

**THE IMPACT OF RESEARCH & DEVELOPMENT
INVESTMENT ON FINANCIAL PERFORMANCE OF LISTED
COMPANIES IN THE MATERIAL SECTOR IN SRI LANKA**

By



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ABSTRACT

The purpose of this study is to examine the impact of research & development investment on the financial performance of listed companies in the material sector in Sri Lanka. The return on assets ratio (ROA) used as a financial performance measure, and measure the impact of R&D Investment by using Recurrent R&D expenditure, Capitalized R&D expenditure, Total R&D Expenditure. This study used data consisting of 19 companies out of 23 Material sector companies in CSE as a sample for the period of 2015-2020. This research is conducting based on secondary data. Data will be obtained from the information from annual reports of the companies and also gathered from the website of CSE from 2015 to 2020. STATA used to analyze data. To assess the effect of research and development investment on the financial performance of material sector companies in Sri Lanka, a correlation and multiple regression analysis was used.

The results show that all the research and development expenditures have a significant positive relationship with financial performance by considering the relationship between the research and development expenditure and financial performance of material sector listed companies in Sri Lanka. The explanations may be that the more listed companies in Sri Lanka concentrate on research and development expenditure in order to investigate and development of their efficiency and effectiveness. This study offers important implications for the interested parties of research and development investment in Sri Lanka and for companies well. There are no sufficient studies in Sri Lanka to identify the impact of research & development investment on the financial performance of listed companies in the material sector. This research will help to fulfill this research gap. It provides important implications for managers, directors of the company, and other related authorities of companies or firms by encouraging and paying more attention to effective research and development investment in the firm's operations and highlights the importance of the research and development investments.

***Keywords:* Return on Assets, Financial Performance, Capitalized R&D Expenditure, Total R&D Expenditure, Recurrent R&D Expenditure**

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