How Dialog is Shaping Sri Lanka’s Digital Economy

Renuka Fernando, Group Chief Digital Services Officer, Dialog.

Sri Lanka stands at a critical juncture in its digital transformation. While the country has made notable progress in connectivity and digital payments, the next phase will depend on creating an inclusive ecosystem that extends beyond technology to financial inclusion, digital identity, interoperability, and collaboration across sectors.

At the forefront of this transformation is Dialog, leveraging its technology platforms and financial services capabilities to accelerate digital adoption. Speaking with Business Today, Renuka Fernando, Group Chief Digital Services Officer at Dialog, discusses the building blocks of a digital economy, the opportunities and challenges of driving a cash-lite society, the importance of empowering small businesses through digital financial services, and Dialog's vision for helping shape Sri Lanka's digital future.

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What do you believe are the essential building blocks for creating a truly inclusive digital economy in Sri Lanka?

It requires several fundamental building blocks working together. The first is connectivity. Sri Lanka has made significant progress in this area. Mobile penetration exceeds 135 percent, and the country reportedly has around 12 million internet users. This provides a strong foundation for digital inclusion.

The second is digital identity. A digital economy cannot function effectively without a secure and reliable way to verify identity. In financial services, Know Your Customer (KYC) processes are essential, and a trusted digital identity framework enables these to be carried out efficiently while strengthening consumer confidence. It also plays an important role in protecting users from fraud and digital scams. The Government's ongoing rollout of a national digital identity system is therefore a significant step towards an inclusive digital economy.

The third is digital literacy. People must have the knowledge and confidence to use digital services in their everyday lives. The best way to achieve this is by integrating digital technologies into routine activities in a simple and meaningful way. Digital payments are a good example. This leads to building trust in managing their money digitally which is also an important component in building a digital economy. Therefore, connectivity, digital identity, and digital literacy must work together.

How can collaboration between government, financial institutions, technology companies, and startups accelerate the country's digital transformation?

Collaboration among these entities is essential to accelerating Sri Lanka's digital transformation, as each stakeholder plays a distinct yet complementary role.

The government has a critical responsibility to establish the right policy environment and build the national digital infrastructure required to support a digital economy. India's experience demonstrates the importance of strong policy direction in driving digital adoption. Digital transformation cannot happen at an institutional level alone; it requires a nationwide ecosystem supported by robust infrastructure.

Financial institutions and fintech companies, as digital payments and financial services operate in a highly regulated environment. These organizations are responsible for developing secure, trusted, and compliant financial products while ensuring that regulatory requirements are met and consumers can use digital services with confidence.

Technology companies contribute by making digital services more accessible and scalable. Today, anyone with a mobile phone can access digital platforms, and it is technology that enables these services to reach people efficiently and reliably.

Startups also play a vital role in this ecosystem. As digital economies mature, startups bring fresh thinking, innovation, and agility. They are often able to identify new opportunities, develop creative solutions, and challenge conventional approaches, driving the next wave of digital innovation.

Why are startups and new digital entrants important to the growth of a digital economy?

When I refer to new players, I mean fintech companies, payment platforms, digital lending providers, and other technology-driven startups that are entering the financial services ecosystem. Sri Lanka is already seeing the emergence of payment apps. These businesses are possible because the necessary foundations—digital infrastructure, supportive policies, and technology platforms—are increasingly in place. But we need to encourage more fintechs to play in this market where they can provide other financial products and services under a regulated, safe environment.

Unlike traditional financial institutions, which often operate with legacy systems and established business models, these new entrants are typically more agile and focused. Rather than offering a broad range of financial services, they often specialize in a particular area, such as digital payments, lending, personal finance management, or other niche solutions. Their ability to innovate quickly allows them to respond more effectively to changing customer needs. These startups play an important role in strengthening the digital ecosystem by bringing fresh ideas and challenging conventional ways of delivering financial services. They are often designed around the customer experience, identifying market gaps and developing solutions that are simple, convenient, and accessible.

How important is regulation in encouraging innovation while protecting consumers in a digital economy?

One of the government's key responsibilities is to create an open ecosystem that allows new entrants to participate. Innovation should not be restricted simply because a company is small or new. However, every organization must operate within the regulatory framework, governance standards, and policies established by the country’s regulators. This balance is essential.

The ecosystem must remain open enough to encourage innovation while ensuring that consumers are protected and confidence in digital financial services is maintained. Sri Lanka already provides examples of this approach. Payment platforms, for instance, are not banks, yet they can offer digital payment services because they operate within the regulatory framework established by the Central Bank. These providers are required to meet defined standards relating to security, compliance, and consumer protection before they can participate in the ecosystem.

With Sri Lanka making significant progress in digital payments over the past few years, how close are we to becoming a genuinely cash-lite economy?

Today, banks, payment platforms, fintechs, and more recently, initiatives such as GovPay are expanding the digital payments ecosystem. The digitization of government payments is particularly important because it brings the public sector into the digital economy and encourages wider adoption.

Despite this progress, Sri Lanka remains a predominantly cash-based economy. Cash continues to play a central role in everyday transactions, particularly among small businesses and the informal sector. From purchasing goods to making supplier payments, much of the commercial activity at the grassroots level is still conducted in cash. This is reflected in the continued growth in currency circulation and ATM usage, indicating that cash remains the preferred payment method for many Sri Lankans. While we have made good progress, I believe we are still some distance away from becoming a truly cash-lite economy. Digital payments are only the starting point. The next challenge is to drive consistent usage and build long-term behavioral change.

Adoption is ultimately driven by habit. As consumers and businesses become comfortable using digital payments in their daily lives, they become more willing to embrace other digital financial services. However, convenience alone is not enough. People must also experience tangible value, whether through greater efficiency, better financial management, enhanced security, or meaningful incentives.

Many countries have successfully accelerated digital adoption by encouraging consumers to use digital payment methods through targeted incentives and awareness programs. Sri Lanka now needs to focus on creating those same behavioral shifts.

What lessons can Sri Lanka learn from regional success stories in building a digital payments ecosystem?

India provides one of the strongest examples of how a coordinated digital ecosystem can transform an economy. Its success was built on three key foundations: widespread connectivity, a national digital identity through Aadhaar, and a unified digital payments infrastructure.

The Government of India introduced a Unified Payments Interface (UPI), an open platform that allowed banks, fintechs, and technology companies to participate on equal terms. Because every citizen could be securely identified through Aadhaar, service providers could onboard customers quickly and offer a wide range of financial services. India also introduced a tiered regulatory framework that accommodated banks, payment banks, fintechs, and other specialized providers.

This combination of digital identity, open infrastructure, and supportive regulation created an ecosystem that encouraged innovation. Digital payments grew rapidly and became the foundation for broader digital financial services.

Sri Lanka has also made progress, although its journey has been different. Card payments, particularly debit cards, have grown steadily, but they are still not accessible to everyone and not used as a means of payment for small and micro merchants. QR payments that usually drive the digitization of small ticket payments, have yet to achieve the level of adoption seen in India.

Changing payment behavior is about changing habits. At Dialog, for example, the launch of Dialog Pay aims to accelerate QR payment adoption. We are offering incentives, including free data for a limited period, to encourage customers to experience QR payments and build the habit of using them. The objective is not immediate revenue but increasing digital adoption.

The rollout of Sri Lanka's national digital identity will be another important milestone. Today, onboarding customers still requires processes such as video-based Know Your Customer (KYC) verification. A trusted digital identity would simplify this process, allowing verified customer information to be securely reused across authorized service providers, making digital services faster, more convenient, and more accessible.

> I believe the greater responsibility lies with service providers, not consumers. Digital transformation is about designing experiences that are simple, intuitive, and valuable enough for people to adopt with confidence.

With financial inclusion a national priority, how can digital financial services bring more underserved communities into the formal financial system?

Sri Lanka's challenge differs from that of many other developing countries. In markets such as India and parts of Africa, financial inclusion often begins with giving people access to a bank account. In Sri Lanka, however, financial inclusion is already relatively high, with around 85 percent of the population having access to a bank account.

The real challenge is usage. While many people have bank accounts, much of their day-to-day financial activity still takes place outside the formal financial system. They withdraw cash, make cash payments, save money at home, and conduct most transactions outside the banking ecosystem. Traditional banking can also be inconvenient. Visiting a branch often involves travel, queues, documentation, and processes that can seem intimidating, particularly for those with limited financial literacy. As a result, many people continue to rely on cash even though they have a bank account. Digital financial services can remove these barriers. Since mobile phones are already widely used, digital platforms make financial services more accessible. If customers can easily check balances, make payments, transfer funds, or scan QR codes using their phones, they become more comfortable engaging with the formal financial system.

The first step is encouraging simple, everyday digital payments. As people use these services regularly, they build trust and confidence, making them more willing to adopt products such as savings, investments, and fixed deposits. For example, through Dialog Pay, customers can open a fixed deposit with as little as 5,000 rupees directly from their mobile phone.

The benefits extend to small businesses as well. When merchants accept digital payments, they create a digital record of their transactions, giving lenders visibility into their turnover and cash flow. This makes it easier to assess creditworthiness and provide financing. As businesses become more digitally enabled, they can also expand into e-commerce, reaching customers who increasingly prefer digital payments.

What behavioral changes are still needed among consumers and businesses before digital payments become the preferred mode of transaction?

I believe the greater responsibility lies with service providers, not consumers. Digital transformation is about designing experiences that are simple, intuitive, and valuable enough for people to adopt with confidence.

People are naturally hesitant to change familiar habits. Many are reluctant to try something new, while others may find digital platforms intimidating. We have a responsibility to remove those barriers by making platforms easy to use, guiding customers through each step, and ensuring they have a positive first experience. If we do that well, behavioral change will follow.

It is also important to create meaningful reasons for people to try digital services. Incentives, rewards, and even elements of gamification can encourage first-time users to engage with digital platforms. However, these efforts must be supported by seamless, straightforward customer journeys. If the process is complicated, people are unlikely to adopt it, regardless of the benefits.

This is where enabling regulation also plays an important role. For example, opening a financial account entirely through digital channels is still not as seamless as it could be. The introduction of a trusted national digital identity would significantly simplify onboarding, making it faster, easier, and more convenient for customers to access digital financial services.

At the same time, education remains essential. People must understand not only how to use digital services but also the value they offer, whether through greater convenience, improved financial management, or access to new products and services.

A good example is our device financing solution, Lesi Pay, available through Dialog Pay. Many customers who may never have used a digital financial platform are motivated to download the app to access device financing. Once they experience the platform and recognize its ease of use, they become more comfortable using its other digital financial services.

Adoption is ultimately driven by relevance. When digital services solve a real need and deliver a simple, rewarding experience, customers naturally develop the confidence and habit to continue using them. That is why the onus lies largely with institutions to create customer-centric, need-based digital experiences that make the transition to digital both easy and worthwhile.

> Connectivity remains one of our greatest strengths, and our long-standing commitment to technology and innovation is equally important. Over the years, we have consistently introduced new digital capabilities, not only within telecommunications but also across a broader range of digital services.

Given that small and medium-sized enterprises are considered the backbone of Sri Lanka's economy, how can digital payment solutions help improve their competitiveness and financial resilience?

For many SMEs, the hesitation to adopt digital payments is not about technology but practicality. Many business owners worry that if payments go directly into a bank account, they may not have immediate access to the cash they need for daily purchases from suppliers. These are genuine concerns that must be addressed to accelerate digital adoption. Digital transformation, therefore, has to extend across the value chain. Businesses must see clear benefits beyond convenience, especially since many are comfortable operating with cash.

Digital payments can help them attract customers who increasingly prefer electronic payments.

I experienced this firsthand with a roadside vendor who sells king coconuts and fruits. He asked how he could obtain a card payment device because many customers wanted to pay digitally but could not. He realized he was losing sales simply because he could not accept digital payments. In this case, consumer demand drove adoption.

The value, however, extends beyond payments. Once an SME begins operating digitally, it builds a financial history. Using transaction data and analytics, lenders can better understand the business, its cash flow, and its performance. This makes it easier to offer products such as working capital financing through the same digital platform.

Small business owners often know exactly what they need to grow. What they require is access to the right tools and financing. By enabling digital payments and creating digital transaction records, we make it easier to provide that support, helping SMEs improve productivity, strengthen their businesses, and grow with confidence.

How can digital payment providers scale adoption among SMEs, particularly those operating in the informal sector?

The responsibility lies with us to take the initiative. Bringing more SMEs into the digital payments ecosystem requires sustained education and engagement. While technology has made onboarding much easier, changing long-established habits still requires investment in awareness and support.

For many providers, reaching small merchants is expensive and time-consuming. While large businesses are relatively easy to onboard, engaging thousands of small retailers, market vendors, and informal businesses requires educating them on the benefits and building confidence. At Dialog, we are simplifying this process through technology. Businesses operating through platforms such as Instagram can download the Dialog Pay app, complete the registration process, and be onboarded digitally with minimal assistance.

The greater challenge lies with neighborhood shops and market vendors. It is not practical to educate every merchant individually, so we conduct community-based awareness programs. For example, we recently worked with the Three-wheeler Association to demonstrate how drivers could begin accepting QR payments.

One key message is that merchants do not always need a commercial payment solution to start accepting digital payments. Anyone with a savings account can generate a personal QR code through platforms such as Dialog Pay and receive peer-to-peer payments. As their businesses grow, they can later transition to merchant payment solutions offered by financial institutions, like Dialog Finance, which is a regulated finance company. The technology is no longer the biggest challenge. The real challenge is awareness. Many people are simply unaware of how easy it has become to accept digital payments or the opportunities they create.

While we have made encouraging progress, we are yet to solve this challenge at scale. We continue to invest in education, outreach, and digital onboarding, while supporting the Government’s broader efforts to accelerate digital payment adoption across Sri Lanka.

How can the industry work together to build an interoperable digital payments ecosystem while maintaining the highest standards of security and user trust?

Interoperability is fundamental because no institution can operate in isolation. Whether customers choose a bank, a fintech, or a payment platform, they should be able to transact seamlessly across all providers.

This is where national digital infrastructure becomes critical. The Government and regulators play an important role in establishing shared infrastructure that all participants can use. Sri Lanka has already made good progress in this area. For example, the country’s standardized QR payment framework enables customers to make transactions across different banks and payment platforms without barriers.

Whether someone banks with a commercial bank or uses a platform such as Dialog Pay, they can transact through the same interoperable system. However, interoperability must extend beyond QR payments. Any future digital payment infrastructure should be designed as an open ecosystem that encourages participation from all regulated players. If only part of the industry adopts a common platform, the benefits of interoperability will be limited. The real value is created when every stakeholder participates, giving customers the freedom to choose their preferred financial institution while moving funds seamlessly across the ecosystem.

Interoperability must be supported by strong security and governance. As digital adoption increases, so too do cybersecurity risks. That makes common security standards and regulatory safeguards essential. Every institution participating in the ecosystem must comply with the same security requirements to ensure customer data and transactions remain protected. The Central Bank has established mandatory security and compliance standards for all participants, providing a consistent framework that strengthens trust across the entire ecosystem.

What trends do you believe will define the next generation of digital financial services, and how is Dialog positioning itself to lead this transformation?

The next generation of digital financial services will be defined by integration, convenience, and personalization. Customers no longer want to use multiple platforms for different services. They expect financial services to be seamlessly integrated into the digital experiences they already use every day.

Globally, digital financial services are increasingly being embedded into customers' daily lives rather than offered as standalone banking products. Instead of directing customers to a separate platform, financial services are delivered when they are needed.

A good example is device financing. Customers visit a retail outlet to buy a device, not to apply for a loan. By embedding financing into the purchasing journey, they can access the service at the point of purchase, creating a more convenient experience. This is the approach we have adopted at Dialog.

The My Dialog app already serves between four and five million customers who use it regularly to manage their mobile services and reload their accounts. It therefore makes sense to integrate digital financial services into that ecosystem. Today, Dialog Pay is fully integrated into the My Dialog app, enabling customers to make QR code payments and access financial services from a single platform. We also offer a dedicated Dialog Pay app for those who prefer a standalone experience.

The same principle applies to businesses. When SMEs sell through e-commerce platforms, services such as working capital and lending should be available within the same platform, allowing them to access financing without leaving their business environment.

Another key trend is hyper-personalization. Digital platforms are moving towards a “segment of one,” where every customer receives products and services tailored to their individual needs rather than broad customer segments.

With customer consent, digital platforms can use data to better understand preferences and usage patterns, enabling them to deliver more relevant products and recommendations. This, however, must always be supported by strong data privacy and protection standards to maintain customer trust.

How has Dialog’s evolution from a telecommunications provider to a digital lifestyle enabler changed the way the company innovates and serves customers?

Dialog no longer sees itself simply as a connectivity provider. While connectivity remains the foundation of our business, we have evolved into a technology-driven digital services company focused on enabling Sri Lanka’s digital future.

Connectivity remains one of our greatest strengths, and our long-standing commitment to technology and innovation is equally important. Over the years, we have consistently introduced new digital capabilities, not only within telecommunications but also across a broader range of digital services.

Our journey into digital financial services reflects that evolution. We launched Mobile Money in 2012 and established a licensed financial services business in 2017.

These milestones have enabled us to build the technological capabilities, regulatory expertise, and financial services competencies required to deliver trusted digital financial solutions.

When you combine our nationwide connectivity, technology leadership, digital platforms, and financial services expertise, Dialog is uniquely positioned to serve as a digital lifestyle enabler. We can integrate digital services into the everyday lives of millions of Sri Lankans while contributing to the country’s broader digital transformation.

This approach is reflected in our recently launched Dialog Pay, which brings together connectivity, payments and financial services through a single, integrated platform. We also provide our commercial and retail customers Dialog Pay Business which enables any merchant in Sri Lanka to accept digital payments from their customers, be it QR, Card acceptance, e-commerce payments through IPG or remote digital payments. These merchants also have access finance through Dialog Finance. By making digital payments simpler, more convenient and more rewarding across a merchant network, it supports broader digital payment adoption while contributing to Sri Lanka’s transition towards a more financially inclusive digital economy.

Our ambition extends beyond commercial success. Dialog has always been committed to supporting Sri Lanka’s digital progress. With a customer base of more than 20 million, we have the reach and capability to accelerate digital adoption at scale. That places us in a unique position to help drive digital payments, financial inclusion, and the wider digital economy.

> At Dialog, we want to play a leading role in making that vision a reality. Through our digital platforms, technology, and financial services capabilities, we aim to make digital financial services accessible to every segment of society while helping drive financial inclusion and digital adoption across the country.

What would success for Sri Lanka’s digital economy look like over the next five years, and what role do you envision Dialog playing in shaping that future?

Our vision for Sri Lanka’s digital economy is one where every individual and every business, regardless of size, has access to the same digital opportunities. Digital financial services should not be reserved for large businesses or affluent customers. They should be simple, affordable, and tailored to the needs of every Sri Lankan.

Over the next five years, Sri Lanka must become a genuinely cash-lite economy, where digital payments are the to-preferred way to transact and financial services are seamlessly integrated into everyday life.

More importantly, digital platforms must move beyond payments to enable customers to manage their finances better, build savings, grow their wealth, and make informed financial decisions. As financial literacy improves, people will be better equipped to budget, plan, and use financial products responsibly.

I also feel that if we are to make a real difference we have to bring our micro businesses and SMEs as fully integrated partners into the digital economy. Sri Lanka’s entrepreneurs are highly capable and innovative. What many of them lack is access to affordable financing, digital tools, and insights that can help them grow. By making digital financial services simple, accessible, and affordable, we can empower these businesses to strengthen their businesses and contribute even more to the country’s economic growth.

At Dialog, we want to play a leading role in making that vision a reality. Through our digital platforms, technology, and financial services capabilities, we aim to make digital financial services accessible to every segment of society while helping drive financial inclusion and digital adoption across the country. Sri Lanka also has a unique advantage. As a relatively small nation, we can implement change more quickly than many larger markets.

If government, regulators, financial institutions, technology companies, and the private sector continue to work together, Sri Lanka has the opportunity to become a regional example of how a digitally connected, inclusive, and innovative economy can be built. I believe that is an achievable vision, and Dialog is committed to playing its part in helping shape that future.