

6.12 The impact of technology transfer on technological capability improvement in the Sri Lankan apparel manufacturers

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ABSTRACT

With rapid expansion of Foreign Direct Investment (FDI) throughout the world, the role of multinational enterprises in technology transfer has received an increasing attention. In addition, technology transfer is widely regarded as a pivotal process in the technological capability development in emerging countries. As far as foreign investment is concerned the Sri Lankan apparel industry plays a dominant role in attracting FDI over the past few decades. This study, therefore, intends to identify the impact of technology transfer on technological capability improvement in the Sri Lankan apparel manufacturing industry by making a comparison between the foreign owned apparel manufacturing firms and domestic apparel manufacturing firms.

Supported by literature, technology transfer experience was measured by analyzing the technology components. As such, technoware (tools) and humanware (human skills), and technological capabilities were assessed under three main capabilities; production, investment and innovation capabilities.

Data was obtained through administering a structured questionnaire and having interviews for a sample of fourteen apparel manufacturing companies. Data were analyzed using statistical software package, *SPSS*. Evidence by significant differences in mean values obtained reveals that the foreign owned firms are the direct beneficiaries of technology transfer. Technological capability level of foreign owned firms were higher than that of domestic firms. However, being a labour intensive industry, disregard of the ownership of the firms, human capital is crucial for technological capability improvement in apparel manufacturers. Therefore, though the foreign owned firms are considered as direct beneficiaries of technology transfer, there was no significant evidence to prove that the attracted technology plays a dominant role in improving the technological capabilities in the Sri Lankan apparel manufacturers although technology transfer for improving their technological capabilities and improving the technology components of the domestic firms are crucial to survive in the highly competitive world apparel industry.

Key words: Foreign Direct Investment, Technology Transfer, Technological Capability, Apparel Industry, Foreign Owned Firms and Domestic Firms