

**Capital Budgeting Techniques and Financial Performance of Selected Manufacturing
Companies in Lagos State, Nigeria**

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Certification

This thesis entitled “Capital Budgeting Techniques and Financial Performance of Selected Manufacturing Companies in Lagos State Nigeria” was carried out by BABALOLA Peter Oluwole with matriculation number LCU/PG/001409 in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State, for the award of Master Degree (MSc) in Accounting. This work has not been previously submitted.

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Dedication

This research work is dedicated to God Almighty for His abundant mercy over me and for seeing me through this programme.

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Acknowledgement

I humbly acknowledge the management of Lead City University, Ibadan, Oyo State, Nigeria for the opportunity to run this programme in a serene atmosphere devoid of tension. I acknowledge the top management for being given to imparting knowledge from time to time.

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“Even though the above-mentioned institutions and persons have assisted in the process of this research work, I alone stand responsible for the errors, if any, found in the work”

Abstract

The purpose of this study is to examine capital budgeting techniques and financial performance of selected manufacturing firms in Lagos State, Nigeria. It is to determine the relationship

between capital budgeting strategies and the financial performance of manufacturing enterprises in Lagos, Nigeria. The enormity of costs incurred on capital projects is such that a mistake in the decision on whether or not to undertake a project may have dire consequences for manufacturing and industrial enterprises. It can lead to the determination of a company's status as a going concern. This is why this study is being carried out. The research instrument is a published financial statement obtained from secondary data of three manufacturing businesses for the period 2011–2020 for the topic of study in the selected manufacturing companies, which results in thirty observation periods. To analyse the capital budgeting processes objectively, information was acquired from the published financial statements of the chosen industrial enterprises. The researcher analysed the data using descriptive and inferential statistics. Return on investment was employed as a metric of financial performance. The use of SPSS, graphs, and the Cronbach's alpha model made data analysis possible. Using the Chi square and Pearson coefficient test models, results were drawn regarding the relationship between the independent and dependent variables. The study found that net present value (NPV), the payback period (PBP), the internal rate of return (IRR) as well as the accounting rate of return (ARR) have substantial effects on financial performance. In addition, the study indicated that CBTs have indirect causal impacts on financial performance and allow for the selection of fundamentally profitable projects.

Keywords: Capital budgeting techniques, net present value, internal rate of return, payback period, financial performance.

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List of Acronyms

NPV: Net Present value

IRR:	Internal Rate of Return
PBP:	Pay Back Period
ARR:	Accounting Rate of Return
ATR	Asset Turnover Rate
ROI:	Return on Investment
ROA	Return on Assets
ROE	Return on Equity
ROCE	Return on Capital Employed
DCF:	Discounted Cash Flow
Freq:	Frequency
CB:	Capital Budgeting
CBT:	Capital Budgeting Technique
CBTs:	Capital Budgeting Techniques
SPSS	Statistical Package for the Social Sciences
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
NGO	Non Governmental Organization
IT	Inventory Turnover
KPI	Key Performance Indicator
TAT	Total Asset Turnover
PBIT	Profit Before Interest and Taxes
OPM	Operating Profit Margin

NPM	Net Profit Margin
GPM	Gross Profit Margin
WACC	Weighted Average Cost of Capital

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