
BICM Research Seminar 38

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Paper details	
Title	Factors of Company's Lower Propensity to R&D: A Case of LDC Graduating Country
Authors	Dr. Nahid Hossain Additional Secretary Financial Institution Division Ministry of Finance The Government of the People's Republic of Bangladesh
	Imran Mahmud Lecturer Bangladesh Institute of Capital Market
	Faima Akter Lecturer Bangladesh Institute of Capital Market
	Md. Adnan Ahmed Lecturer Bangladesh Institute of Capital Market
Presentation details	
Presenter researchers	Imran Mahmud & Faima Akter
Date	29 October 2024 (Tuesday)
Time	03:30 PM – 04:30 PM
Venue	BICM Multipurpose Hall
Expected Participants	Faculty Members of BICM & Invited Guests
Discussant	Hussain Ahmed Enamul Huda Assistant Professor Department of Finance University of Dhaka

About the Presenters

Mr. Imran Mahmud serves as a Lecturer at the Bangladesh Institute of Capital Market (BICM). He holds an MBA and BBA in Finance from the Department of Finance at the University of Dhaka, where he excelled academically and was awarded the Dean's Merit Award in recognition of his outstanding achievements. Additionally, Mr. Mahmud has successfully passed CFA Level 1 and is actively pursuing further levels of this prestigious professional certification. Having embarked on his professional journey as a Lecturer of Finance in the Department of Business Administration at Notre Dame University Bangladesh, Mr. Mahmud later assumed a pivotal role as a Lecturer at BICM, further honing his expertise in the field of finance. His contributions to the field are evident through the publication of six research papers, focusing on various aspects of the country's capital market, both in domestic and international journals. Mr. Mahmud's engagement with the CFA program and his extensive research endeavors have equipped him with in-depth knowledge of diverse facets of capital markets, including equity and debt markets, IPOs, bonds, derivatives, and investment banking.

Ms. Faima Akter is serving Bangladesh Institute of Capital Market as Lecturer. She has completed her MBA and BBA in Finance from Department of Finance, University of Dhaka. She was awarded Shamsun Nahar Mahmud Foundation Merit Award, 2018 for her outstanding result in BBA. She has dedicated her career to educating and empowering aspiring investors and finance professionals. Her expertise lies in security analysis, which involves evaluating various investment instruments, such as stocks and bonds, to determine their intrinsic value. Furthermore, her knowledge of portfolio management enables her to guide students in constructing and managing investment portfolios that align with their financial goals and risk tolerance. She is also conducting some research works relevant to the capital market of Bangladesh. As an aspiring researcher, she wishes to contribute to Bangladesh's financial sector.

The paper abstract is given below. If you have any questions regarding the seminar or you wish to present a paper or invite a guest researcher, please do not hesitate to contact S. M. Kalbin Salema, Assistant Professor, BICM at kalbin@bicm.ac.bd.

Factors of Company's Lower Propensity to R&D: A Case of LDC Graduating Country

Dr Nahid Hossain¹; Imran Mahmud²; Faima Akter² & Md. Adnan Ahmed²

Abstract

This study investigates the factors influencing firms' lower propensity to invest in Research and Development (R&D) by employing a mixed-method approach more specifically explanatory sequential design that begins with quantitative data, followed by qualitative data to explain or expand upon the quantitative findings. Quantitatively, the study utilized multinomial logistic regression to categorize firms based on their R&D frequency: those that always invest, never invest, start investing, stop investing, and those with varying investment patterns. The dependent variable is R&D frequency, while the independent variables include CEO's educational background (professional degree), relationship of customers with firm (Company's market share), focus of parent firm, firm age, competition (market share of largest competitor), bargaining power of suppliers (growth in cost of goods sold), firm size (log of sales), leverage (debt to equity), board payment, and free cash flow while controlling the impact of COVID-19, industry and year. Key findings from the quantitative analysis suggest that factors such as CEO's education, market share, and competition significantly drive firms to start or vary their R&D investments. Notably, board payment consistently influences firms' decisions to both begin and sustain R&D activities. Conversely, smaller firms and firms experiencing higher competition are more likely to reduce or stop their R&D efforts. Multinomial logistic model explains approximately 32% of the variance in R&D investment behavior across firms. For robustness, PCSE model was used where R&D intensity (continuous variable) was regressed with the same independent variables along with the lag of R&D intensity. It was found that except leverage, all other independent variables have significant relationship with R&D intensity. The qualitative analysis, based on interviews with firm representatives, revealed a number of barriers to their R&D investment. These include high externalities of R&D, high costs, small market size, governance issues, and low expected returns. The combination of these quantitative and qualitative insights provides a comprehensive understanding of the challenges that firms face in maintaining consistent R&D investments.

¹ Ministry of Finance & ² Bangladesh Institute of Capital Market