

# Adjusted R-squared

An indicator of whether adding additional predictors improve a regression model or not

- The adjusted R-squared is a modified version of R-squared that **adjusts for predictors that are not significant in a regression model.**
- Compared to a model with additional input variables, **a lower adjusted R-squared indicates that the additional input variables are not adding value to the model.**
- Compared to a model with additional input variables, **a higher adjusted R-squared indicates that the additional input variables are adding value to the model.**

Source: <https://corporatefinanceinstitute.com/resources/knowledge/other/adjusted-r-squared/>

# Example

Source	SS	df	MS	Number of obs	=	64
Model	60449.4605	1	60449.4605	F(1, 62)	=	12.36
Residual	303228.539	62	4890.78289	Prob > F	=	0.0008
Total	363678	63	5772.66667	R-squared	=	0.1662
				Adj R-squared	=	0.1528
				Root MSE	=	69.934

  

cm	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pgnp	-.0113645	.0032325	-3.52	0.001	-.0178262	-.0049027
_cons	157.4244	9.845583	15.99	0.000	137.7434	177.1055

Source	SS	df	MS	Number of obs	=	64
Model	257362.373	2	128681.187	F(2, 61)	=	73.83
Residual	106315.627	61	1742.87913	Prob > F	=	0.0000
Total	363678	63	5772.66667	R-squared	=	0.7077
				Adj R-squared	=	0.6981
				Root MSE	=	41.748

cm	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pgnp	-.0056466	.0020033	-2.82	0.006	-.0096524	-.0016408
flr	-2.231586	.2099472	-10.63	0.000	-2.651401	-1.81177
_cons	263.6416	11.59318	22.74	0.000	240.4596	286.8236