

Capital Budgeting Decisions And Profitability In Manufacturing Firms

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Abstract: The study set to investigate the relationship between capital budgeting decisions and profitability in manufacturing firms. Capital budgeting particularly addressed five areas of the study that included capital budgeting decisions (acquisition of long-term assets, replacement of long-term assets, investment appraisal techniques, outsourcing expenditure and working capital decisions) had a biggest and significant effect on profitability of the organizations. This study basically involved survey of the manufacturing company known as Mukwano group of companies, in Uganda. Total of 240 questionnaires were distributed to the respondent and 152 questionnaires were returned so the data was analysed through "Statistical Package for Social Science" SPSS Version 19. Multiple regression analysis and correlation were used to analyse the data. The findings show evidence of that there is significant and positive correlation between five dimensions of capital budgeting decisions and profitability of the organizations. The findings set up that there was relationship between the independent variables of capital budgeting decisions and profitability and were positive relationships between capital budgeting and profitability of the firms under the study. Finally, the researcher has developed a conceptual framework based on the literature reviews, and from there the researcher constructed the research's hypothesis. Foundation on the result, theoretical implications, limitations, conclusion and suggestions for future research are also highlighted.

Keywords: Acquisition of long-term assets, replacement of long-term assets, capital budgeting techniques, outsourcing expenditure, working capital decisions and profitability.

Date of Submission: 28-12-2017

Date of acceptance: 13-01-2018

I. Introduction

Capital budgeting practices involves all activities that are conducted by an organization to determine whether the nature and type of long-term investments of an organization are suitable or worth funding by the stakeholders of a company. Profitability play an important function in the business operations and determine the value by which a business is held. The businesses that operate without profitability seizes to operate for a long period of time meaning that profitability is a key measure that determine business continuity or closure (Ugwuoke, 2008).

Weygandt, Kieso and Kimmel (2002) contend that the involvement of the top leadership in the companies provide a direct demonstration of the relevance of capital budgeting. The decisions on budgeting are of relevance and generate the impact of the profitability. Poor budgeting decisions provide a costly avenue that can drag the company into bankruptcy.

In acquisition of assets, acquired machines perform the work with required degree of accuracy. Also, considering the qualities and varieties of the product which will be used, the work will be economically done. In replacement decisions, the significant reasons for replacing of assets are; cost minimization, reliability, pride of ownership, and new technology some machines that do not work in order. Manufacturing companies use measures that indicate profitability in the firm. First, profit margin tells decision makers how much profit is generated. Second, return on asset is an indication of the profit per dollar of assets. Finally, return on equity quantifies how well stockholders did the year by providing measures of productivity of their investments (Finch, 2003).

Capital budgeting decisions in manufacturing firms is the decision to invest in long-term assets like acquisition of new assets and equipment, replacements of machinery, investing in development under research and expansion of existing facilities are helpful in improving the smoothness of the production systems and deliver high quality products. On the other hand, expansion decisions are aimed to utilize the existing opportunities in the market and lead the firm to the growth.

Because of today's increasing competition and due to rapid changes in technology, managers in manufacturing firms undertake extensive budgeting while some of the leaders without deeply analysing the impact that these decisions have on profitability. On the other hand, managers in the firm propose and compete

to have their capital project funded even without adequately assessing the effect of this project on the organization profitability. However, the fact remains for decisions made actually effect the goal of contributing to the company growth (Van-Horne, 1998).

Objectives Of The Study

In order to accomplish my research objective, this study seeks to address the following research objectives; To assess how acquisition of long-term assets affect the profitability of manufacturing firms, secondly to assess how replacing of long-term assets affect profitability of manufacturing firms, thirdly to explain how investment appraisal techniques affect profitability of manufacturing firms, to determine how outsourcing of capital expenditure decision affect the profitability of manufacturing firms and to establish the effect of working capital decisions on the profitability of manufacturing firms.

The five hypothesis that will help to make interface between the sample and the real business environment are presented below;

- 1) H₀: Acquisition of long-term assets has significant relationship with the profitability of manufacturing firms.
H₁: Acquisition of long-term assets has no significant relationship with the profitability of manufacturing firms.
- 2) H₀: Replacing of long-term assets has significant relationship with the profitability of manufacturing firms.
H₂: Replacing of long-term assets has no significant relationship with the profitability of manufacturing firms.
- 3) H₀: Investment appraisal techniques have significant relationship with the profitability of manufacturing firms.
H₃: Investment appraisal techniques have no significant relationship with the profitability of manufacturing firms.
- 4) H₀: Outsourcing of Capital expenditure decision has significant relationship with profitability of manufacturing firms.
H₄: Outsourcing of Capital expenditure decision has no significant relationship with profitability of manufacturing firms.
- 5) H₀: Working capital decisions have significant relationship with the profitability of manufacturing firms.
H₅: Working capital decisions have no significant relationship with the profitability of manufacturing firms.

II. Review Of Relevant Literature

The second section is taken as crucial were the researcher reviews works by different previous researcher in order to attain an understanding on the degree of available information that the researcher bases on to attain value for the study. This review is based on five important areas that are provided as literature in this study text to provide a firm expansion of the issues under the study.

2.1 Capital Budgeting and Profitability of Organizations

Afonso, Jose, Fatima and Ney (2017) on a Brazilian cotton ginning firms and it was interviewed 10 managers from these companies. The study was to analyse capital budgeting practice in a group of small cotton ginning firms in Brazil, the results showed that a practical managerial approach was needed when ensuring satisfactory net operating results in short period of time. Capital budgeting is not seen as sophisticated and considered as essential, as businesses and strategic environment directly affects and impose high risks. Managerial experiences are highly influenced investment decision-making process.

Mooi and Mustapha (2001) conducted a study on the degree of complexity of the capital budgeting aspects of the firms. The study used a sample of 42 organizations of which 19% use average budgeting methods with the 43% supporting the method. The study was intended to test the level of association and performed a T-test; the findings indicated that capital budgeting sophistication didn't have an effect on the organization's performance.

Kadondi (2002) set to determine the capital budgeting mechanism used by companies on the Network Stock Exchange (NSE) and the effect of firms' traits affect the usage of some techniques in capital budgeting. He took a sample size of 43 organizations while 27 companies responded to his questionnaire. The results that came out indicated that many of these companies ignored the very first stages of capital budgeting methods, and the number of these companies ignored are 22 companies. Also, these companies 31% of them used payback method, net present value method used by 27% while 23% used the internal rate of return method (IRR).

Gilbert (2005) established to determine the usage of capital budgeting methods and how they are related to the performance of South African organizations in the manufacturing sector. The study used of 318 manufacturing organizations as a sample. The study tested the usage of the tools and their impact of accounting

rate of return (ARR), payback method, net present value (NPV) and the internal return rate (IRR). From this study it was established that 48 of the firms employed the payback period technique, 25 organizations used purely discounting methods while the rest of these 318 companies applied a combination of all methods. Even though the management of these companies had recognized the advantages of using the discounted methods like cost benefit. Their feedback indicated that they used mostly approximation and shortcuts, but they have admitted that discounted cash flows methods are very significant and need to be considered when making investment decisions.

Etal. (2006) conducted a study where he compared the use of capital budgeting methods and their effect on performance of organizations in China and Netherlands. In his study he had received a total of 87 organizations, 42 enterprises were from Netherlands while the rest were from China. Therefore, the results indicated that 22 Chief Executive Officers of Chinese companies applied or used Net present value methods unlike only 4 CEO used the traditional way of investment decisions techniques.

According to Gupta & Pradhan (2017) conducted a research about capital budgeting decisions in India. Their study was applied to manufacturing and non-manufacturing companies. A sample of 250 companies was given a questionnaire and only 75 of them responded. Their results indicated that the discounted techniques are used most of these companies when the social benefits and accounting are applied when evaluating the rate of return of the project. The result shows that there is a similar kind of approach adopted by both manufacturing and non-manufacturing sectors for capital budgeting decisions in India.

2.2 How Replacement of Long-term Assets Affects the Profitability

Louderback and Hirsch (1982), replacement decisions involve an investigation of new methods of production compared to existing machinery and technology. Managers of firms can choose to retain current equipment (status quo) or they can opt for new equipment. Chasteen, Flaherty and O' Connor (1998), Replacement decisions occur when the firm purchases new equipment that has virtually the same operating capabilities as its predecessor.

The study findings of Langemeier (1998) replacement of capital assets is affected by many factors such as efficiency to present on the machines for the allowances of depreciation, technical advancements for the purposes of attaining the consideration as to value of the firms. Even Delmar (1985) provide that high technology equipment's such as computers and others are now important in improving the functionality of the systems in the organizations. Galisky, Guzman and Insulan (2008) provided that the international conference on the mining sector to attain innovations intended to evaluate the worth of the equipment replacement standards that come different from the normal usage of the systems mix that transform the development mix for the organization.

Chasteen, Flaherty and O'connor (1998), three methods are used to record replacement and improvement decisions. First is the substitution method. This method recognizes that a company is disposing of old equipment and acquiring new one. The second method is capitalization of new cost. Under this method, cost is debited to the asset account. The only difference is that the first method and the second is that under this method, the company does not remove the book value of old asset from accounts. Meigs (1987), in deciding to replace the old equipment, managers should determine the present value in the incremental cash flows resulting from replacement of old machinery. The present value must be in comparison with the cost of new equipment to establish if the investment will provide the required rate of return.

2.3 How acquisition of Long-term Assets and affects the Profitability

Edmonds and Etal (2003) defined property, plant, and equipment as category whose assets are sometimes called plant or fixed assets. Special and Tomassini (2004) described the assets usually as plant and equipment used in the companies for examples include land, building, equipment, machinery, Autosand trucks. Raibon (2004) argued that selecting the assets for conducting intended activity is closely related to assessing the activity worth. As with many managerial decisions, part of the decision process is comparison of earning and expenses.

Warren, Reeve and Fess (2002) cost of acquiring fixed assets includes all amounts spent to get it in place and ready for use. Speciland, Sepe and Tomassini (2004, P. 464), described costs to get expenses in the required form and condition and locations suitable for the usage. Edwards (2008) argued that alternatives for acquiring machinery include lease and purchase plan. The leases are similar to the operating lease though an operator of the machine can take a decision fundamental and provide avenues for the execution of an aspect to the lease upon the return.

2.4 How Investment Appraisal Techniques Affect the Profitability

In conducting the investment appraisal, there are four capital budgeting techniques employed by firms to generate values in the business operations. This include Net present values, internal rate of return, discounted cash flows, payback period average accounting rate of return and the profitability index methods.

According to (Stein, 2016) investment appraisal techniques are methods used when investing in long-term projects such as buying machinery, building or conducting research and development. Some of these methods consider the value of money in the future. In Uganda, in 2012 the inflation rate was 12.86% and unexpectedly dropped to 4.91%. Therefore, this made managers of manufacturing companies give too much consideration to the economy otherwise they will suffer losses in the near future. Lee (1999) argued that Net present value (NPV) method management sets a minimum required rate of return that is used to compute the present value of the cash flows from the proposed project.

Dascher and Strawser (2004), there are certain limitations and unstated assumptions which inherit in the use of net present value. This provides an assumption that cash inflows and outflows are actually known with critical and certainty of the environment. There are also aspects that the cost of capital budgeting is clearly and fundamentally known in an organization operation that is geared towards avenues of generating required values for the organization. The advantage that NPV provides is the timing issue. Dascher and Strawser (2004) argued that internal rate of return is computed by determining the set of discount factors that attain the future of the cash inflows associated with particular capital investment with future cash outflows associated with that investment.

2.5 How Outsourcing Capital Expenditure Decision Affect the Profitability

According to Quelin and Duhamel (2002) outsourcing is providing out the function of making services of a company's responsibility or responsibilities to an expert external provider. The vendor company must have competent and capable hand or hands to handle such task as is contracted to it. And the process of outsourcing can only be embarked upon when such task to be contracted out does not constitute the company's basic and strategic functions.

Gartner (2004) reported that, as many as 80% of outsourcing contracts are unproductive, and that European business wasted billions on poorly managed outsourcing deals. This assertion points to the fact that though the enormous benefits of outsourcing, that some risk complexities are involved in outsourcing decisions. Earl (2001) asserts, a company that must outsource and plan well on how it should be averted to be able to reap the benefits of outsourcing. The outsourcing company has her potentials before a task is contracted to it.

Quelin and Duhamel (2003) provided that the whole process of outsourcing decision requires a great deal of effort and careful examination throughout the whole process until the decision is finalized. They suggested the following 'success foundation steps' as should be adhered to, before finalizing the outsourcing decision.

2.6 How Working Capital Decision Affect the Profitability

Working capital decisions involve the administration of assets and liabilities of current nature. Its focus is on optimizing the levels of inventories, receivables, cash and near cash assets to be held by a business enterprise at a particular time. Decisions are largely influenced by the trade-off between liquidity and profitability. Bierman, Harold and Seymour Smidt (2011) provide that higher the share of liquid assets, lower will be the profitability. On the other hand, lower the volume of investments in liquid assets, higher will be the rate of risk of insolvency. However, profit in the latter case is high. Therefore, care must be taken to manage current assets because they should neither be inadequate nor unnecessarily be locked up.

David (2010) examined the effect of working capital management on the performance of the firm including the profitability. The findings reveal that the more time the firm takes to pay the more profitable it will be. An empirical study from Ghana by Asoke (2009) that was based on the working management and bank's profitability. The study covers all commercial banks in Ghana for a period of ten-years (1999-2009). The study based on the findings concludes that operating cycle has an effect on the profitability of the organization. The study also adds that credit risk significantly increases profitability comparable or similar to the bank operations.

Hayajneh and Yassine (2011) in their study examined the factors that influence working capital requirement of the banking sector. The study used a sample of 166 Canadian firms listed on the Toronto stock exchange and applied correlation and non-experimental research design. The results indicate that overall, working capital requirement is positively correlated with operating cycle, return on assets, Tobin's q (Q ratio) and industry but negatively correlated with firm size.

2.7 Analysis

Capital budgeting decisions are among managerial decisions taken in manufacturing firm. It involves decisions regarding acquisition of new capital assets and replacement of old equipment with new one that is able to perform the operations involved in speedy and effective manner. Making capital budgeting decisions involve process that are to be undertaken in order to ensure the outcome of the decisions contribute to the profitability of the firm and the organizational goals. Capital budgeting decisions result in the cash flow of the firm. In the

acquisition decisions, it is required to determine the cost. Costs should be inclusive of all costs incurred in order to make the capital assets usable and ready. It is also necessary to consider the significance of such acquisition to the enhancement of the production and activities.

III. Methodology

3.1.1 Research design and Population

The study was conducted in Mukwano firms in Kampala Uganda, the design was entirely cross sectional that involved the use of majorly quantitative research design in the data collection. The data was collected from the respondents using the questionnaires from the sample population of 240 with the response rate of 152 as the collected questionnaires.

3.1.2 Data analysis techniques

Because information can only be got through analysis of data, the researcher analysed data using SPSS version 19. Due to the quantitative nature of the data, the study had statistical package, the researcher used (SPSS) version 19.

3.1.3 Descriptive analysis

After collecting data before analysing it, data was checked for completeness and ensuring consistency of the data. The analysis was done basing on frequency and percentages for the demographic information and mean, standard deviations for the constructs of capital budgeting and profitability levels. Then finally Pearson correlation was used to determine the relationship and the significance between the variables.

3.4 Reliability testing

Reliability is measure of consistency, dependability or stability of a test (Nachmias, 1996). The researcher was measured using the reliability of the questionnaire to determine its consistency in testing what they are intended to measure. The test re-test technique will be used estimate the reliability of the instruments. This involved administering the same test twice to the same group of respondents who have been identified for this purpose.

A single statement was presented to each respondent and then this same statement was presented to the respondent 3 weeks later. A test-retest reliability coefficient was calculated on this individual statement (item) since individual items cannot have a Cronbach's alpha internal consistency reliability calculated. The respondents were asked to respond to the statement using a four-point Likert scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). The Cronbach's alpha value of 0.7 on the pertest instrument was attained for the instrument to be reliable.

3.5 Inferential statistics

In this, the researcher used inference the population based on the sample. In this study inferential statistics to be deployed or analysed using correlation and simple linear regression.

3.6 Correlation analysis

The study aims to establish the relationship between capital budgeting decisions and profitability and in this case Pearson correlation was used in order to provide an interpretation and understanding of the study concepts. Pearson correlations to be used to show the relationship that capital budgeting have on the profitability of the organizations. The person correlation tested the relationships based on the level of significance of 0.05.

IV. Results And Discussions

The researcher also uses descriptive analysis to describe and explain the demographics of the respondents that provided the data under the questionnaire usage. In addition, the researcher used the relationship between capital budgeting decisions on profitability in manufacturing firms. In this also the regression analysis is further used to find out the capital budgeting decisions that are critical for the variation of profitability. The data collected from the primary source or fields were the questionnaire analysis was done through descriptive and inferential analysis. The final results of the theoretical model with the hypothesis are determined.

4.1 Descriptive statistical analysis

The descriptive statistical analysis used the scales based on standard deviation and mean obtained of internal scales dependent variables and independent variables of the study. The study results based on standard deviation and mean all the variables used in this research is provided and reported in the study.

4.2 Reliability analysis

The measures of the consistency and stability of the items, the researcher used Cronbach’s Alpha values. In the general assessment the value of Alpha with 0.7 and above mean that the items in the questionnaire have high reliability and from the study, the research can be used for further investigation and analysis (Nunnaly, 1978). The test for the reliability of the questionnaires provided a Cronbach’s Alpha coefficient that was found to be 0.821 that imply a very high reliability.

4.3 Correlation analysis

Correlation analysis procedure will take into consideration the relationship between the variables under the study in comparison with other variables that is to say independent and dependent variables. In this study the researcher determined to apply the simple correlation analysis. Even according to Zikmund (2003), simple correlation coefficient statistical measure for the relationship between two variables was used. In this study, the researcher conducted correlation to analysis relationship between the independent variable as Capital budgeting decisions and Profitability of the organization as the dependent variable. In this study the R-values from the test have to be in ranges of -1 to +1.0 which indicate the prevalence of positive relationship or negative relationship. In certain cases, the R-values of 0 (zero) indicate a zero relationship.

Table 1: Pearson Correlation of Results

Pearson correlation	
Sig. (2-tailed)	
N=152	
Independent variables	Dependentvariable (Profitability)
Acquisition of long-term assets	0.260 **
Replacement of long-term assets	0.452 **
Investment appraisal techniques	0.257 **
Outsourcing expenditure decision	0.161 *
Working capital decision	0.139
**. Correlation is significant at the 0.01 level (2-tailed).	
*. Correlation is significant at the 0.05 level (2-tailed).	

The five objectives of the study set to determine the relationship between capital budgeting decisions of acquisition of long-term assets, replacement of long-term assets, investment appraisal techniques, outsourcing expenditure decision and working capital decision on the dependent variable that was profitability of the organization. This determination was arrived at through using Pearson correlation that established that capital budgeting decisions had a strong positive relationship with the profitability of the manufacturing organizations under the study.

Particularly, in table 1, it was established that acquisition of Long-term Assets had a positive relationship with profitability of the organization at 0.260, furthermore replacement of long-term Assets had a moderate relationship of 0.452 with profitability of the organization. it was further established that investment appraisal techniques had a positive relationship of 0.257 with profitability of the organization. Outsourcing expenditure decision also had a positive weak relationship with profitability of the organization of 0.161 with profitability. It was finally established that Working capital decision had a positive relationship of 0.139 with profitability of the organization. The factors on average denote that there is a positive but weak or low relationship between the variables.

In the overall assessment the answer to the five objectives was for the study to determine if there is a relationship between capital budgeting decisions and profitability of the organization.

4.4 Regression analysis

4.4.1 Regression model I

In this regression analysis, the researcher had a task of establishing the individual capital budgeting decisions that have an effect on the profitability of the organization and establish the one that has a highest effect on the dependent variable. Several authors contend to the same understanding, according to Frederick, Gravetter and Wallnau (1991), regression is a statistical assessment technique that is used to establish the line of best fit for the set of data.

The first model that was performed from the table 4.2below reveal that $R=0.599^a$, it was taken as moderately high. Furthermore, the ANOVA analysis in table 4.3 below shows that since the correlation

coefficient can be used for regression analysis and the model shows that it is fitted with the dependent variable (Profitability) (The F values =16.311, P= 0.000<0.05).

Despite the results, the table 4.4 below also present that some other coefficients of the regression model were insignificant (p<0.05) this included working capital decisions.

Table 4.2: Shows results on coefficients of determination
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.599 ^a	.358	.336	.36183

a. Predictors: (Constant), Working Capital Decisions, Outsourcing Expenditure Decision, Acquisition of Long-term Assets, Capital Budgeting Techniques, Replacement of Long-term Assets

Table 4.3: Shows Analysis of Variance (ANOVA)
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	ig.
Regression	10.677	5	2.135	6.311 ¹	.000 ^b
Residual	19.114	46 ¹	.415		
Total	29.792	51 ¹			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Working Capital Decisions, Outsourcing Expenditure Decision, Acquisition of Long-term assets, Capital Budgeting Techniques, Replacement of Long-term Assets

Table 4.4: Shows regression analysis of capital budgeting decisions and profitability
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.816	.155		5.255	.000
Acquisition of Long-assets	.097	.036	.183	2.670	.008
Replacement of Assets	.290	.049	.420	5.946	.000
Capital Budgeting Techniques	.206	.047	.297	4.376	.000
Outsourcing expenditure decision	.147	.046	.217	3.232	.002
Working Capital decisions	.043	.044	.070	.991	.323

a. Dependent Variable: Profitability

It is significant at 95% confidence Interval

Based on the confidence interval, another multiple regression model has been performed and the results are presented in the following tables.

4.5 Regression model II

In this case a multiple regression was performed based on the stepwise method of regression to evaluate whether working capital decisions play a fundamental contribution in profitability of the organizations. The study results established through SPSS and concluded that working capital decisions does not have an effect to the profitability among other variables in the study. As a result, the variables under the study from the model conducted under stepwise backward method. The study results in the new multiple regression analysis has been done based on the tables presented below.

Table 4.5: Shows results on coefficients of determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	.595 ^b	.354	.337	.36181

b. Predictors: (Constant), Outsourcing Expenditure Decision, Acquisition of Long-term Assets, Capital Budgeting Techniques, Replacement of Long-term Assets

Table 4.6: Analysis of Variance (ANOVA)

ANOVA ^a						
Model	Sum of Squares	df	Mean Square	F	Sig.	
2	Regression	10.549	4	2.637	20.146	.000 ^a
	Residual	19.243	147	.131		
	Total	29.792	151			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Outsourcing Expenditure Decision, Acquisition of Long-term Assets, Capital Budgeting Techniques, Replacement of Long-term Assets

Table 4.7: Shows regression analysis of capital budgeting decisions and Profitability

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.878	.142		6.191	.000
Acquisition of Long term assets	.092	.036	.173	2.554	.012
Replacement of Assets	.305	.046	.442	6.571	.000
Capital Budgeting Techniques	.203	.047	.292	4.313	.000
Outsourcing expenditure decision	.145	.046	.214	3.187	.002

*significant in 95% Confidence interval

The multiple linear regression model equation is provided as follows:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4$$

THEREFORE, PROFITABILITY = .878 (Constant) + .173 (acquisition of long-term assets) + .442 (replacement of long-term assets) + .292 (capital budgeting techniques) + .214 (outsourcing expenditure decisions)

As provided in the table 4.7 above since the P values of the multiple regression coefficients are less than 0.05 significant levels. All of the four independent variables of capital budgeting decisions (acquisition of long-

term assets, replacement of long-term assets, capital budgeting techniques and outsourcing expenditure decisions) have a significant effect on profitability of the organizations.

On the same note since the independent variable had the highest multiple regression coefficients among the independent variables of capital budgeting decisions is replacement of long-term assets with a stepwise backward of .305 which implies acquisition had the highest effect on the profitability of the organization in comparison to the other capital budgeting decisions.

Therefore, a unit increase or rise in the standard deviation of replacement of long-term assets will result in .442 increases in profitability. Furthermore, the aspect of capital budgeting techniques and the following highest beta values among the aspects of capital budgeting decisions in the studied organization.

4.6 Research hypothesis testing

Under this part, the researcher related the results found from the analysis carried out to the hypothesis in Chapter1

Hypothesis	Decisions
H ₀ : Acquisition of long-term assets has significant relationship with the profitability of manufacturing firms	Accepted
H ₁ : Acquisition of long-term assets has no significant relationship with the profitability of manufacturing firms	Rejected
H ₀ : Replacing of long-term assets has significant relationship with the profitability of manufacturing firms	Accepted
H ₂ : Replacing of long-term assets has no significant relationship with the profitability of manufacturing firms	Rejected
H ₀ : Investment appraisal techniques have significant relationship with the profitability of manufacturing firms	Accepted
H ₃ : Investment appraisal techniques have no significant relationship with the profitability of manufacturing firms	Rejected
H ₀ : Outsourcing of capital expenditure decision has significant relationship with profitability of manufacturing firms	Accepted
H ₄ : Outsourcing of capital expenditure decision has no significant relationship with profitability of manufacturing firms	Rejected
H ₀ : Working capital decisions have significant relationship with the profitability of manufacturing firms	Accepted
H ₅ : Working capital decisions have no significant relationship with the profitability of manufacturing firms	Rejected

V. Conclusion

The presentation of the chapter summarizes the descriptive analysis based on frequency and percentages to describe the respondent's profile. It also tests the hypothesis, correlation analysis and presents the multiple regression that were conducted to establish the effect of the independent variables on dependent ones. The regression assessment is conducted and reveals that capital budgeting decisions have a great contribution to the profitability of the organization. The chapter also presented and highlighted the results from the analysis process. This process is followed by a reliability test where the researcher examines the value of Cronbach's alpha. Before executing correlation analysis, the researcher has performed factor analysis. This section reveals that there is no significant difference in the level of profitability of the manufacturing organizations. The capital budgeting decisions were also found to have a significant relationship with the profitability of the organizations. The dimension of replacement of long-term assets is critical or more fundamental in explaining the profitability of the studied organization. Finally, the study results were matched with hypothesis tests of the researcher and all the results supported that hypothesis and expresses that the four independent variables which included acquisition of long-term assets, replacement of long-term assets, capital budgeting techniques and outsourcing expenditure had a significant effect on profitability of the organizations.

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Ali Mohamed Ali Farah" Capital Budgeting Decisions And Profitability In Manufacturing Firms." *IOSR Journal of Business and Management (IOSR-JBM)* 20.1 (2018): 27-37.