

CORPORATE GOVERNANCE AND INNOVATION INVESTMENT IN THE PUBLICLY LISTED FIRMS IN SRI LANKA

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1. Introduction

Innovation investment (II) involves the allocation of resources, including financial capital, human knowledge, and research efforts, towards the development and execution of new ideas, technologies, products, or processes. It is also a significant factor for a company to achieve high growth and boost their performance as well as profit by enhancing competitiveness through investing in the innovation process. This study investigates the association between corporate governance and innovation investment in publicly listed companies in Sri Lanka with the moderation effect of ownership structure.

2. Research Methodology

The study participants were 32 publicly listed Companies that disclosed their research and development expenses in their annual reports in Sri Lanka from 2015 to 2022. Further, the data were also collected from company websites and the Colombo Stock Exchange (CSE) website in addition to the annual reports. The developed hypotheses were empirically tested using a hierarchical random effect analysis based on the Housman test results.

3. Findings and Discussion

The study found a substantial positive connection between corporate governance and innovation investment in publicly listed companies In Sri Lanka. However, there is no moderation effect of ownership structure on the relationship between corporate governance and innovation investment.

4. Conclusion and Implications

The research findings indicate that there is a positive relationship between corporate governance and investment in innovation. It is beneficial for companies to mitigate Agency conflict by adopting robust corporate mechanisms. In turn, it facilitates growth and enhances market value through increased investment in innovation.

Keywords: Corporate Governance, Innovation Investment, Ownership Structure, Sri Lanka.