

## ABSTRACT

In this study, an earnest attempt has been made in order to review the capital budgeting decision-making process of public enterprises in Sri Lanka, conducting an extensive survey on the existing practise of some selected corporations in the manufacturing industries.

The study identifies that public enterprises are a key element in the drive for economic and social development strategies of the economy of Sri Lanka. It also recognizes that rapid expansion of public enterprises, in Sri Lanka, is borne out as a result of the extensive involvement of the state in economic activities; Today, state corporations have so far been set-up in a wide variety of activities in different fields continuing a major role in the economy.

However, despite more than several decades of their existence these enterprises still remain inefficient in terms of continuous losses, poor capacity utilization, weak capital structure, wrong technology, unsuccessful locations, maladministration and so forth. This study believes that all these aspects largely revolve around capital budgeting decision making process in these enterprises.

A common denominator in this process is lack of clear definition of objectives and results in above problems. Further ineffective organizational set-up, non-availability of skilled personnel and lack of consummated information system are other denominators.

Therefore, this study is also to offer constructive suggestions regarding above denominators,towards remedial measures. It provides four postulates about their objectives,criteria for selection of projects, organizational set-up and the accounting information system.