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## The effect of research and development costs on firms' financial performance: an investigation on chemistry sector in Turkey

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### Keywords

Firm performance, Research and Development (R&D), Chemistry sector, System GMM

### Abstract

*Nowadays, providing a competitive advantage and enhancing sustainable growth are depend on the innovation power of companies and countries. Companies with R&D activities as a result of innovation can increase their performance and profits by creating new profit areas. On the other hand R&D investments, besides their positive valences, mean a factor which increases the costs for companies in the aspect of exploring new products, services and production processes. The purpose of this study is to analyse whether R&D expenditures have a positive impact or not on firm's financial performance. The study sample consist of 20 companies datas registered Istanbul Stock Exchange (BIST) for the 2001-2014 periods. Companies carry on business on chemistry sector in Turkey. Implementation has been done by using dynamic panel system generalized method of moments (GMM). Return on asset (ROA) and return on equity(ROE) are used as measure of financial performance and the dependent variables and research and development (R&D) intensity is the independent variable of study. Also financial leverage and firm size are defined as control variables. Consistent with the literature the results of analysis show that there is a positive and statistically significant relationship between R&D expentidures and firm performance and R&D expenditures positively affects firms' financial performance.*

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