

The Localized Research and Development in the Industrialization Process of India

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Saeed Owais Mushtaq¹, Mehak Majeed¹  and Javaid Iqbal Khan¹

Abstract

The survival of a firm in the modern day competitive globalized world is a knife-edge phenomenon. The scope for continuing to stay in a profitable business with obsolete and under-informed technical know-how is low as ever. Modern day firms need to evolve continually in light of up-to-date localized research and development in order to stay profitably in the competitive business environment. The current study is a novel attempt to contextualize the firm specific research and development process in India, using the latest available Annual Survey of Industries data. The study, using various descriptive statistics, confirms the low levels of localized research and development process at the firm level pan-India. Being the first empirical attempt in this direction of research, the current study proposes certain policy recommendations. It also raises some important research questions that are to be addressed by empirical analysis in order to place the industrialization process in India at a better place to compete in the global market.

Keywords

Firm, India, research and development, technology

Introduction

The statement that research and development (R&D) enhances firm performance has been empirically grounded in economic theory. R&D spending has more than one consequence and effect on the firms in particular and economy in general. Investment in R&D leads to innovation fostering growth in the long run. R&D spending has a systematic and efficient influence on the firms over time. As the R&D spending increases over time, the capacity of the firms to absorb the positive change and innovation accredited to R&D increases, enhancing the performance of the firm. Though there is a subsequent risk associated with R&D investment, there also is a possibility of excess returns in the following time periods expected to be resulting from it (Chan et al., 2014). The spillovers created by the R&D

¹ University of Kashmir, Jammu and Kashmir, India.

Corresponding author:

Mehak Majeed, Indian Statistical Institute, Bangalore 560059, India.

E-mail: dhaarmehak.scholar@kashmiruniversity.net