

Business Performance Index and Capital Expenditure Decisions Among Conglomerates Operating in Nigeria

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Abstract- This study was embarked upon to assess how businesses performed with respect to their Capital Expenditure decisions. It concentrated on five (5) randomly selected conglomerates operating in the Nigerian emerging market. Capital expenditure are expenditures made to acquire long-term assets while business performance index were represented by operating cash flow, debt/equity ratio, as well as turnover growth. In order to assess these performances, data were derived from published financial statements of the companies and analysed using multiple regression to get the R, t-test and f-statistic which were used to test the hypotheses. The results showed that none of the variables had positive correlation with capital expenditure of the companies studied on during the years (2016 to 2025) It was recommended that Management should therefore conduct a detailed analysis to understand why this is not so in these companies. They should focus on investments in technology, automation, and process improvements that drive productivity and cost savings as well as identify non-core assets or cost centres that can be divested to free up their capital. There is need to increase spending on research and development (R&D), expansion projects, and employee up-skilling to drive sustainable growth as well as explore strategic partnerships, acquisitions, or market expansion to deploy excess cash effectively.

Keywords: *Emerging Market, Business Performance Index, Capital Expenditure Decisions*

I. INTRODUCTION

1.1 Background to the Study

Businesses are commenced with the intention of making profits and thereby giving out returns to its shareholders. In order to function as a going-concern in emerging markets, enterprises target high level of performance when compared to other organizations within a period of time. Business performance, in this context, comprises both the financial and operational performance that can be calculated by financial values obtained from the financial statements like company's turnover, costs,

profits, employees experience, quality of company management, level of customer satisfaction, loyalty and growth potentials. These are crucial at enabling these emerging economies to thrive.

Decisions on capital expenditure (CAPEX) are especially difficult for companies that operate in different industries or sectors. This is because they must distribute resources among various business units with different risk profiles and growth possibilities. These difficulties are worsened in emerging markets by elements including restricted capital availability, exchange rate volatility and regulatory uncertainties. The strategic direction and long term performance of businesses are greatly influenced by the allocation of financial capital in nations with political risks, market inefficiencies and economic volatility. Understanding how conglomerates distribute their financial resources and how these choices affect company performance is crucial for both business executives and stakeholders. Capital Expenditure decisions are therefore crucial to corporate performance because they impact a company's ability to maximize profits, increase shareholders' equity and gain competitive advantage. Proper capital allocation ensures that a company's resources are invested in projects with the highest potential for profitability and economic growth. Despite the importance of good governance for economic activities, there are significant differences across the world regarding how good governance institutions are designed and there is no consensus as to what the best governance system is. Good governance issues in emerging markets vary from those in advanced countries due to still-limited development of private financial markets and poor access to financing, concentrated ownership structures and low institutional ownership (Adegboyega, and Arikewuyo, 2020).

This study was carried out to investigate the connection between Business Performance Index (BPI) and capital expenditure decisions in emerging nations, with particular emphasis on conglomerates operating in Nigeria. It sought to determine how capital expenditure techniques impacted financial outcomes like turnover growth, profitability and shareholders' values. Capital Expenditure (CAPEX) is the amounts expended on acquisition of non-current assets on annual basis by each of the companies. It can also be seen as the process of dividing financial resources among several business functions and/or departments which is necessary for pricing and performance measurement. By allocating capital costs to each business line, the firm can set the price in each line to cover capital costs and meet financial targets (Guo et al. 2021).

In this study, business performance include operating cash flows, debt/equity ratio and turnover growth (expressed in ratios). The least-cost form of finance is operating cash flow. It is a process where a company uses its profits or assets as a source of capital to fund a new project or investment instead of external financing. The debt-to-equity ratio is the ratio of the equity held by common shareholders to the interest held by creditors in a business. It is, in other words, a gauge of a business's financial leverage. Turnover growth, on the other hand, refers to the increase in a company's revenue or turnover over a specific period of time. It measures the expansion of a business and its ability to attract and retain customers. This growth is often expressed as a percentage change over time and is a direct indicator of a company's operational performance and market competitiveness. While capital expenditure is the dependent variable, operating cash flow, debt/equity ratio and turnover growth stands as independent variables in this study.

1.2 Statement of the Problem

It is risky for organizations to venture into markets where they have little knowledge of the players in those markets. Observing how competing companies excel is not sufficient to lure an entrepreneur into expanding his horizon to such unfamiliar terrains. This explains why many companies perform creditably in some environments but find it difficult

to sail through the dark shores of other environments, especially in emerging markets. The performance of businesses is greatly impacted by the special possibilities as well as difficulties that emerging markets bring. According to Sobowale (2024), many companies closed businesses in Nigeria due to the impact of economic instability and other operational challenges. Notable among them in 2020 were Standard Biscuits Nigeria Ltd, – NASCO Fiber Product Ltd, Union Trading Company Nigeria Plc, and Deli Foods Nigeria Ltd. The folding up of companies escalated in 2021 with over 20 firms shutting down operations in Nigeria which included Tower Aluminum Nigeria Plc, Framan Industries Ltd, Stone Industries Ltd, Mufex Nigeria Company Ltd Surest Foam Ltd. The trend persisted in 2022 with more than 15 prominent brands ceasing operations in the country like Universal Rubber Company Ltd, Mother's Pride Ventures Ltd, Errand Products Nigeria Ltd, and Gorgeous Metal Makers Ltd. According to him, the wave of exits continued in 2023 as over ten major companies pulled out from the country, citing profitability concerns and challenging business conditions. Notable departures included Unilever Nigeria Plc, Procter & Gamble Nigeria, GlaxoSmithKline Consumer Nigeria Ltd, ShopRite Nigeria, Sanofi-Aventis Nigeria Ltd, Equinox Nigeria, Bolt Food and Jumia Food Nigeria. In the first six months of 2024, at least five significant companies exited as the business climate remained difficult. These included Microsoft Nigeria, Total Energies Nigeria (impacted by divestment strategies), PZ Cussons Nigeria Plc, Kimberly-Clark Nigeria and Diageo Plc. Unilever is included in this study because it existed into the period of our study but A. G. Leventis Plc which should have been included here was delisted from the Nigerian Exchange Group (NGX) daily official list as at 13th January, 2020 through the company's voluntary application as approved on 31st December, 2019 and shares suspended from trading with effect from 27th December, 2019 (Popoola, 2020).

It is possible for enterprises to take capital expenditure decisions without full understanding of the terrain in the emerging countries. These decisions can then affect their business performances negatively due to limited resources, financial systems

and macroeconomic fluctuations. These issues therefore drive the researcher into finding out how the select conglomerates were weathering the storms driven by the capital expenditure decisions in their bid to add value and stay profitable. This was assessed based on empirical data derived from published financial statements of the five companies namely, UAC Plc, John Holt, Chellarams, Dangote Cement and Unilever Plcs, which are players in the consumer goods sector (other than oil and gas, banking and other sectors).

1.3 Objectives of the Study

The main objective of the study was to assess the relationship between business performance index and capital expenditure (CAPEX) decisions of select conglomerate companies in emerging markets with particular reference to Nigeria. Other specific objectives were to:

- (i) examine the relationship between operating cash flow and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.
- (ii) assess the correlation between Debt/Equity Ratio and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.
- (iii) observe the connection between turnover growth and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.
- (iv) assess the combined correlation between operating cash flow, debt/equity ratio and turnover growth on capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.

1.4 Research Questions

The following research questions were formulated in line with the objectives of the study:

- (i) What is the relationship between operating cash flow and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria?
- (ii) How does Debt/Equity Ratio affect capital expenditure (CAPEX) of conglomerate companies operating in Nigeria?
- (iii) What is the connection between turnover growth and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria?

- (iv) What is the combined correlation between operating cash flow, Debt/Equity Ratio and turnover growth on capital expenditure (CAPEX) of conglomerate companies operating in Nigeria?

1.5 Research Hypotheses

The following hypotheses were formulated and stated in a null form:

Ho1: There is no significant relationship between operating cash flow and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.

Ho2: There is no significant correlation between Debt/Equity Ratio and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.

Ho3: There is no significant connection between turnover growth and capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.

Ho4: There is no significant combined correlation between operating cash flow, Debt/Equity Ratio and turnover growth on capital expenditure (CAPEX) of conglomerate companies operating in Nigeria.

1.6 Significance of the study

This study might be beneficial to academics and researchers who would use the study as a basis for further research, either replicating the study in different regions or expanding upon its findings with new data or methodologies.

Investors (both institutional and retail) will use the findings to assess the risks and returns of investing in conglomerates in emerging markets. They might influence their investment decisions. The research might also help regulators to understand the link between corporate performance and capital allocation decisions, guiding them on how to strengthen corporate governance structure in emerging economies. Conglomerates themselves will benefit by gaining a deeper understanding of the impact of capital allocation on their own performances. This can lead to more efficient resource distribution across their various subsidiaries and business units. Media

outlets and analysts could also use the study's findings to communicate to investors, helping them to understand the implications of capital allocation decisions on corporate performance and market viability.

1.7 Scope and Limitations of the study

The scope of this study encompasses the provision of information on capital expenditure decisions as they influence operating cash flow, debt/equity ratio and turnover growth of conglomerates operating in Nigeria for the period of ten years (2016 to 2025). Data for the work was accessed from the published financial statements of the companies namely, UAC, John Holt, Chellarams, Dangote Cement and Unilever Plc. The study was affected by the static nature of the data which makes it difficult for possible forecasts. Above all, the data for the study were stale information with no significant effect, except historical.

II. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

This section addressed the concepts used in the study. These concepts were emerging markets, capital expenditure, business performance, operating cash flows, Debt/Equity Ratio and turnover growth.

2.1.1 Emerging Markets

On 12th December 2005, a grouping was introduced called The Next 11 or (N-11). It is a list of fast-growing countries identified by Goldman Sachs as potentially good investments in the coming years. The purpose was to identify those countries that could potentially have a BRIC-like impact in rivalling the G7. Brazil, Russia, India and China (BRIC) are regarded as industrialized economies. The Next Eleven (or N-11) refers to the eleven countries namely Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey, and Vietnam that were identified by Goldman Sachs investment bank as having a high potential of becoming the world's largest economies in the 21st century. The bank chose these countries with promising outlooks for investment and future growth based on criteria such as macroeconomic stability, political maturity, openness of trade and

investment policies, as well as the quality of education. Although the 11 countries varied geographically and economically, they have common features that are believed to single out as their high economic potential. All have large and growing populations. (Al Onaizi, Gadhoun and Bin, 2017).

Emerging market (sometimes also called a developing economy) is a country with a fast growing economy, large population and by extension, increase in demand for goods and services, among others. There is development of infrastructure and urbanization and these characteristics are considered to offer significant potential returns for investors, but with higher levels of risks. As an emerging market, Nigeria has a mixed economy that combines private and state-owned businesses. It is a newly-emerging economy (NEE), meaning that it is experiencing rapid economic development as one of Africa's largest economies expanding into manufacturing, financial service, communications, technology, and entertainment sectors. In Nigeria, like in other emerging economies, the legal framework is woefully underdeveloped and fragile to say the least. The legal and judicial systems are inefficient, cumbersome, and very expensive to use. This causes companies to engage in illegal practices such as bribery and tax evasion to escape legal institutional requirements and business uncertainties (Chea and Burroughs 2021).

Investors' interest in emerging economies has grown significantly for a number of strong reasons which include high growth potential. As these markets grow, investors are lured by the possibility of greater rewards, and the possibility to diversify their portfolios incorporating assets from several geographical areas with increase in consumer demand due to increase in population over time. Exports of manufactured products, outsourcing of service tasks, international tourist flows, and cross-border investment are just some of the areas where these large emerging economies have attained massive significance. In many ways their growth has been positive - increasing consumer welfare through lower prices and greater choices, adding to the global stock of intellectual capital, stimulating recovery from the Global Financial Crisis (GFCs), and providing rapidly growing markets for international

businesses (Enderwick, 2020). A lot of growing economies have abundant natural resources, such as minerals, energy and agricultural products, which attracts foreign direct investment (FDI) in industries like energy and high tech-driven e-commerce and finance.

As stated by Rubaj (2023), emerging markets frequently contribute to the expansion of the world economy, raising living standards, and opening up new export markets, promoting environmental sustainability and responsible resource management as well as presenting opportunities for technology transfer and innovation that can benefit both developed and developing nations. There is no doubt that emerging markets have increasingly become key drivers of the global economy over the past few decades. These markets, according to him, are characterized by rapid industrialization, urbanization, and technological advancements, playing a crucial role in shaping the trajectory of the world economy. The continued rise of emerging markets is reshaping the global economic landscape, leading to shifts in economic power, trade dynamics, and investment patterns. Policymakers, businesses, and investors are closely monitoring these trends and adapting their strategies to capitalize on the opportunities presented by these dynamic economies. It is on these bases that this study is done to see how corporate players are performing in these markets.

2.1.2 Capital Expenditure Decisions

Operating in an emerging market, investments can be greatly impacted by variables including currency changes, economic volatility and political unpredictability. Depending on the risk level in these markets, cost of capital may be on the rising side and this must be taken into consideration in allocating funds among various sectors of the economy. Even within the same economy, some fiscal policies hamper growth of some businesses in terms of tax laws and interest rates. Wang and Zia (2022) also stated that the relevance of a firm's operating cash flow in explaining investment choices also depends on the type and level of agency costs within the firm. To guarantee accountability and efficient use of resources, corporate governance procedures must be strengthened in these economies; interests of

different stakeholders, including the community, employees and shareholders, must be considered. Currently, many nations make it mandatory for organizations to incorporate environmental, social and governance (ESG) factors into their capital allocation decisions. Gaining insights into how these interests impact capital allocation choices can result in greater long-lasting effects. Apart from money gains, consideration must be made of effects of capital expenditure decisions on the society and the environment in order to contribute to a more robust economic development and business performance. Care must be taken to ensure that capital expenditures are in line with long-term strategic objectives because effective allocation of internal capital can drive enterprises to improve their accounting performance. Sub-optimal investment decisions must not be permitted (Wang and Xia, 2022). It is necessary for businesses to modify their capital expenditure decisions to respond to the disruptive effects of rapid technological breakthroughs in order to stay competitive. Companies that allocate capital strategically can gain a competitive advantage over others thereby cushioning against economic downturns, increasing financial stability and able to weather unwanted storm. It is not gainsaying that poor capital expenditure decisions can result in poor return on investment, lower stock prices, fewer business opportunities and stifling growth.

Measuring division manager's ability is particularly well-suited to explain internal capital expenditures, because it clearly and directly reflects the firm's key objective in allocating capital to divisions – getting it to the division where the manager is going to most effectively convert scarce firm resources into desirable output (Benz, et al. 2024). Capital expenditure is an essential part of creating value and is one of management's prime responsibilities. But not all senior executives know how to allocate capital effectively. Executives, who largely control corporate resources, can make decisions that benefit them rather than doing what is in the interests of shareholders. In fact, incentive programs that are based on accounting results or are unrelated to value creation can promote decisions that are not in the best interests of long-term shareholders. Appropriate

objective of capital expenditure is to add long-term value per share (Maubousin and Callahan 2022). This study aims at unravelling effects of capital expenditure decisions on business performances of the enterprises studied on in terms of operating cash flow, debt/equity ratio as well as turnover growth for each of the years (expressed in ratios) to make for uniformity of the variables,

2.1.3 Business Performance Index

Increasing revenue and profits is an objective for any business. Tracking business performance and key performance indicators will enable businesses to gather quantitative data that would aid its decision-making processes. In order to measure performance, businesses must set goals which they want to achieve. It is necessary to understand that goals are different for every business. While one organization may seek to attract new customers, another may focus on retaining existing ones. Others may be to achieve customer satisfaction which can be done through surveys, emails and questionnaires. Whatever goals that are set must be made known to everyone in the organization since it is a joint effort that will eventually result in the achievement of the corporate goals. Apart from setting of goals, there is need to develop Key Performance Indicators (KPIs). These are statistics that a business can track in order to evaluate the company's performance. They include, but not limited to, generating revenue, attaining a particular productivity level or capturing a sizeable percentage of the market. Financial Performance can be seen as the ability of a company to manage and control its own resources, collecting and allocating finances which can be measured in terms of liquidity, solvency, efficiency and profitability. Business performance can be determined by analysing competitors in terms of the prices they charge on their products, after-sales services adopted to attract new and retain existing customers as well as discounts offered especially during particular seasons of the years. These assessments can aid in identifying the strengths and weaknesses of the organization and thereby, work towards improving on them. Business performance will entail measuring profitability like Gross Profit margin, Turnover growth, and Operating Cash Flow ratios. (Management Training Institute 2022). Performance

management can therefore be viewed as a cycle with three components of Planning, Implementation, and Monitoring.

Capital expenditure decisions are closely related to corporate performance because they impact a company's ability to maximize profits, increase shareholders equity, and gain competitive advantage. Proper capital expenditure involves a company's resources being invested in projects with the highest potential for profitability. They can help companies to improve shareholders' equity by reinvesting capital in business operations or other ventures. In the same vein, strategic capital expenditure can assist enterprises to gain competitive advantage over other companies and provide cushion against economic downturns. Looking at the opposite direction, poor capital expenditure decisions can lead to a decreased return on equity, lower inventory prices, fewer business opportunities, stagnant growth as well as affect value of the company generally. Supanvani (2021) states that when firms invest in proactive foreign direct investment projects, they focus on enhancing corporate growth and diversifying the risks. By expanding their investments oversea, they can have more access to capitals from many countries, more channels of market connection, and more choices of currencies to raise fund from. Businesses which engage in Earnings Management, (which refers to the intentional manipulation of a company's financial statements in order to achieve a desired result), their performances will be difficult to objectively ascertain. Management of these companies can apply Discretionary Accruals by carrying out accounting adjustments which includes management's bonuses, year-end allowances, as well as long-service awards. All these would impede proper assessment of the enterprise's performances.

2.1.4 Operating cash flows

Business are set up with strategic aims and objectives. Despite how lofty the plans may be, the underlying target is to make profits. Getting involved in core activities, enterprises must generate cash and incur operational expenses, taxes, as well as changes in working capital. The net of these is the Operating Cash Flow. In other words, it is revenue less operating expenses, add back depreciation and adjust

for accounts receivables, accounts payable and inventory, without taking into consideration external financing or investments. Cash flow ratios are more reliable indicators of liquidity than the statement of financial position and statement of financial performance because it excludes static data as well as non-cash items like depreciation and amortization. Creditors and lenders are frequently using cash flow ratios instead of traditional ratios because cash flow ratios provide more information regarding the company's ability to meet its payment commitments rather than traditional ratios. Cash flow ratios provide dynamic picture of the company. Cash flow adequacy ratio is the ratio of operating cash flow to non-current assets plus long term debt paid plus cash dividend (Operating cash flow/non-current assets + long term debt paid + cash dividend). This ratio measures the current commitments, particularly in the area of assets acquisition, pay out of dividend and fixed financial obligations. If the ratio is greater than one it signifies that the company has good financial health, while the ratio less than one might indicate that the company has liquidity problem (Borad, 2022).

Operating cash flow is critical for a company's ability to reinvest in its business, defray debts, distribute dividends to owners of the organization, and maintain financial buffer. Allocating funds to high return projects like research and development, and technology upgrade can improve operational efficiency and, reduce costs, enhance revenue and profitability thereby increasing operating cash flow. Allocating resources to streamline operations like supply chain optimization, can reduce expenses, and by extension, enhance operating cash flow. The least-cost form of finance is operating cash flow. The internal financing is therefore, defined as a process where a company uses its profits or assets as a source of capital to fund a new project or investment. Internal financing refers to a business generating funds from activities and assets that already exist in the company, in contrast to external financing, which requires the involvement of a third party (Bukvić and Pavlović 2023). It must be noted that allocating too much to capital expenditure (CAPEX) may reduce immediate liquidity but support long-term growth. Allocating funds towards risk management like insurance and cybersecurity will help protect cash

flows from unexpected disruptions. Managers are forced to rely on operating cash flow for financing due to information asymmetries between themselves and potential new shareholders. As stated by Rahman and Sharma (2020), aligning capital expenditure strategies with business goals can stimulate sustainable growth in operating cash flow, reinforce financial health and ability to weather external challenges. Indeed, a firm's failure in compliance with proper management in operating cash flows might lead to a decrease in financial performance. Therefore, every firm should be able to manage its cash flows to reach the level of performance

2.1.4 Debt equity Ratio

The debt-to-equity ratio is the ratio of the equity held by common shareholders to the interest held by creditors in a business. It is, in other words, a gauge of a business's financial leverage. The debt often only includes the Long Term Debt (LTD) when determining a company's financial leverage. The debt-to-equity ratio (D/E) is a financial statistic that shows how much debt and shareholders' equity are used to finance a company's assets. The ratio, which is closely associated with leveraging, is sometimes referred to as risk, gearing, or leverage. The ratio can also be computed using market values for both, if the company's debt and equity are publicly traded, or a combination of book value for debt and market value for equity financing. Typically, the two components are taken from the company's statement of financial position, or "book value." One important measure of a company's debt and financial health is the D/E ratio. Finding a company's debt-to-equity ratio, which shows how much of its funding comes from debt compared to shareholders' equity, offers important information about its financial health. When making financing or investment decisions, it enables lenders and investors to evaluate the company's overall financial stability, growth potential, and degree of risk. In essence, it displays the extent to which a business depends on borrowed funds as opposed to its own contributions. When making financing or investment decisions, it enables lenders and investors to evaluate the company's overall financial stability, growth potential, and degree of risk. It basically illustrates how dependent a business is on borrowed

funds as opposed to its own efforts. Stated differently, a high debt-to-equity ratio means that a business is significantly depending on debt to fund its operations, which can be dangerous but also imply the possibility of large profits if well managed; a low ratio indicates a more cautious strategy with lower financial risk. A company's debt-to-equity ratio can be used to determine whether it is taking on a suitable amount of debt in comparison to its rivals in the same industry. When making investment decisions, investors use the debt-to-equity ratio to assess a company's financial stability and likelihood of meeting its debt commitments. The debt-to-equity ratio, on the other hand, is used by lenders to evaluate a company's capacity to repay loans, which affects their choice to grant credit. A high debt-to-equity ratio may lead a business to look into ways to lower debt levels, like boosting equity financing or enhancing cash flows.

When a company's D/E ratio is less than 1, it indicates that equity is its primary source of funding. A high D/E ratio can suggest that a company has been aggressive in using debt to finance its expansion, and a ratio greater than one indicates that the company is largely financed by debt. This work relied on the debt-equity ratio found in the majority of published financial statements, without attempting to confirm that just long-term obligations were utilized in the computation. This ratio is essential to this job since management's financial capital decision determines how the variables are combined.

2.1.5 Turnover growth

Turnover growth refers to the increase in a company's revenue or turnover over a specific period of time. It measures the expansion of a business and its ability to attract and retain customers. This growth is often expressed as a percentage change over time and is a direct indicator of a company's operational performance and market competitiveness. The way a company allocates its financial resources significantly influences its turnover growth. Funds adequately allocated towards marketing campaigns, after-sales services, research and development, will increase product visibility, brand awareness and market reach, thereby growing turnover in an enhanced dimension. Organizations can also allocate

resources to enter new geographical markets or expand into untapped customer segments. It can leverage on technology to reduce costs and enable competitive pricing and by extension, increase volume of turnover. Investment in digital platforms like e-commerce, data analytics, can also boost turnover growth. Strategic capital allocation ensures the company maximizes its growth potential while adapting to market dynamics.

2.2 Theoretical Review

There are many theories that can be linked with this work. They include Agency Theory, Resource-Based View (RBV), Market Timing Theory, Dynamic Capabilities Theory, and Signalling Theory, among others. This work hinges on two, namely:

2.2.1 Resource-Based View (RBV) Theory:

This is a theoretical framework in strategic management that emphasizes the role of a firm's resources in achieving competitive advantage and superior performance. It was popularized by scholars such as Jay Barney and builds on earlier work by Edith Penrose. Jay Barney formalized the RBV framework in his seminal 1991 paper, "Firm Resources and Sustained Competitive Advantage." This theory sees firm's resources as being strategic assets and divided into tangible (like equipment, financial assets) or intangible (like brand reputation, intellectual property, organizational culture) and that these resources give firms competitive advantage over others. Resources are expected to satisfy the VRIO criteria (Value, Rare, Inimitable, Organization) as introduced by Barney as a means to evaluate resources. According to him, VRIO stands for Value: The resource must enable the firm to exploit opportunities or neutralize threats; Rarity: The resource must be rare among current and potential competitors; Inimitability: The resource must be difficult or costly for competitors to replicate; Organization: The firm must be able to organize and utilize the resource effectively. Resource-based theory can be used by poor performing firms to achieve competitive similarity (by closely studying the sources of success of higher performing firms and then by imitating all the resources and capabilities of these successful firms that are imitable), to identify alternative ways of generating economic value (by

recognizing that they cannot imitate or substitute for a successful firm's resources and capabilities, at least in a way that would generate economic profits for this firm). To gain such levels of performance, these firms must identify their own rare and costly to imitate resources and capabilities and find ways for these resources and capabilities to generate higher than current levels of economic value. This leads to resource-based theory's last implication for managers: Resource-based theory can be used by firms that have the potential for superior performance to fully realize this potential. This is done by these firms identifying the rare and costly to imitate resources and capabilities they already control and then finding ways to use these resources and capabilities to enhance their ability to create economic value. If these resources and capabilities are rare and costly to imitate, then the economic value created by exploiting them will be a source of sustained competitive advantage. (Barney, et al. 2021).

Resource Based View emphasizes internal factors rather than external environmental conditions to help organizations to achieve and sustain competitive advantage. It is relevant to this work because the topic is talking about capital expenditure which has to be done internally. The business performance is also assessed based on the internal activities of management and the workforce. Companies that perform poorly in terms of business performances should see the need to check on what makes others to outshine them, and seek to imitate for better results.

2.2.2 Dynamic Capabilities Theory

Dynamic Capabilities Theory was derived from Resource Based Value Theory and compensated for that theory's shortcomings when it came to explaining sustainable competitive advantage and superior performance in a dynamic environment. This theory was introduced by scholars such as David Teece, Gary Pisano, and Amy Shuen and it holds that firms operate in dynamic markets where technological advancements, customer preferences, and competitive landscapes constantly evolve. The theory was formalized in the 1997 paper entitled "Dynamic Capabilities and Strategic Management." Dynamic capabilities therefore enable firms to adjust

their resources and strategies to seize new opportunities or counteract threats. Dynamic Capabilities describes the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Three Core Components in this theory are identification of market trends, emerging technologies, and changes in customer needs; allocating resources and capabilities to capture value from identified opportunities and then reconfiguring and renewing resources to maintain alignment with market demands. Dynamic capabilities are shaped by a firm's history and past decisions, meaning that they are built incrementally and depend on prior resource configurations. They rely on continuous learning, experimentation, and innovation to adapt and stay ahead in competitive markets. The theory provides a framework for understanding how firms can sustain competitive advantage in volatile markets, encouraging innovation and proactive strategies.

Dynamic capability theory goes beyond the idea that sustainable competitive advantage is based on a firm's acquisition of valuable, rare, inimitable and non-substitutable (VRIN) resources. Dynamic capabilities are responsible for enabling organizations to integrate, marshal and reconfigure their resources and capabilities to adapt to rapidly changing environments. Thus Dynamic capabilities are processes that enable an organization to reconfigure its strategy and resources to achieve sustainable competitive advantages and superior performance in rapidly changing environments (Bleady, et al. 2018). This theory is relevant to this work because it stresses dynamic markets where technological advancements, customer preferences, and competitive landscapes constantly evolve. It provides a framework for understanding how firms can sustain competitive advantage in volatile markets, encouraging innovation and proactive strategies. This is found in emerging markets which this paper focuses on. Together, RBV and Dynamic Capabilities Theory offer complementary insights into how firms achieve, sustain, and renew competitive advantage in diverse environments.

2.3 Empirical Review

The following empirical review was made in relation to the study. The review is made sequentially based on the variables used in the work. It commences with capital expenditure to operating cash flow, debt/equity ratio and finally, turnover growth. Unfortunately, no work has been seen discussing directly on the topic of this paper which is Business Performance Index and Capital Expenditure Decisions in Nigeria.

Okeke, et al. (2022) conducted a study on Financial Market and Capital Allocation of Manufacturing Firms: Evidence from the Manufacturing Sector of the Nigerian Stock Exchange. The study examined financial market and capital expenditure of manufacturing firms in Nigeria from 2002- 2021 adopting an ex post facto research design using time series data. The data used were secondary in nature and carefully sourced from the Central Bank of Nigeria (CBN) and Nigerian Exchange Group (NGX). The Autoregressive Distribute Lag (ARDL) complimented by the Granger Causality test were the techniques employed in analysing the data with the use of E-views 10.0. The findings showed that all share index had an insignificantly negative association with capital allocation of manufacturing firms, turnover ratio had a negative, non-significant association with capital allocation for manufacturing firms. Market capitalization, on the other hand, revealed a negligible positive correlation between capital allocation and manufacturing enterprises in Nigeria. In addition, the granger causality test revealed that financial market variables: all share index, market capitalization, and turnover ratio had no significant effect on capital allocation of manufacturing firms. In order for the Nigeria manufacturing firms to be pivotal force in Nigeria economic growth and development, it recommended that government should develop the manufacturing sector by maintaining steady exchange rate and low inflation rate so as to enable firms to achieve an increase balance of payment. There was also the need to provide adequate infrastructures (electricity supply, communication, good roads, etc.) for firms to operate effectively and efficiently.

Xiu, et al. (2021) conducted a study on Financial Structure and Capital Allocation Efficiency: An Empirical Analysis of China from 2005–2018. In this study, they explored the relationship between financial structure and the efficiency of capital expenditure to determine a scientific and effective approach to transform and upgrade China's financial sector. Using China's provincial data from 2005 to 2018, they detected the threshold effect of financial structure on capital expenditure efficiency. They found that financial structure, when using its three agency indicators (credit scale, insurance scale, and stock market size) as threshold variables, and capital expenditure efficiency showed an inverted 'U' relationship. Moreover, the relationship between financial efficiency, insurance scale, and capital expenditure efficiency changes from negative to positive, and the relationship between foreign trade scale and capital expenditure efficiency showed a significant negative correlation. The research improved the understanding of the relationship between China's financial structure and the efficiency of capital expenditure. Their results showed that by optimizing the financial structure through expanding the stock market and the scale of bank credit and appropriately expanding the scale of insurance, more loanable funds would flow into the production sector, and providing certain guarantees can greatly promote improved capital expenditure efficiency.

Wang and Xia (2022) did a study on Relationship between Capital Allocation Efficiency and Diversification Strategy from the Perspective of Internal Control. This study selected 9012 nonfinancial companies' samples from the Shanghai and Shenzhen stock markets from 2013 to 2017 to explore the impact of internal control quality on capital expenditure efficiency and diversification. The results showed that improving internal control enabled enterprises to seize investment opportunities and implement effective capital expenditure. This study also examined the impact of capital expenditure efficiency and free cash flow on the diversification level and the differences among the internal control groups. The results showed that, first, the internal control was an important guarantee for the daily operation and management of enterprises. Attaching

greater importance to internal control promotes efficient resource utilization in the internal capital market. In the long run, the development of internal control was seen to be conducive for reducing the short-term behaviour of management and eliminating the agency problem, which enabled management to make strategic decisions. Second, improving capital allocation efficiency was seen to lead to an improvement in the control of investment opportunities, restrain the company from over-diversifying, and ensure the rights and interests of stakeholders. Third, when the level of free cash flow was relatively high, the convergence effect of management interests would enhance the degree of diversification of enterprises, and a higher quality of internal control environment would restrain the influence. Fourth, in companies with low internal control, the sensitivity of capital allocation efficiency to the degree of diversification was not as significant as that of companies with high internal control. The design of the company's internal control system needed cost, and the implementation of internal control needed to follow the principle of cost-effectiveness. It was found that there was a complementary relationship between internal control and strategic decision-making and pointed out the potential relationship between capital allocation efficiency and strategic decision-making.

Hoang, et al (2022) conducted a study on The Economics of Capital Allocation in Firms: Evidence from Internal Capital Markets. They observed that despite an unabated interest in better understanding corporate investment, empirical research in corporate finance has usually stopped half-way. Although there was considerable evidence about how capital was allocated from investors to firms, knowledge about how firms allocate financial resources to projects had not kept pace with theories of allocation processes and internal capital markets. They attempted to fill part of this gap by presenting an analysis of unique data from a Chief Finance Officer (CFO) survey. Their emphasis was on the most relevant aspects of the internal capital expenditure process and the capital markets within firms. The survey questions were designed to exploit the in-depth knowledge of top financial executives about this process (example, importance of agency problems inside firms, biases

in proposals, choosing "socialistic" capital expenditures, or implications for corporate financing). Their survey instrument itself was closely guided by economic theory and previous empirical evidence, allowing it to match theoretical predictions with practice. Their findings confirmed that firms actively reallocate financial resources across divisions through internal capital markets to take advantage of more profitable investment opportunities. The tendency to distribute capital relatively evenly exists even though CFOs by and large reject explanations offered by existing work, leaving open questions regarding the causes and value effects of such "socialistic" allocations. Despite the success of existing theories of capital expenditures, the findings called for a renewed investigation of the central elements of internal capital markets. The strong emphasis given to bottom-up components in the allocation process while undoubtedly important, may be overstated. Top management's role was only partly to evaluate project proposals. Their results showed that using private knowledge and expertise, top management actively shaped the firm's investment policy, often beyond financial projections and other hard information provided by division management (especially if agency problems were severe).

Wang (2022) conducted a study on The Theory and Practice of Capital Allocation. He came up with the statement that internal capital expenditure was one of the core propositions in the business process of multi-divisional conglomerates and was an essential factor affecting the survival and growth of firms. However, the internal capital expenditure decision was intrinsically complex, and the existing research literature had multiple theoretical orientations. There were also large gaps in empirical findings and varying measures of expenditure efficiency. The paper firstly summarized the theoretical basis of internal capital expenditure decisions and discusses the commonalities and differences between the theories. Secondly, it sorted out the factors affecting internal capital expenditure decisions and discussed the reasons for the lack of consistency in the empirical results. Finally, it discussed the future research directions based on the selection of expenditure efficiency measurement methods and

moderating variables. This article identified three theoretical mechanisms underlying the capital allocation process. Among them, winner picking theory provided the most basic explanation for capital allocation, and other theoretical perspectives complement and expand the purpose or way in which firms make internal capital decisions. The basis for making internal capital allocation decisions in business development was different and even transformed into each other, which was closely related to the internal and external environment faced by the firm. For the second question, due to the variety of factors chosen and the different theoretical perspectives, researchers tend to adopt an a priori criterion to test whether the capital decisions made by managers were consistent with them. This paper suggested a comprehensive measure to evaluate the effectiveness of capital allocation. There were many internal organizational factors external environmental factors that influenced the perception, attribution, and interpretation of the relative status of each division by the managers of multi-divisional conglomerates, which in turn produced differential capital expenditure decisions and capital expenditure efficiency. Therefore, introducing the contingent variables and an in-depth examination of the interaction among organizational capabilities, experience and external contingent conditions such as institutional environment, cultural environment, and the competitive environment could help further uncover the mystery of capital expenditure within the enterprise.

Maubousin and Callahan (2024) did a study on Cost of Capital and Capital Allocation Investment in the Era of "Easy Money. Central banks around the world lowered interest rates significantly in reaction to the Global Financial Crisis, making financial capital relatively inexpensive and accessible. In theory, companies would increase their rate of investment and add financial leverage to take advantage of the lower rates. Higher investment was justified by a reduced cost of capital because more projects clear the hurdle to create value. More debt made sense because companies could keep their ratios of profit to interest expense while reducing the government's claim on cash flows. In an ideal world, corporate executives would make decisions to maximize long-

term value per share. But there was a lot of evidence that they fall short of this objective for reasons that were mostly understandable. Thirty eight (38) Executives were cautious, slow to change policies, and poorly calibrated. They commonly used hurdle rates that were nearly double their perceived cost of capital, maintain capital structures that were conservative, and place emphasis on earning per share (EPS) and EPS growth ahead of creating value for shareholders. The researchers place special emphasis on share buybacks. The relationship between interest rates and market valuation that prevailed during most of the era of easy money made buybacks especially useful for boosting EPS. That all changed as interest rates rose in 2022 with a total shareholder return of 26 percent in 2023, lifting the market's Price Earnings ratio.

Wang and Xia. (2022) conducted a study on Relationship between Capital Allocation Efficiency and Diversification Strategy from the Perspective of Internal Control. Using panel data, the study selected 9012 nonfinancial companies' samples from the Shanghai and Shenzhen stock markets from 2013 to 2017 to explore the impact of internal control quality on capital expenditure efficiency and diversification. It also examined the impact of capital expenditure efficiency and free cash flow on the diversification level and the differences among the internal control groups. (Free Cash Flow being cash flow left after the firm has invested in all positive Net Present Value (NPV) projects. Measurement of free cash flow requires observation of the investment opportunity set for each sample firm. The results showed that improving internal control enables enterprises to seize investment opportunities and implement effective capital expenditure since internal control was an important guarantee for the daily operation and management of enterprises. According to the study, attaching greater importance to internal control promotes efficient resource utilization in the internal capital market. The study contributed by revealing the mechanism of the impact of internal control quality on strategic decision-making and expanded the relationship between internal control and corporate strategic management. It stated that improving capital expenditure efficiency would lead to an improvement in the control of investment

opportunities, restrain the company from over-diversifying, and ensure the rights and interests of stakeholders. In order to cultivate collectivized enterprises, it advocated improving the efficiency of capital expenditure by listed companies, especially conglomerates, in order to gain more operating cash flows for their businesses.

Abughniem, et al. (2020) explored the Effect of Free Cash Flow on Performance of Companies in Amman Stock Exchange (ASE). The sample of the study included 100 firms of all sectors in the Jordanian market over six (6) years from 2010-2015. Several dimensions of cash flow were studied and three different measurements of performance were used (Return on Assets ROA, Market Value per Share MVPS and Tobin's Q) to capture the different results from using each, and to assess the relevance of each measurement to performance and finally, to justify the conflicting results found by previous studies. Different validity tests were conducted on data and the models to validate them before testing them. The data and the models were found valid and any errors that were found were overcome using statistical tools. Three hypotheses were developed regarding the relation between each independent variable and company performance. Using panel data regression, the models were then tested and some descriptive statistics were defined and the results showed that operation cash flow had positive effect and statistically significance on performance using ROA and MVPS indicators; free cash flow was found to have a negative, statistically significant effect on performance using ROA and MVPS measurement; and the Operating Cash Flow Margin had no statistically significant effect on performance. Free cash flow represented the cash that the companies were able to generate after spending the money required to maintain or expand their asset base. It was calculated as operating cash flow minus capital expenditures.

Liandu, et al. (2023) conducted a study on The Effect of Operating Cash Flow and Profit Management on Company's Profitability and Growth: Study at PT Baturaja Multi Usaha. This study aimed to determine the effect of operating cash flow on profitability and the effect of earnings management on corporate

growth. Operating cash flow was measured by the growth of operating cash flow, while profitability was measured by return on assets (ROA). Earnings management was measured through discretionary accruals, and growth was measured through asset growth. Earning management refers to the intentional manipulation of a company's financial statements in order to achieve a desired result. Discretionary accruals are accounting adjustments made at the discretion of management. They include management's bonuses, year-end allowances, and long-service awards. The Research was conducted at PT. Baturaja Multi Usaha with a monthly research period from 2019-2021. The research used quantitative methods, simple linear regression data analysis techniques, and hypothesis testing. Based on the results of the research and discussion, it concluded that Operating Cash Flow had a significant positive effect on the profitability of PT Baturaja Multi Usaha in 2019-2021. Profit Management also had a significant positive effect on the growth of PT Baturaja Multi Usaha in 2019-2021. The research showed that earnings management, as measured by discretionary accruals, had a negative and significant effect on company growth.

Ferri, et al. (2020) did a study on the relation between cash flows and economic performance in the digital age: an empirical analysis. They studied the relationships between cash flows of several management areas and economic performance, using a complete sample of Italian listed companies in the 2008-2017 period with more solid statistical tools compared to previous studies. The database used to collect all the Statement of Financial Position data necessary to conduct their research was Amadeus of the Bureau Van Dijk platform, which already showed reclassified and easily comparable financial statements. Correlation and multiple regression analysis were used to assess if their cash flow proxies could be strong predictors of future cash flow and, consequently, of business performance. The flows for investments and the ability to generate cash, where the latter was positively correlated with future profitability, managed to explain, together with the net cash generation of the company, a large part of the variability of the operating income produced in subsequent periods. The flows from investments

seemed to be the most suitable for correctly classifying the most profitable companies in the medium-long term, while cash generation, deriving from the characteristic activity, contributed to providing answers, about corporate profitability, on shorter time horizons. The research was therefore potentially useful to analysts who tried to predict the future performance of the company being studied, analyzing the flows of the various management areas and the typical characteristics of the company, as well as internal subjects, where the results could constitute a possible benchmark of comparison with the model studied on the Italian companies of the sample. Despite the limitations and further investigations to be developed in the future, the present research seemed to have taken a step forward compared to the literature then available. Compared to previous research, they tried to analyze a larger sample of companies that was representative of the Italian business context.

An and Ngoc (2022) did a study on Cash Flows - Investment Sensitivity under Financial Constraints: the case of Vietnam. The paper focused on examining the relation between cash flow and investment within different corporate financial status in the context of Vietnamese market. Using a sample of non-financial quoted firms over the 13-year period from 2005 to 2017, the study showed that Vietnamese listed firms tend to increase their investment level with the rise in cash-flow on their hand. The results indicated that firms suffering lower level of financial constraints appear to experience stronger investment to cash flow sensitivity and vice versa. Given the tight dependence of investment decisions on internal cash flow within the context of a highly financially constrained market such as Vietnam, it recommended that government should focus on improving capital market efficiency by providing other available financial resources, such as enhancing the banking sector's efficiency in resource allocation.

Odo and Theophilus (2021) conducted a research on Effect of Cash Flow on Financial Performance of Food and Beverage Firms in Nigeria. The aim of this study was to investigate the effect of cash flow on financial performance of food and beverage firms in Nigeria. Specifically, the study examined the effect

of cash from operating activities on profit for the year of food and beverage firms in Nigeria; determine the extent to which cash from financing activities affect profit for the year of food and beverage firms in Nigeria as well as examine how cash from investment activities affect profit for the year of food and beverage firms in Nigeria. ex – post facto research design was adopted. The study used secondary sources of data and used listed food and beverage companies while the analytical techniques used for the study were random panel regression model and descriptive statistics. It was revealed that cash from operating activities significantly affected profit for the year of food and beverage firms in Nigeria. Cash from financing activities had significant effect on profit for the year of food and beverage firms in Nigeria and cash from investment activities significantly affected profit for the year of food and beverage firms in Nigeria. The study recommended that food and beverage firms in Nigeria should pay out dividends as at when due and timely too as it was found out that dividend paid had significant effect on net profit margin. The federal government agencies involved in implementing income taxation on corporate organizations should be effective and efficient in that task to avoid double taxation as income taxation already depleted the net profit margin of organizations. Also, Food and beverage firms in Nigeria should improve their finance income as finance was critical to every business decision, from planning and budgeting and cash flow management to the capital structure and how a firm control risks and costs.

Nukala and Prasada-Rao (2021) did research on the Role of debt-to-equity ratio in project investment valuation, assessing risk and return in capital markets. The purpose of this paper's case study was to use the standard capital asset pricing method to examine the asset returns for two distinct companies as well as the risk and returns from capital projects to show how discount rates affected the present values of future cash flows when the debt-to-equity capital structure ratio was adjusted from 0 to 2.5. The breakeven sensitivity analysis was also performed in reference to the company's various gross margin ratios. It was discovered that a higher debt-to-equity ratio resulted in a larger net present value as gross

margins increased. The project returns and annual cash flow, together with their correlation to changes in the cost of capital, were demonstrated through the use of capital evaluation tools. Based on the analysis, the net present value of the firm's project investments decreased dramatically when the average cost of capital was raised above a certain threshold. It was discovered that variations in the debt-to-equity capital structure ratio had an impact on the net present values. The capital asset pricing method (CAPM) was used to analyze the risk and return of a portfolio of two equities that were traded in the BSE and S&P indexes. According to the findings, the standard deviation of stock returns from a portfolio fluctuated linearly when the two stocks had a positive correlation, but nonlinearly when the correlation was negative. Individual stock returns were thought to vary linearly with beta in the basic capital asset pricing model. When macroeconomic variables were taken into account, the model performed poorly in predicting intricate nonlinear patterns of stock prices and returns. According to the earnings-based (P/E) technique, a stock's returns were influenced by both the market price and the company's earnings data. A portfolio's individual stock returns tracked the index trend, demonstrating a positive correlation between stock and market returns. A stock's geometric mean returns matched index returns well and were more realistic than its arithmetic mean returns.

Farah, et al. (2021) conducted a study on the Effect of Debt To Asset Ratio (DAR), Long Term Debt To Equity Ratio (LDER) and Time Interest Earned Ratio (TIER) on Profitability. For investors, if they were going to invest in a Food and Beverage company, they must evaluate the value of the company, if the value of the company is in a good position or increases gradually then investors had the opportunity to benefit from their investment and the company would not feel disadvantaged. Based on the overall findings, it was determined that independent variables Dar, LDER, and TIER all significantly impacted profitability at the same time, with LDER having the most impact. The three independent factors that had the biggest impact on profitability were found to be LDER, as evidenced by their highest t count and beta coefficient. Based on the findings of this investigation, it was recommended

that additional variables beyond those employed here be included for future studies. Only firm value was impacted by the ratio of DAR, LDER, and TIER, according to the R-squared value. Samples from other groups or indexes listed on the Indonesia Stock Exchange, or sample research in other industries, may be used in future studies.

Irman, et al. (2020) conducted a research analysing the Influence of Current Ratio, Debt to Equity Ratio and Total Asset Turnover toward Return on Assets on the Automotive and Component Company that has been registered in Indonesia Stock Exchange within 2011-2017. They contend that a company's quality is determined by the rate of return on invested assets, which influences an investor's desire to make an investment. However, financial performance metrics such as the debt to equity ratio, total asset turnover, and current ratio can have an impact on whether a profit is high or low. To ascertain if the Current Ratio, Debt to Equity Ratio, and Total Asset Turnover had an impact on Return on Assets in Component and Automotive Companies listed on the Indonesia Stock Exchange between 2011 and 2017, a study was carried out. Purposive sampling was used to choose the 12 companies that made up the study population. The Indonesia Stock Exchange (IDX) provided the financial report statistics. Multiple linear regression analysis using SPSS 19.0 and SMART PLS 2019 application tools was the data analysis method employed. This study looked at how several financial measures affected the profitability of automakers that were listed between 2011 and 2017 on the Indonesia Stock Exchange. Return on Assets (ROA), the dependent variable in this study, served as a representation of these businesses' profitability. The debt-to-equity ratio, total asset turnover ratio, and current ratio were the independent variables. The findings demonstrated a positive and significant relationship between Return on Assets (ROA) and the Current Ratio and Total Asset Turnover ratio. In contrast, ROA was negatively impacted by the debt to equity ratio, albeit not statistically significantly. There were ramifications for Indonesian automakers.

Fredriksz and Fredriksz (2023) did their research on the Influence of Current Ratio, Debt to Equity Ratio, and Total Asset Turnover toward the Return on

Assets on Animal Feed Company. The objective of this research was to examine how the current ratio, total asset turnover, and debt affect the equity ratio in relation to return on assets in animal feed companies. The study's sample consisted of four animal feed companies that were listed between 2018 and 2022 on the Indonesia Stock Exchange. SPSS software was used to analyze the data using multiple linear regression. The first hypothesis—that the Current Ratio (CR) had an impact on the Return on Assets (ROA)—was supported by the results. On the other hand, the second hypothesis was disproved, as Total Asset Turnover (TATO) had no bearing on ROA. The third hypothesis, that the debt to equity ratio (DER) had an impact on return on assets (ROA), was also accepted. At last, the fourth theory was approved. At the same time, the debt to equity ratio, current ratio, and total asset turnover ratio all significantly impacted return on assets (ROA). The result of this study were also anticipated to give businesses a general understanding of how to boost profitability and how the debt to equity ratio, current ratio, and total assets turnover may enhance this effect. The impact ought to be viewed collectively and in light of the market and industry circumstances in which the business functions. In order for the research findings to be more broadly applicable, it was suggested that future studies be conducted using a greater range of samples and businesses drawn from subsectors, if not various subsectors.

Juliani, et al. (2023) conducted a study on the Effect of Current Ratio, Total Asset Turnover and Debt to Equity Ratio on the Financial Performance of Manufacturing Companies listed on the Indonesia Stock Exchange for the 2016-2020 period. In this study, the financial performance of manufacturing companies listed on the Indonesia Stock Exchange was examined in relation to the current ratio, debt equity ratio, and total asset turnover. Secondary data from manufacturing companies' published financial statements was used in the study. In this study, ten manufacturing companies that were listed on the Indonesia Stock Exchange were the subjects of data analysis. Purposive sampling was employed in this investigation, and linear regression analysis and hypothesis testing were performed using a T-test on regression coefficients processed in SPSS Version

21. According to the study's findings, total asset turnover had a negative and negligible impact on performance finance, whereas the current ratio and debt equity ratio had a positive and considerable impact. Using a regression equation test, this study described the relationship between the financial performance of manufacturing companies listed on the Indonesia Stock Exchange and the independent variables (current ratio, total asset turnover, and debt to equity ratio). A good contribution to short-term debt payments was shown by the current ratio, which had a positive and considerable impact on financial performance. While the Debt to Equity Ratio showed a positive and significant impact, suggesting performance gains from financing more with debt than equity, Total Asset Turnover had no discernible effect on financial performance.

Goh, et al. (2022) conducted their research on Sales Growth and Firm Size Impact on Firm Value with ROA as a Moderating Variable. The study aimed to determine the sales growth and firm size impact on firm value, with return on assets as the moderating variable. Independent variables were the sales growth and firm size, while the dependent variable was firm value. The objects of the study were the consumer goods companies which were listed on the Indonesia Stock Exchange market from 2015 to 2020. The amount of sample was ten consumer goods companies based on the purposive sampling technique. The research method was using SPSS application to run the regression analysis which covered the descriptive statistics, classical assumption tests, multiple linear regression analysis, moderation regression analysis, and the hypotheses tests. The data of the study were normally distributed, free from multicollinearity and heteroscedasticity. The hypothesis results showed that sales growth results had negative impact and not significant to the firm value; the total assets had positive impact and not significant on the firm value; sales growth and total assets had impact on the firm value which was not significant simultaneously. Recommendation was that Investors were to be careful on investing in the company because if they were taking sales growth and firm size into account to invest, this may be costly mistakes. The variable of ROA also could not moderate the model. The study concluded that a

company with high sales growth and large firm size does not guarantee efficient performance or operations in generating profit and increase the firm value.

Susanti, et al. (2022): conducted a study on The Effect of Sales Growth, Profitability, and Company Size on Leverage. The research objective was to obtain empirical evidence of the positive effect of sales growth on leverage, the positive effect of profitability on leverage, and the positive effect of firm size on leverage. The decision to determine the capital structure (leverage) was a very important decision because this decision would affect the company's long-term going concern. The population used in this study was manufacturing companies that was consistently listed on the Indonesia Stock Exchange from 2017 to 2019. Purposive sampling was used as a sampling technique. The data were processed using EVIEWS. The results showed that sales growth had no positive effect on leverage, profitability had a positive effect on leverage, and firm size had no positive effect on leverage. It recommended that company management should take proper decisions in order to achieve an optimal capital structure and that creditors should consider the company's ability to generate profits before providing loans to the company.

Budiharjo (2023) researched on The Effect of Sales Growth, Financial Performance, and Firm Size on Firm Value: Using Indonesian Infrastructure Companies. This research was carried out to describe the impact of sales growth, company financial performance, and company size on the value of all infrastructure companies registered in Indonesia from 2017 to 2020. Purposive sampling was the sampling method used. The survey data was taken from the 2017–2020 Indonesian Capital Market Index (ICMD). In collecting data, the researcher used the documentation method. Statistical testing was carried out using the t-test and multiple linear regression analysis. Classical assumptions were tested first. The results of this study indicated that sales growth and operational efficiency had no effect on firm value, while profitability and firm size had positive effect on firm value. It was recommended that future researchers should use a larger sample with more

diverse characteristics from different industrial sectors and also to extend the research time.

Kalash and Bilen (2021) jointly researched on The Role of Sales Growth in Determining the Effect of Operating Leverage on Financial Performance: The Case of Turkey. This article analysed the impact of sales growth on the association between operating leverage and financial performance. Using a sample of 200 firms listed on Istanbul Stock Exchange over the period from 2008 to 2017. The results of univariate tests showed that the profitability measures (return on assets, return on equity, the ratio of earnings before interest and taxes to total assets) of firms with high operating leverage were significantly lower than those of firms with low operating leverage. In addition, the regression results indicated that the increases in operating leverage reduced the return on assets, return on equity and operating profitability. Moreover, that the relationship between operating leverage and profitability was contingent on sales growth. In other words, the negative effect of operating leverage on profitability was alleviated by sales growth. The researchers found out that operating leverage had a negative effect on profitability, and that the negative effect of operating leverage was stronger for firms with low sales growth and weaker for firms with high sales growth. It implied that sales growth mitigated the negative impact of operating leverage on profitability. These results confirmed that firms with high operating leverage should increase sales level to enhance their financial performance.

Adnyanil and, Suaryana (2020) did their research on The Effect of Company Sizes, Sales Growth, and Profitability on Firm Values. The purpose of this study was to find empirical evidence of the influence of company size, sales growth, and profitability on firm value of manufacturing companies in various industry sectors listed on the Indonesia Stock Exchange in 2016-2018. The sample for this study was selected using a purposive sampling technique so that the number of samples obtained was 23 companies from a population of 46 and 69 number of observations for a period of 3 years. The data analysis technique used was multiple linear regression. Based on the results of the analysis

conducted, it was found that company size, sales growth and profitability significantly had positive effect on firm value. This proved that the greater the total assets owned by the company, the more effective and efficient management of its assets would increase the value of the company. Sales growth had a positive effect on firm value and it proved that the higher sales growth of a company the more the investors will be interested in investing in the company which would result in an increase in the value of the company. Profitability had a positive effect on firm value proving that the greater profits the company makes, would give a positive signal to investors thereby increasing the value of the company.

Shubita (2024) researched on The Relationship between Sales Growth, Profitability, and Tax Avoidance. The study aimed at examining the intricate interplay between sales growth, profitability, and tax avoidance strategies adopted by firms. Through an analysis of a diverse data set spanning multiple industries and regions, the study investigated how sales growth influenced a firm's marketing approach to tax avoidance and its subsequent impact on profitability. The sample was Jordanian industrial firms listed on the Amman Stock Exchange for the study period between 2010 and 2020. Four critical variables used in the dataset were tax avoidance, return on assets, sales, and size. It employed a mixed-methods approach, including quantitative regression analysis and qualitative assessments of corporate tax strategies. The study results revealed a strong negative relationship between ROA and tax avoidance; for every unit increase in ROA, tax avoidance decreased by 0.198 units. Sales, however, did not exhibit a statistically significant association with tax avoidance. Firm size was an additional predictor with a marginally significant direct link with tax avoidance ($\beta = 0.042$, $p = 0.049$). This study highlighted the central role of profitability in shaping tax avoidance strategies, with larger firms marginally more inclined toward tax planning. Profitable firms were seen to incline to engage in less aggressive tax avoidance, balancing financial efficiency with adherence to regulatory requirements and reputation management. The relationship between sales and tax avoidance was not statistically significant in both

models. This finding suggested that sales growth alone may not be a key driver of tax avoidance behaviour. The second model introduced firm size as a predictor, revealing a marginally significant positive relationship with tax avoidance. These conclusions offered several implications. First, companies must consider their profitability, size, and sales growth when developing tax strategies. Profitable firms may opt for more conservative tax practices, while larger firms should be aware of their capacity for complex tax planning. Second, policymakers should recognize the interplay between firm characteristics and tax behaviour. Tax regulations and oversight mechanisms should be designed to accommodate the diverse tax planning strategies that firms may employ.

Tarmidi, et al. (2020) researched on Corporate Value: Impact of Sales Growth, Leverage, and Investment Opportunity Set. This study aimed at analyzing the effect of sales growth, leverage, and investment opportunity set on corporate value. Corporate value is a measure of how the sustainability of an entity is going, the high corporate value indicates that the company is in the good condition to carry out operations in the future and that can attract investors to make transactions on the entity's shares. Therefore it is very important for investors to know what factors affect the corporate value, and that they do not take the wrong steps in making transactions on the stock exchange. Using multiple regression analysis with the STATA software on mining companies listed on the Indonesia Stock Exchange, this study found the effect of sales growth and investment opportunity set on corporate value, while leverage had no effect on corporate value. These results explained that investors give a positive reaction to the company's performance in increasing its turnover and investment opportunity set so that it had an impact on corporate value in the stock market. These results had implications for management to work hard in increasing sales to increase corporate value.

Warsame (2023) conducted a study on Factors Influencing Firm Sales Growth: An Instrumental Variable Analysis. He noted that several studies had been done on sales growth, but the mistake was that firm growth and sales growth were understood as the

same thing, using the same perspective and variables for both growth studies. This study took a different perspectives focusing merely on factors influencing sales growth using micro-level data from the World Bank Enterprises Survey (WBES) datasets to examine whether sales growth in sub-Saharan Africa had different stories to tell employing the OLS and 2SLS analyses. Unlike other studies, the results indicated that top management gender diversity had no correlation to sales growth, but temporary employees do. The results also revealed that the key drivers of a firm's sales growth were skilled labour, labour productivity, and non-current assets, which were statistically significant and had a positive relationship with annual sales growth. The paper recommended that researchers should carefully analyze the difference between firm and sales growth when examining influencing factors. Sales growth was influenced by ownership, location, and time. The study therefore encouraged the importance of diversity of ownership in the firm (owners from different countries). Any firm that wanted to increase sales growth first must ensure its ability to enhance productivity through skilled labour and non-current assets (technology). Merger and acquisition (ownership diversity) was suitable for small and medium enterprises to achieve high productivity (economies of scale advantages). The firm could only increase sales volume when it could increase productivity. The ability of the firm to be highly productive enabled it to export its products and services to other countries, becoming competitive in foreign markets. The location of the business had a significant impact on sales and profitability.

III. METHODOLOGY

3.1 Research Design

Ex-post facto research design was adopted in this study. This design was appropriate because past data was used in the study and will not be manipulated hence the behaviour of the data would not be changed. The work dwelt on conglomerate companies operating in Nigeria and randomly selected without using any technique for the purpose

of selection. These were UAC, John Holt, Chellarams, Dangote Cement and Unilever. Our attempt to include A. G. Leventis was stalled because the company was delisted from the NGX in 2020 and could not get into our years of study which was 2016 to 2025. Data for the work were sourced from the financials of each of the companies as published. The data obtained from these sources were the same and this further enhanced the validity of the study. The variables for the work were Capital Expenditure (CAPEX) being amounts expended on acquisition of non-current assets on annual basis by each of the companies while business performance was represented by operating cash flow, debt/equity ratio and turnover growth (expressed in ratios).

3.2 Model Specification

The following specification was formulated to ascertain the contributions of the independent variables to the dependent variable and was expressed in regression models.

$$\text{Capex} = a + b_1\text{OCAF} + e \quad \text{Equation 3.1}$$

$$\text{Capex} = a + b_2\text{DERA} + e \quad \text{Equation 3.2}$$

$$\text{Capex} = a + b_3\text{TURG} + e \quad \text{Equation 3.3}$$

$$\text{Capex} = a + b_4\text{COMB} + e \quad \text{Equation 3.4}$$

Where

Capex = capital expenditure

OCAF = Operating cash flow

DERA = Debt/Equity Ratio

TURG = Turnover growth

COMB = combination of the ratios of operating cash flow, debt/equity ratio as well as Turnover growth of the companies studied on.

IV. DATA PRESENTATION, ANALYSIS AND FINDINGS

4.1 Data Presentation

The study was made up of capital expenditure (CAPEX) as dependent variable while operating cash flow, debt/equity ratio and turnover growth were independent variables.

Table 4.1: Descriptive Statistics

	Descriptive Statistics									
	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error	
CAPEX N'm	50	1.0	222547.0	27806.560	59224.1314	2.173	.337	3.798	.662	
Operating cashflow ratio	50	-29.65	8.39	-.2472	5.32520	-3.358	.337	19.138	.662	
Debt Equity ratio	50	-1.06	10.28	1.0366	2.07913	2.950	.337	8.964	.662	
Turnover Growth ratio	50	-.55	2.00	.0558	.40862	2.547	.337	10.540	.662	
Combined ratios	50	-28.42	15.10	.8652	6.01958	-1.807	.337	11.624	.662	
Valid N (listwise)	50									

From Table 4.1, operating cash flow ratio had a mean of -0.2472 which means that the average data was below zero. It means that most data points were negative. The minimum value of -29.65 indicated that the lowest value of the dataset was negative. The maximum value of 8.39 means that the highest value of the dataset was positive. Standard Deviation which measures how spread out the values are, was positive at 5.3252. It deviated from the mean at that value. Skewness indicating asymmetry in the data distribution had long left tail at -3.358; these are more extreme small values. Kurtosis which measures whether data has heavy or light tails compared to a normal distribution showed 19.138 (meaning that it had more extreme values (outliers) than a normal distribution).

Looking at the debt/equity ratio from the same Table 4.1, it had a positive mean of 1.0366 indicating that the average data was not negative. It had a minimum value of -1.06 indicating that the lowest value of the dataset was negative. The maximum value of 10.28 showed that the highest value was positive. Standard deviation was 2.0793 indicating a positive spread. Skewness of 2.95 indicated that the distribution was right-skewed, that is, more values were concentrated on the left, with a longer tail on the right. Kurtosis of 8.964 showed that it had more extreme values than a normal distribution.

From the same Table 4.1 turnover growth had a mean of 0.0558 indicating that the average data was positive. The minimum value of -0.55 showed that the lowest value was negative while the maximum value of 2.00 showed that it had a positive dataset. Standard deviation of 0.40862 showed a positive

spread; skewness of 2.547 indicated that more values concentrated on the left, with a longer tail on the

right; while kurtosis of 10.54 showed that it had heavy tails compared to a normal distribution.

Looking at the combine variables, the mean value of 0.8652 showed a positive average data with minimum value of -28.42 and maximum value of 15.1. The standard deviation was 6.01958 skewness -1.807 and kurtosis 11.624.

4.2 Test of Hypotheses

The equations used for this study were not logged, but expressed in their normal forms in order to observe their behaviours as follows:

$$\text{Capex} = a + b1\text{OCAF} + e \quad \text{Equation 3.1}$$

$$\text{Capex} = a + b2\text{DERA} + e \quad \text{Equation 3.2}$$

$$\text{Capex} = a + b3\text{TURG} + e \quad \text{Equation 3.3}$$

$$\text{Capex} = a + b4\text{COMB} + e \quad \text{Equation 3.4}$$

4.3. Test of Hypothesis One

The null hypothesis Ho1 stated that there is no significant relationship between operating cash flow ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

Table 4.2: Result for hypothesis One

R	f. Cal	f. Crit	t. Cal	t. Crit
0.028	0.039	4.0012	0.197	1.671

The correlation coefficient (R) describes the relationship between the dependent variable (CAPEX) and the independent variable (Operating Cash flow). The 0.028 being 2.8% shows a very weak positive relationship between the variables.

From the table above, the f critical value is (4.0012) greater than the f calculated (0.039) at 0.05 level of significance. In the same vein, t critical value is (1.671) greater than the t calculated (0.197) at the same level of significance hence the null hypothesis is accepted and the alternate rejected. This means that there is no significant relationship between operating cash flow ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

4.4 Test of Hypothesis Two

The null hypothesis Ho2 stated that there is no significant correlation between debt/equity ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

Table 4.3: Result for hypothesis Two

R	f. Cal	f. Crit	t. Cal	t. Crit
0.189	1.771	4.0012	-1.331	1.671

Considering hypothesis Two, R value of 18.9% shows a weak positive relationship between the dependent and the independent variables (CAPEX and Debt/Equity Ratio respectively). The f critical of 4.0012 is more than the f calculated of 1.771. As well, the t critical of 1.671 is more than the t calculated of -1.331. This indicates that the null hypothesis should be accepted meaning that there is no significant correlation between debt/equity ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

4.5. Test of Hypothesis Three

The null hypothesis Ho3 stated that there is no significant connection between turnover growth ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

Table 4.4: Result for hypothesis Three

R	f. Cal	f. Crit	t. Cal	t. Crit
0.097	0.46	4.0012	0.678	1.671

The R value here is 0.097 indicating a 9.7% (very weak) relationship between turnover growth and financial capital allocation decision. With the f critical value being 4.0012 higher than the f calculated of 0.46 and the t critical value of 1.671

also higher than the t calculated of 0.678, means that the null hypothesis should be accepted that there is no significant connection between turnover growth ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

4.6 Test of Hypothesis Four

The null hypothesis Ho4 stated that there is no significant combined correlation between operating cash flow ratio, debt/equity ratio and turnover growth ratio on capital expenditure decision of conglomerate companies operating in Nigeria.

Table 4.5: Result for hypothesis Four

R	f. Cal	f. Crit	t. Cal	t. Crit
0.035	0.059	4.0012	-0.242	1.671

Looking at the combined effect of operating cash flow, debt/equity ratio and turnover growth on capital expenditure, the R value of 0.035 shows a very weak 3.5% relationship. In the same vein, f critical is higher than f calculated (4.0012: 0.059) and t critical of 1.671 also higher than the t calculated of -0.242. It means that the null hypothesis should be accepted that there is no significant combined correlation between operating cash flow ratio, debt/equity ratio and turnover growth ratio on capital expenditure decisions of conglomerate companies operating in Nigeria.

4.7 Discussion of Findings

The first hypothesis was on the relationship between the dependent variable (CAPEX) and the independent variable (Operating Cash flow). The 2.8% showed a very weak positive relationship between the variables. Testing the variable, the f critical value of 4.0012 was greater than the f calculated of 0.039 at 0.05 level of significance. In the same vein, t critical value of 1.671 was greater than the t calculated of 0.197 at the same level of significance hence the null hypothesis was accepted and the alternate rejected. This means that there was no significant relationship between operating cash flow ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

Hypothesis Two, had R value of 18.9% showing a very weak positive relationship between the

dependent and the independent variables (CAPEX and Debt/Equity ratio respectively). The f critical of 4.0012 was more than the f calculated of 1.771. As well, the t critical of 1.671 was more than the t calculated of -1.331. This indicated that the null hypothesis should be accepted meaning that there was no significant correlation between debt/equity ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

Looking at the Third hypothesis, the R value of 9.7% showed a very weak relationship between turnover growth and capital expenditure decision. With the f critical being 4.0012 higher than the f calculated of 0.46 and the t critical of 1.671 also higher than the t calculated of 0.678, meant that the null hypothesis should be accepted that there was no significant connection between turnover growth ratio and capital expenditure decision of conglomerate companies operating in Nigeria.

Considering the combined effect of operating cash flow, debt/equity ratio and turnover growth on capital expenditure, the R value of 3.5% showed a very weak relationship. In the same vein, f critical being higher than f calculated (4.0012: 0.059) and t critical of 1.671 also higher than the t calculated of -0.242 indicated that the null hypothesis should be accepted that there was no significant combined correlation between operating cash flow ratio, debt/equity ratio and turnover growth ratio on capital expenditure decisions of conglomerate companies operating in Nigeria.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

The study was to verify the relationship between Business Performance Index (BPI) expressed with operating cash flow, debt/equity ratio and turnover growth (all calculated in ratios as independent variables) and capital expenditure (as dependent variable). The test of the three hypotheses and their combined effect showed that operating cash flow, debt/equity ratio, turnover growth ratio as well as the combination of the independent variables had no relationship with CAPEX.

5.2 Conclusion

It can be concluded here that conglomerates operating in Nigeria's emerging market should check for variables that can yield good relationship on their Capital expenditure since none of the independent variables had positive relationship with it.

5.3 Contribution to knowledge

In terms of theoretical contribution, none of the works referenced had used Resource-based View or Dynamic Capability theories which this work hinged on. Some use Pecking Order Theory, Trade off Theory, Signalling Theory and Agency Theory, therefore making this paper unique. On empirical contributions to knowledge, this work is unique in the sense that other studies seen are different in terms of topic and the variables used. The closer study were the ones done by Abughniem, et al. (2020) where they explored the Effect of Free Cash Flow on Performance of Companies in Amman Stock Exchange (ASE). According to them, free cash flow represents operating cash flow less capital expenditures. Also, their independent variables were ROA, Market Value per Share (MVPS) and Tobin's Q . This study rather took Capital Expenditure as a dependent variable and operating cash flow (expressed in ratio) as one of the independent variables. The second work having little bearing with this study is that of Liandu, et al. (2023) who studied on The Effect of Operating Cash Flow and Profit Management on Company's Profitability and Growth: Study at PT Baturaja Multi Usaha. While operating cash flow stood as dependent variable, they used ROA and earnings management as independent variables. Earning management being the intentional manipulation of a company's financial statements in order to achieve a desired result has Discretionary Accruals as its subset and these are accounting adjustments made at the discretion of management, like management's bonuses, year-end allowances, long-service awards and so on. Their work, again, is different from this study which applied different variables altogether. In addition to the above, none of these works were done in Nigeria.

5.4 Recommendations

Capital Expenditure should result in enhanced performance to improve upon operating cash flow

debt/equity ratio as well as turnover growth. Unfortunately, this is not the case here. Management should therefore conduct a detailed analysis to understand why this is not so in these companies. They should focus on investments in technology, automation, and process improvements that drive productivity and cost savings as well as identify non-core assets or cost centres that can be divested to free up their capital. There is need to increase spending on research and development (R&D), expansion projects, and employee up-skilling to drive sustainable growth as well as explore strategic partnerships, acquisitions, or market expansion to deploy excess cash effectively.

5.5 Business Implication of the Study

Accepting the null hypotheses implies that the tested financial variables (operating cash flow, debt/equity ratio, turnover growth) do not have a statistically significant influence on the CAPEX. This suggests that these specific indices may not be strong drivers or predictors of Capital Expenditure decisions in the studied context. Businesses may need to look beyond these financial ratios to understand what drives capital expenditure decisions. They may possibly consider non-financial metrics like, employee engagement, innovation, customer satisfaction, leadership quality, market positioning, Environmental, Social and Governance (ESG) initiatives also. Firms might need to reevaluate how they allocate capital internally between departments or projects, explore alternative capital efficiency measures that better correlate with performance and also, be cautious about relying solely on these financial metrics for strategic decisions.

5.6 Suggestion for further studies

A follow-up study could explore whether other variables like Research and Development spending, customer retention, digital transformation may have more impact. Sectorial comparisons to test if findings hold across different industries and studies covering more number of years can be embarked upon and compared with the result of this study.

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