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R&D Investment Link to Profitability: A Pharmaceutical Industry Evaluation

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**R & D INVESTMENT LINK TO PROFITABILITY:
A PHARMACEUTICAL INDUSTRY EVALUATION**

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This paper is an in depth analysis of the influence that investment into research and development has on a firm's profitability in the pharmaceutical industry in the United States. The pharmaceutical industry is chosen due to its high intensity of research and development expenditures. The top 18 companies in the pharmaceutical industry are gathered and organized as panel data dating over the recent regression, which encompassed three years. The data are analyzed through regression and descriptive statistics.

The argument made is that as more funds are invested into research and development a firm in the pharmaceutical industry will experience a higher market value. Theoretically as firms spend more on research and development they are increasing the likelihood of innovation, which will cause growth in the company. The results of this study agree, and a positive and significant relationship is found between research and development expenditures and market value.