges

- **Limited Internationalization and Global Market Connectivity**

Despite the potential of Sri Lankan industries, particularly SMEs, their participation in international markets and global value chains remains limited. Weak export linkages, inadequate market intelligence, limited international business networks, and insufficient coordination among trade promotion institutions and overseas representations constrain the ability of local enterprises to identify and sustain export opportunities. The absence of clear export performance indicators and systematic monitoring mechanisms further limits the effectiveness of interventions aimed at supporting international market expansion.

- **Slow Technology Upgrading and Limited Innovation Capability**

Many local industries continue to operate with outdated technologies, machinery, and production processes, affecting productivity, quality, efficiency, and competitiveness. Limited access to advanced technologies, research and development facilities, product innovation support, and technology transfer mechanisms restrict value addition and prevent enterprises from meeting increasingly demanding international standards.

- **Gaps in the Export Promotion and Trade Facilitation Ecosystem**

The existing institutional and policy environment does not always provide sufficient support for SMEs seeking to expand into export markets. Limited access to strategically beneficial trade partnerships, complex regulatory procedures, and fragmented institutional support can discourage enterprises from pursuing export-oriented growth. Strengthening trade facilitation, institutional coordination, market intelligence, and strategic partnerships is therefore essential to create a more supportive environment for export development.

- **Limited Financial Capacity for Development and Industrial Transformation**

Financial constraints remain a significant challenge to the implementation of development programmes and industrial modernization initiatives. In some instances, financial resources intended for development activities have been redirected to address recurrent expenditure requirements, reducing the funds available for strategic investments. This limits the IDB's capacity to expand technology upgrading programmes, infrastructure development, innovation initiatives, and other interventions necessary to respond to emerging industrial needs.

- **Constraints in Industrial Land Development and Infrastructure Expansion**

The availability of suitable land and infrastructure remains a major constraint to industrial expansion. Lengthy legal and administrative procedures associated with land acquisition and development can delay the establishment of new industrial zones. Furthermore, the absence of an integrated and systematic mechanism, such as a digital industrial land bank, limits the efficient identification, planning, and utilization of land for industrial investment at national and regional levels.

- **Human Resource Capacity Constraints within the IDB**

The IDB faces shortages of adequately qualified technical, professional, managerial, and field-level personnel. These capacity gaps affect the institution's ability to effectively implement development programmes, provide specialized advisory and technical services, monitor industrial activities, and respond promptly to the evolving requirements of entrepreneurs and industries. Strengthening the institutional human resource base is therefore critical to improving operational efficiency and service delivery.

- **Inadequate Investment in Skills and Human Capital Development**

The availability of skilled technical, managerial, and entrepreneurial human resources remains essential for achieving industrial transformation. However, limited investment in training, professional development, and capacity-building programmes constrains the development of the skills required for technology adoption, innovation, productivity improvement, and modern industrial management. Enhanced investment in human capital is therefore necessary to build a workforce capable of supporting a competitive, knowledge-based, and technology-driven industrial sector.

2. Progress

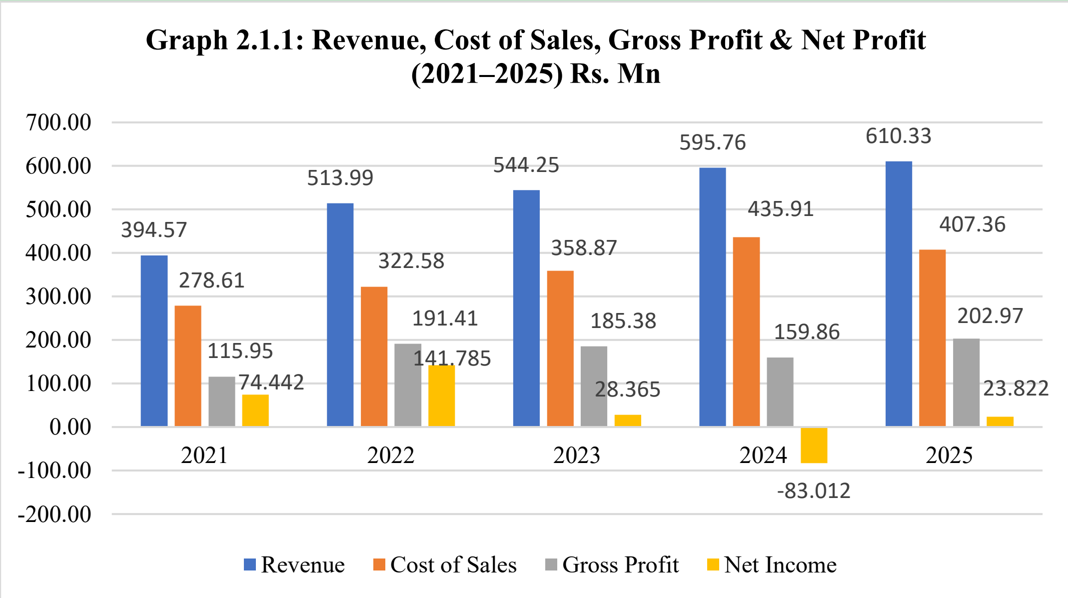
2.1 Analysis of the Income Statement

2.1.1 Table: Income Statement

	2021	2022	2023	2024 Re-stated	2025
Revenue	394,565,726	513,989,237	544,248,359	595,763,280	610,327,831
Cost of Sales & Services	(278,614,556)	(322,580,951)	(358,869,304)	(435,906,373)	(407,358,169)
Gross Profit	**115,951,170**	**191,408,285**	**185,379,056**	**159,856,907**	**202,969,662**
Interest Income	5,812,667	14,955,664	24,622,036	16,110,862	10,787,748
Other Income	106,106,069	169,466,895	282,321,681	352,824,195	259,807,850
Government Recurrent Grant	465,750,000	505,400,000	598,195,000	500,000,000	500,000,000
Administrative Expenses	(624,810,763)	(694,238,619)	(732,020,710)	(837,522,637)	(873,042,414)
Sales Distribution Expenses	(8,902,791)	(59,189,699)	(340,618,701)	(251,169,061)	(97,160,515)
Results from Operating Activities	59,906,352	127,802,526	17,878,362	(59,899,734)	3,362,332
Finance Costs	(588,050)	(1,070,001)	(1,281,878)	(1,543,825)	(1,243,493)
Net Income/(Loss) Before Tax	59,318,302	126,732,525	16,596,485	(61,443,559)	2,118,839
Income Tax	-	-	-	-	(635,652)
Net Income / (Loss) After Tax	-	-	-	(61,443,559)	1,483,187
Other Comprehensive Income	15,123,409	15,052,636	11,768,860	(21,568,123)	22,339,146
Net Income /(Loss) for the year	**74,441,711**	**141,785,161**	**28,365,345**	**(83,011,682)**	**23,822,333**
Gross margin ratio	0.293	0.372	0.341	0.268	0.332

2.1.1 Analysis of the Financial Performance (2021 - 2025)

The financial performance of the Industrial Development Board (IDB) during 2021–2025 demonstrates a generally improving revenue and gross profitability trend, despite fluctuations in overall financial results. Revenue increased from Rs. 394.57 million in 2021 to Rs. 610.33 million in 2025, while gross profit increased from Rs. 115.95 million to Rs. 202.97 million, with the gross margin improving from 29.3% to 33.2% over the period. However, rising administrative expenditure and fluctuations in sales distribution expenses exerted significant pressure on operating performance, resulting in a net loss of Rs. 83.01 million in 2024. In 2025, the financial position improved considerably, supported by a reduction in sales distribution expenses from Rs. 251.17 million to Rs. 97.16 million, enabling the Board to record an operating profit of Rs. 3.36 million and a net profit of Rs. 23.82 million. Nevertheless, the continued increase in administrative expenditure and reliance on government recurrent grants highlight the need for enhanced cost management, revenue diversification, operational efficiency, and strengthening of the IDB's financial sustainability to support its long-term industrial development mandate.



The chart indicates that the IDB's revenue demonstrated a consistent upward trend from Rs. 394.57 million in 2021 to Rs. 610.33 million in 2025, reflecting improved revenue-generating capacity. Gross profit also increased overall, reaching Rs. 202.97 million in 2025, supported by a reduction in the cost of sales compared with 2024. However, net financial performance fluctuated significantly, with the Board recording a net loss of Rs. 83.01 million in 2024, followed by a recovery to a net profit of Rs. 23.82 million in 2025.

Overall, the trend reflects an improvement in the Board's financial performance in 2025, while highlighting the continued need for effective cost management and strengthening of sustainable revenue generation.

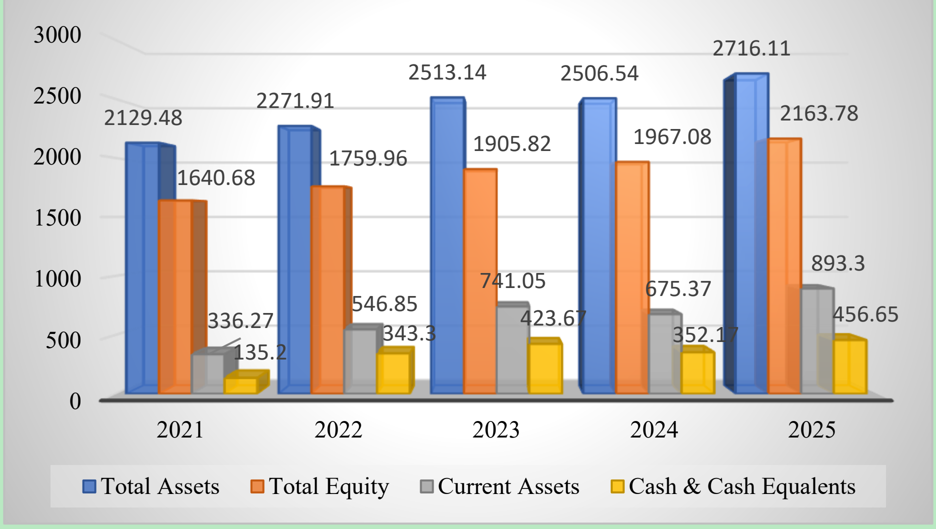
2.2 Financial Situation Analysis

Table 2.2.1 : Balance Sheet

	2021	2022	2023	2024 Re-stated	2025
Property Plant & Equipment	509,254,296	502,155,629	514,399,739	549,484,837	592,200,421
Investment Property	1,115,390,943	1,184,286,002	1,199,665,852	1,184,402,063	1,159,848,332
Capital Work-in-Progress	83,721,066	38,614,504	58,024,100	97,280,201	70,767,682
Fixed Deposits	84,841,643			-	-
	1,793,207,948	**1,725,056,135**	**1,772,089,691**	**1,831,167,101**	**1,822,816,436**
Current Assets					
Inventories	25,947,972	46,718,615	78,085,026	96,244,584	141,596,384
Trade & Other Receivables	24,932,232	23,567,675	39,999,292	20,032,889	27,664,459
Other Current Assets	48,626,679	45,914,025	57,899,539	89,460,174	76,048,948
Deposits & Pre-Payments	88,070,127	78,001,365	126,763,984	102,030,252	174,470,162
Receivable - Special Projects	13,491,040	9,348,448	14,629,625	15,432,465	16,870,507
Cash & Cash Equivalents	135,203,479	343,300,457	423,674,387	352,173,230	456,645,073
	336,271,529	**546,850,584**	**741,051,852**	**675,373,594**	**893,295,534**
Total Assets	**2,129,479,477**	**2,271,906,719**	**2,513,141,544**	**2,506,540,695**	**2,716,111,970**
Equity and Liabilities					
Capital and Reserves					
Differed Capital Grant	304,455,733	258,758,672	314,264,535	463,952,853	611,066,703
Capital Reserves	6,243,013	6,243,013	6,243,013	6,243,013	6,243,013
Value of Assets Transferred	13,447,061	13,447,061	13,447,061	13,447,061	13,447,061
Surplus on Revaluation of Fixed Assets	960,696,321	960,696,320	960,696,320	960,696,320	960,696,320
Differed Government Grants - Capital Projects	556,582,142	581,577,397	643,854,473	625,761,976	651,514,140
	1,841,424,270	1,820,749,463	1,938,505,402	2,070,101,223	2,242,967,237
Government Grants					
Accumulated Losses	(200,739,910)	(60,791,523)	(32,682,441)	(103,016,888)	(79,191,293)
Total Equity	1,640,684,359	1,759,957,940	1,905,822,961	1,967,084,335	2,163,775,944
Non-Current Liabilities					
Provision for Gratuity	206,131,395	206,829,087	188,634,080	210,861,836	195,815,898
Grants for Special Projects		661,300	30,630	76,246	76,246
	206,131,395	**207,490,387**	**188,664,709**	**210,938,082**	**195,892,145**
Current Liabilities					
Dues to Government	74,779	54,929	40,994	75,532	75,232
Dues to Corporation	8,196,956	7,759,526	15,060,823	8,454,407	10,369,829
Bank Credit Balances	-	-	-	-	-
Provisions and Accrued Expenses	274,391,987	296,643,936	403,552,056	319,988,339	345,998,820
	282,663,722	**304,458,392**	**418,653,873**	**328,518,277**	**356,443,881**
Total Equity & Liabilities	**2,129,479,477**	**2,271,906,719**	**2,513,141,544**	**2,506,540,695**	**2,716,111,970**
Current Ratio	**1.19: 1**	**1.8: 1**	**1.77: 1**	**2.06:1**	**2.51:1**
Cash Ratio	**0.478**	**1.128**	**1.012**	**1.072**	**1.281**

The financial position of the Industrial Development Board (IDB) indicates a progressive strengthening of its asset base, liquidity, and overall equity position during 2021–2025. Total assets increased from Rs. 2.13 billion in 2021 to Rs. 2.72 billion in 2025, mainly supported by growth in Property, Plant and Equipment and current assets. Current assets increased substantially from Rs. 336.27 million to Rs. 893.30 million, with cash and cash equivalents rising from Rs. 135.20 million to Rs. 456.65 million, indicating a significant improvement in the Board's immediate liquidity position. This is reflected in the current ratio, which improved from 1.19:1 in 2021 to 2.51:1 in 2025, indicating a stronger capacity to meet short-term obligations. Similarly, the cash ratio increased from 0.478 to 1.281, demonstrating that cash and cash equivalents in 2025 were sufficient to cover current liabilities. Total equity also increased from Rs. 1.64 billion in 2021 to Rs. 2.16 billion in 2025, supported mainly by deferred capital grants and government grants for capital projects, while accumulated losses reduced from Rs. 200.74 million to Rs. 79.19 million. Although non-current and current liabilities remained relatively contained, the continued reliance on government capital grants highlights the importance of strengthening internally generated resources and financial sustainability. Overall, the trend demonstrates improved financial stability, stronger liquidity, and a growing asset and equity base, providing a more favorable financial foundation for the IDB to implement its industrial development mandate.

Graph 2.2.1: Trend of Key Financial Performance Indicators 2021 – 2025 (Rs. Mn)



The chart indicates a generally strengthening financial position of the Industrial Development Board (IDB) during 2021–2025**.** Total assets increased from approximately Rs. 2.13 billion in 2021 to Rs. 2.72 billion in 2025, while total equity increased from Rs. 1.64 billion to Rs. 2.16 billion, reflecting growth in the Board's overall asset and equity base. Current assets also increased significantly, from Rs. 336.27 million to Rs. 893.30 million, supported by the growth in cash and cash equivalents from Rs. 135.20 million to Rs. 456.65 million. The temporary decline observed in 2024 was followed by a notable recovery in 2025, with all four key indicators reaching their highest levels during the period. Overall, the trend reflects improved liquidity, stronger financial stability, and enhanced capacity to support the IDB's ongoing industrial development activities and future investments**.**

2.3 Performance of Industrial Estates over last few years

Table 2.3: Industrial Estates Progress

No.	Development of Industrial Estates	2023	2024	2025
1	No. of total industrial estates established	17	19	19
2	Total number of industries engaged in commercial production - Cumulative	291	321	336
3	Total employment opportunities generated	8595	8890	9110

During the period 2023–2025, the performance of Industrial Estates demonstrated a gradual expansion in industrial activity and employment**,** despite the number of operational industrial estates got changed up to 19. The cumulative number of industries engaged in commercial production increased from 291 in 2023 to 336 in 2025, representing an overall growth of approximately 15.5%**.** Consequently, total employment opportunities increased from 8,595 to 9,110 during the period, indicating improved utilization of industrial estate facilities and growing private-sector participation.

2.4 Summary of Financial Assistance provided for industries

Table 2.4: Progress of financial assistance provided for industries

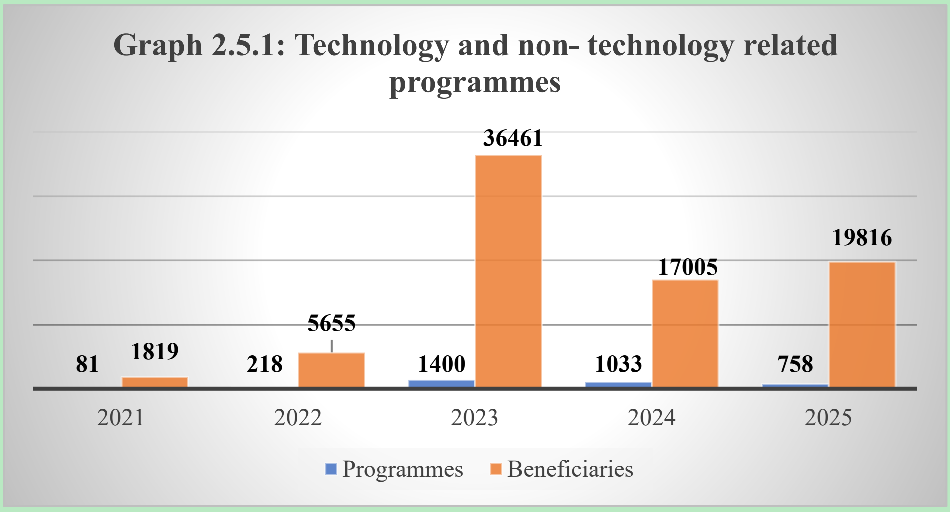
New Projects for Small and Medium-Scale Enterprise Development		2023	2024	2025
1	Industry Development Fund	33	86	82
2	Other financial assistance provided for SMEs	930	534	471
	Total	**963**	**620**	**553**

Financial assistance to SMEs also declined over the period, from 963 enterprises in 2023 to 553 in 2025. Assistance through the Industry Development Fund increased substantially from 33 enterprises in 2023 to 86 in 2024, before slightly declining to 82 in 2025. Other financial assistance to SMEs decreased from 930 enterprises in 2023 to 471 in 2025. This indicates the need to strengthen and expand financial support mechanisms, particularly to facilitate new investments, technology upgrading, productivity improvement, and the transition of small enterprises into medium-scale industries.

2.5 Performance of training programmes provided for industries

Table 2.5 : Summary of Training Programmes

Training opportunities provided for manufacturing industries	2021	2022	2023	2024	2025
Human resource development (number of training opportunities provided)					
1. Skill and capacity building – non-technology related					
1.1 No. of programmes	13	47	397	246	125
1.2 No. of beneficiaries	759	2,573	14,618	4,924	4,287
2. Skill and capacity building – technology related					
2.1 No. of programmes	68	171	1,003	787	633
2.2 No. of beneficiaries	1,060	3,082	21,843	12,081	15,529
Total No. of programmes	**81**	**218**	**1,400**	**1,033**	**758**
Total No. of beneficiaries	**1,819**	**5,655**	**36,461**	**17,005**	**19,816**



During 2021–2025, IDB's training activities expanded significantly, with total programmes increasing from 81 in 2021 to 1,400 in 2023, before declining to 758 in 2025. Beneficiaries similarly increased from 1,819 to 36,461 in 2023 and stood at 19,816 in 2025. Technology-related training became the dominant focus, accounting for 633 programmes and 15,529 beneficiaries in 2025, reflecting the growing emphasis on technology adoption and industrial skills development. Overall, the trend demonstrates strengthened human resource development, while highlighting the need to sustain programme delivery, broaden industry participation, and align training more closely with emerging industrial skills requirements.

Overall, the five-year trend demonstrates a significant strengthening of IDB's contribution to industrial human resource development, with a clear shift towards technology-oriented skills and capacity building. Despite fluctuations in the number of programmes and beneficiaries after the 2023 peak, training activities continued to reach a substantial number of industry participants in 2025. Going forward, greater emphasis should be placed on sustaining training delivery, addressing emerging industry skill gaps, and strengthening outcome-based training to support productivity, innovation, technology adoption and industrial competitiveness.

3. Challenges and Suggestions for Improving the Organization

Table 3.1 : summary of the challenges and suggestions

Key Challenges	Suggested Measures for Improvement
1. Limited Financial Resources for Development Activities – Increasing recurrent expenditure and constrained development allocations have limited the resources available for infrastructure modernization, technology upgrading, industrial estates, technical services and new development programmes.	Strengthen financial sustainability by improving internally generated revenue, introducing cost-recovery mechanisms where appropriate, prioritizing high-impact capital projects, and securing Treasury, donor and development-partner funding for strategic industrial development programmes.
2. Ageing Infrastructure and Technical Facilities – Several IDB industrial estates, workshops, laboratories, training facilities and other technical infrastructure require modernization to meet current industrial requirements.	Implement phased modernization of IDB infrastructure, prioritizing industrial estates, technical laboratories, machinery workshops, training centers and shared facilities based on industry demand and economic impact.
3. Limited Technology Upgrading and Industry 5.0 Readiness – Many local industries, particularly MSMEs, have limited access to modern machinery, automation, digital technologies, product development facilities and advanced manufacturing capabilities.	Establish and strengthen technology and innovation support facilities, including the Component, Product Development and Tooling (CPT) Centre, automation and digital manufacturing services, technology-transfer programmes and industry–research collaborations.
4. Human Resource and Institutional Capacity Gaps – Vacancies and shortages of technical, professional, managerial and field-level personnel affect the implementation of programmes and timely delivery of specialized services.	Implement a structured human-resource strengthening programme covering recruitment against priority vacancies, succession planning, professional development, technical training and continuous upskilling in emerging industrial technologies, digitalization, export development and project management.
5. Financial and Operational Sustainability of Industrial Estates – Industrial estates require continuous infrastructure maintenance, upgrading and effective utilization, while land availability and acquisition processes can constrain further expansion.	Develop a comprehensive Industrial Estate Development and Management Framework, including estate-level business plans, infrastructure rehabilitation, improved occupancy and land utilization, digital land information, and mechanisms to attract suitable private investment.
6. Limited Integration of Local Industries into Export and Global Value Chains – Local enterprises continue to face difficulties in export readiness, international certification, branding, market intelligence and establishing sustainable international business linkages.	Strengthen export-oriented industrial development through targeted export-readiness programmes, international certification support, product branding and packaging, market intelligence, trade missions, and stronger collaboration with trade promotion agencies and overseas missions.

Key Challenges	Suggested Measures for Improvement
7. Limited Private Sector, Academic and Research Collaboration – Opportunities for technology transfer, innovation, commercialization, product development and industry-based research can be further strengthened through stronger institutional partnerships.	Expand Public–Private–Academic Partnerships by developing structured collaborations with large industries, universities, research institutions, chambers of commerce, international organizations and technology providers.
8. Limited Awareness and Accessibility of IDB Services – Despite the broad range of services offered by the IDB, some entrepreneurs and industries, particularly at regional level, may not have adequate awareness of available technical, training, business development and industrial support services.	Strengthen digital and regional **outreach**, including integrated online service platforms, targeted awareness programmes, district-level industry clinics, industry databases and improved communication of available IDB services.
9. Weak Outcome-Based Monitoring and Evaluation – Monitoring of programmes has traditionally focused more on activities and outputs, while systematic measurement of outcomes such as productivity improvement, enterprise growth, employment, investment and export performance requires further strengthening.	Establish an integrated performance and M&E framework with measurable KPIs, outcome indicators and digital dashboards covering enterprise development, technology adoption, employment, investment, exports, revenue generation and industrial estate performance.
10. Need for Institutional Transformation and Service Modernization – The changing requirements of Sri Lankan industry require the IDB to move beyond conventional support approaches towards a more responsive, technology-driven and results-oriented institutional model.	Accelerate organizational transformation by strengthening digitalization, process re-engineering, performance management, customer-oriented service delivery, strategic planning and the implementation of the IDB's priority industrial development initiatives