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Diminishing marginal returns from R&D investment: evidence from manufacturing firms

Robert Faff, Yew-Kee Ho ➡, Weiling Lin & Chee-Meng Yap

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observe that the greatest indirect effect is via the financial leverage of the firm. This

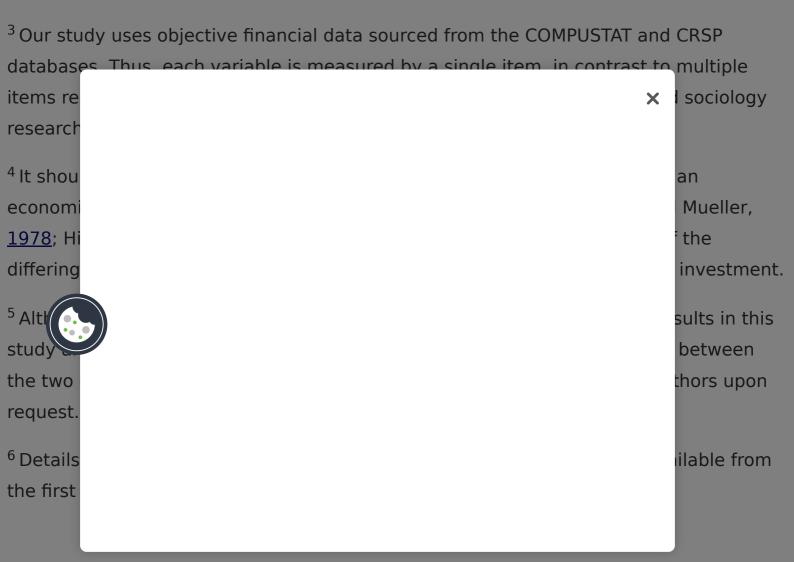
study shows the importance of accounting for the interdependencies in R&D investment.

Keywords:



Notes

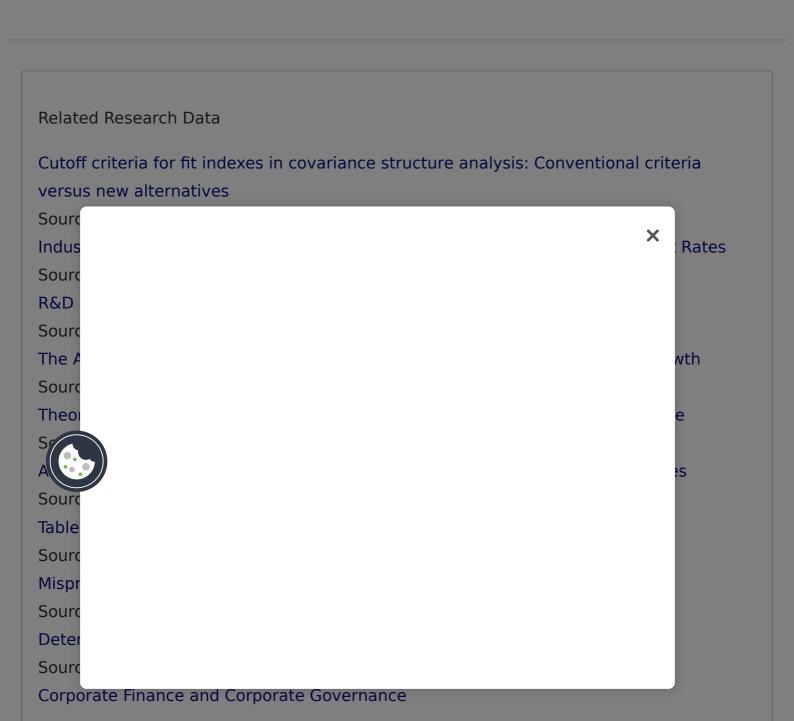
- ¹ This multiplicative formulation derives from the use of SEM, which will be explained in the subsequent section.
- ² We use the AMOS (Arbuckle, <u>2005</u>) software to run the SEM tests.



⁷ Full details of the analysis are suppressed to conserve space, but are available from the first author upon request.

 8 The kurtosis of 101.5, 58.4 and 44.03 for Portfolios A, B and C, respectively, lead us to reject the null hypothesis of multivariate normality (p < 0.01). Multivariate nonnormality may cause the SEs of the path estimates to be underestimated. The remedy is to use the bootstrap approach where multiple samples, each containing the same number of observations as our dataset, are drawn with replacement from our original sample. The sampling distribution from the bootstrap procedure provides the data for empirical estimation of the variability of parameter estimates (Byrne, 2004, pp. 268–9). We ran the bootstrap procedure provided in AMOS for 500 bootstrap samples to obtain estimates of the SEs and the significance levels of the path coefficients.

⁹ Insignificantly different from zero.



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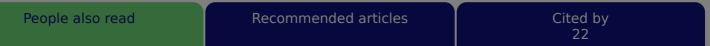
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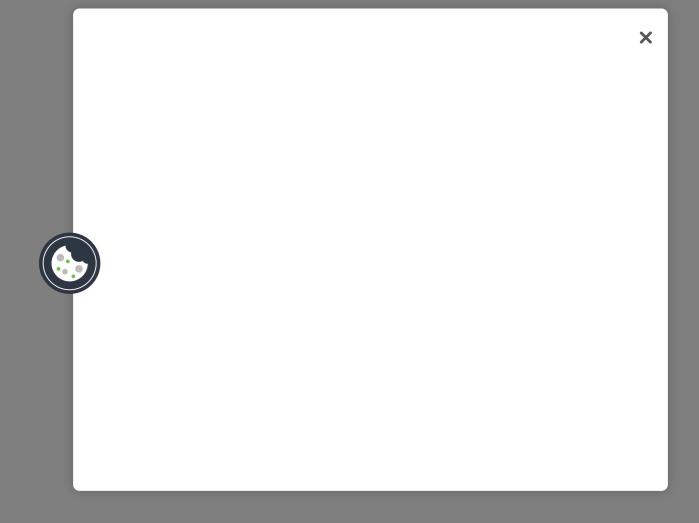
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