

IMPACT OF RESEARCH AND DEVELOPMENT FOR THE PERFORMANCE OF MANUFACTURING FIRMS IN SRI LANKA

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Abstract

The complexity and globalization of today's competitive business environments have made Research & Development one of the most important sources of competitive advantage for the firm. Research & Development activities play an essential role in the future economic development and financial performance of firms. The growth of research and development expenditures over the last two or three decades, together with the continuous substitution of knowledge (intangible) capital for physical (tangible) capital in firms' production functions, has elevated the importance of R&D in the performance of business enterprises (Lev, 1999). The main question is whether R&D investments accompany firms' growth in the subsequent periods and how this relationship depends on other characteristics of the firms, such as size and industry. In addition, I seeks to find o u t relationship between R&D investments and the autocorrelation dynamics of firm growth.

The objective of this research is to investigate the impact of Research & Development expenditures on company performance. The research design is based on an earnings equation associating earnings with recorded assets, R&D expenditures and selling, general and administrative expenses (representing for advertising expenses). I seek to gather information from listed manufacturing firms in Sri Lanka with information on employees, turnover, sector affiliation and details on capital expenditure and R&D expenditure. The research determines a rate of return on R&D for manufacturing firms in Sri Lanka. I hope to use annual reports and their publications as Secondary data source as well as questionnaires as primary source. Ultimately I expect to find R&D how to affect the performance of the manufacturing company and it will help you to get decision regarding the future growth of the company.

Key words: Impact, Research & Development, Performance