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Capital Budgeting and Financial Investment Appraisal: A Review of Archival Literature

AWODIRE, Akinpelu Moyosoluwa
Department of Accounting and Finance
Faculty of Management Science
Lagos State University,
Ojoo, Lagos, Nigeria.
Email: moyosoluwa.awodire@gmail.com

AGBOOLA, Kabiru Olatoye
Department of Computer Applications,
Bangalore University,
Bangalore, India.
Email: agboolaolatoye@gmail.com

OGUNDOJUTIMI, Temitope Olanrewaju
Department of Business Administration and Management Sciences
University of Ado Ekiti,
Ado Ekiti, Nigeria.
Email: mineislanre@gmail.com

ODUMUWAGUN, Olukoya Olanrewaju
Department of Accounting
Babcock University
Ilishan Remo, Nigeria.
Email: lanreodumuwagun@gmail.com

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Abstract: Universally, fund raising issues and capital utilitization have been the heart-beat of all financial managers both in the private and public sector. However, profitable utilization of scarce financial resources by various sectors has become more important as cost of fund raised daily has become increasingly astronomical. Hence, the financial manager must do all that is possible to generate returns that will not only be sufficient to meet the cost of funds but also enough to satisfy the wealth maximization objective of the firm. Raising finance for corporate bodies thus becomes important and of highest import. Thus, the aim of this study is to carry out a detailed review of archival literature on the roles of financial management in capital investment appraisal. In this study, the authors intend to review archival literatures to find out the contributions of financial managers in making good financial decisions and to reveal the impact of capital budgeting techniques on financial projects. This simply will provide the reader full detail information about how the necessary data/materials used in the study was collected. The data used for the research were collected by means of vital and relevant data from secondary sources through the review of some related and available documents such as textbooks, term papers, and business publications like magazines, journals, newspaper, periodicals, published and unpublished works and statistical records. This study found that in other to achieve the desired goals of financial managers in effective decision making senior management of any organization must bear in mind that observation of the doctrine of capital investment appraisal must be obeyed and properly executed in the organization.
Keywords: Financial Management: Project Management: Project Appraisal: Capital Investment: Capital Budgeting: Financial Capital: Literature Review.
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1.0 Introduction of the Study

Globally, the issue of raising and utilitization of fund have been the heart-beat of all financial managers both in the corporate world and in the public sector (Awodire, 2010; Wubante et al., 2022). The profitable utilization of scarce financial resources by various sectors has become more important as cost of fund raised daily has become increasingly astronomical (Schick, 2003). The financial manager has a lot to do in other for him to be able to generate returns that will not only be sufficient to meet the cost of fund but also enough to satisfy the wealth maximization objective of the firm. Fox & Bartholomae (2020) concluded that raising finance for corporate bodies thus becomes important and of utmost import.

In capital budgeting businesses look for opportunities that increase their share holders' value, the managers try to figure out investment opportunities that are worth more to the business than they cost to acquire (Akomolafe & Ohanyelu, 2022; Amaihian et al., 2022). Ideally, firms should peruse all such projects that have good potential to increase the business value. Since the available amount of capital at any given time is limited; therefore, it restricts the management to pick out only certain projects by using capital budgeting techniques in order to determine which project has potential to yield the most return over an applicable period of time. Akomolafe & Ohanyelu (2022) opined that capital budgeting is the process which enables organizational management to decide which, when and where to make long-term investments. With the help of capital budgeting techniques, management decide whether to accept or reject a particular project by making analysis of the cash flows generated by the project over a period of time and its cost. Management decides in favor of a project if the value of cash flows generated by the project exceeds the cost of undertaking that project (Awodire, 2010; Shu'ara & Olaolu, 2023; Shu'ara, 2021a). A capital budgeting decision rules likely to satisfy the following criteria; must give consideration to all cash flows generated by the project, must take into account time value of money concept, must always lead to the correct decision when choosing among mutually exclusive projects.

Jia (2023) argued that regardless of the specific nature of an investment opportunity under consideration, management must be concerned not only with how much cash they are expecting to receive, but also when they expect to receive it and how likely they are to receive it. Evaluating the size of investment, timing; when to take that investment, and the risk involved in taking particular investment is the essence of capital budgeting (Zetzsche et al., 2020; Zhao et al., 2022). In view of current economic trend, it has become very important that the authors conduct this literature review study which shall be of immense benefit to financial organizations who are involved in projects appraisal and evaluation. This study will help review some of the teeming problems enveloping financial managers during project appraisals. This study exposes the various techniques that can be used to select good project from the bad ones. This study will serve as a ground for constructive criticism and for future researchers to improve on the field of study and will be also useful for researchers in related professions. Hence, the main objective of this study is to examine the role of financial management in capital investment appraisal, which will enable the readers to understand how to handle investment decisions. To identify the role of financial management in capital investment appraisal in any organization that wants to grow and be developed.

2.0 Review of Related Literature

2.1 Theory of Finance

Finance is the heart-beat of all corporate bodies. Thus, the management of finance becomes relevant in modern business organization (Awodire, 2010; Akomolafe & Ohanyelu, 2022; Amaihian et al., 2022). Finance itself is the management of fund or money. Zetzsche et al. (2020) opined that finance is the management of money and investment or the borrowing or raising of money for purchase or to provide sufficient fund for a project. The effective of management of finance otherwise is known as "Financial Management". Financial management in today's global world plays an essential role in corporate organization as it continues to be an important factor in the day to day operation of business organizations. Zhao et al. (2022) noted that the theory of finance is concerned about the firm's financial activities and how they are related to the firm's other activities. Firms create manufacturing capacities for production of goods while some provide services to customers. Jia (2023) added that such goods and services are sold to earn a profit. Venkateswaran (2014) posited that firms raise funds to acquire manufacturing and other facilities. Thus, the three most important activities of a business firm are production, marketing and finance (Shu'ara & Olaolu, 2023; Shu'ara, 2021a). A firm secure whatever capital it needs and employs it (financial activity) in activities, which generate returns on invested capital (production and marketing activities).

2.2 Capital Budgeting

Shu'ara & Olaolu (2023) argued that capital budgeting is a process used to determine whether a firm's proposed investments or projects are worth undertaking. However, the process of allocating budget for fixed investment opportunities is crucial because they are generally long lived and not easily reversed once they are made (Jia, 2023; Venkateswaran, 2014). Hence, this can be viewed as a strategic asset allocation process and management needs to use capital budgeting techniques to determine which project will yield more return over a period of time. The foremost importance of capital budgeting decisions and how critical they are is that the capital is a limited resource which is true of any form of capital, whether it is raised through debt or equity (Shu'ara & Olaolu, 2023; Shu'ara, 2021b). The firms always face the constraint of capital rationing. This may result in the selection of less profitable investment proposals if the budget allocation and utilization is the primary consideration. So the management should make a careful decision whether a particular project is economically acceptable and within the specified limits of the investments to be made during a specified period of time (Awodire, 2010; Akomolafe & Ohanyelu, 2022). In the case of more than one project, management must identify the combination of investment projects that will contribute to the value of the firm and profitability. This, in essence, is the basis of capital budgeting. A number of investment criteria (or capital budgeting techniques) are in use in practice. Amaihian et al. (2022) mentioned that, they may be grouped in the following two categories; each potential project's value should be estimated using a discounted cash flow (DCF) or conventional investment approach valuation, to find its net present value (NPV), internal rate of return (IRR), and profitability index (PI). Jia (2023) posited that there is opinion on the traditional method which comprises of accounting rate of return (ARR) and payback period (PB) on the other hand, is one which has cash outflows mingled with cash inflows, throughout the type of the project.

2.3 Financial Management and Capital Investment Appraisal

Styles & Tennyson (2007) stressed that financial management plays an important role in capital investment appraisal in any organization that wants to grow and be developed. Zhao et al. (2022) says it is the managerial activity which concerned with the planning and controlling of the firm's financial resource. Zetzsche et al. (2020) opined that financial management is the act of skill of directing and organizing the finances of funds of an organization into a financial success (that is, something that makes profits). While discussing the importance of financial managers declares that "its primary goal is to ensure that is the process of planning and controlling of the financial resources of a firm. It includes; the acquisition, allocation and management of firm' financial resources (Sofat & Hiro, 2015; Shu'ara, 2021b). To allow for a better understanding he further explain that, in the global world of today been identified with the totality of how the firm raise finance, where the firm sources funds, the cost of such funds, the alternative method of utilizing such funds, and the final benefit accruing from using such funds (Akomolafe & Ohanyelu, 2022). The financial manager, believe cost and benefit of capital remain the most important factor. Since the primary objective of the firm is to maximize the shareholders wealth. Amaihian et al. (2022) speaking on the importance of financial management said there are three key elements to the process of financial management.

Financial Planning: Management need to ensure that enough funding is available at the right time to meet the needs of the business (Akomolafe & Ohanyelu, 2022). In the short term, funding may be needed to invest in equipment and stocks, pay employees and fund sales made on credit. In the medium and long term, funding may be required for significant additions to the productive capacity of the business or to make acquisitions (Shu'ara & Olaolu, 2023; Shu'ara, 2021a).

Financial Control: Financial control is a critically important activity to help the business ensure that the business is meeting its objectives (Akomolafe & Ohanyelu, 2022). Financial control addresses questions such as are assets being used efficiently. Are the businesses assets secure? Do management act in the best interest of shareholders and in accordance with business rules?

Financial Decision-Making: The key aspects of financial decision-making relate to investment, financing and dividends. Investments must be financed in some way however there are always financing alternatives that can be considered (Shu'ara, 2021b; Styles & Tennyson, 2007). For example it is possible to raise finance from selling new shares, borrowing from banks or taking credit from suppliers. A key financing decision is whether profits earned by the business should be retained rather than distributed to shareholders via dividends. If dividends are too high, the business may be starved of funding to reinvest in growing revenues and profits further. Zhao et al. (2022) in his article from an elementary perspective, the aspect of financial management is a massive arena. On other hand, the different facets of financial management do not only deal with accountancy, but it even includes other core subjects such as economics, mathematics and commerce. On other hand, FM once again also address to risk associated to business (Maryana & Gandakusuma, 2022; Mosteanu & Faccia, 2020). Every business that has a well defined system or even a good cash flow can have a problem. Now through some tried and true methods of proper financial management problems like handling any sort of cash shortages can be prevented. The principles of management can at times help in preventing cash flow problems and deal with them more effectively (Zetzsche et al., 2020; Zhao et al., 2022). Moreover, financial management as a whole can be broadly defined as the procedure of running the financial resources, including financial reporting, budgeting, risk management, and insurance for a business (Shu'ara & Olaolu, 2023). In fact, it primarily refers on two key aspects - how you are really financing your business and how well you handle the money in the business. Shu'ara (2021a) stressed that financial management generally encompasses a number of crucial areas of businesses, but at same the business results are usually delivered in form of reports.

Financing Decision: Financing decision is the second important function to be performed by the financial manager. Zetzsche et al. (2020) argued that the financial manager, broadly, must decide when, where from and how to acquire funds to meet the firm's investment needs. In addition, the financial manager is to determine the appropriate proportion of equity and debt ratio required to be invested in a particular project. Zhao et al. (2022) added that once the financial manager is able to determine the best combination of debt and equity, he must raise the appropriate amount through the best available sources. In practice, a firm considers many other factors such as control, flexibility, loan covenants, and legal aspects e.t.c. in deciding its capital structure. The mix of debt and equity is known as the firm's capital structure. The financial manager must ensure maximum mixture of debt and equity in financing the firm, so as to ensure maximum returns to shareholders (Shu'ara & Olaolu, 2023; Shu'ara, 2021a). The financial manager must strive to obtain the best financing mix or the optimum capital structure for his or her firm. The firm's capital structure is considered optimum when the market value of shares is maximized.

Investment Decision: A firm's investment decisions involve capital expenditures. They are, therefore, referred as capital budgeting decisions (Zetzsche et al., 2020). A capital budgeting decision involves the decision of allocation of capital or commitment of funds to long-term assets that would yield benefit (cash flows) in the future. Two important aspects of investment decisions are: (a) the evaluation of the prospective profitability of new investments, and (b) the measurement of cut-off rate against that the prospective return of new investment could be compared (Maryana & Gandakusuma, 2022). The long-term assets are those that affect the firm's operations beyond the one-year period. The firm's investment decisions would generally include expansion, acquisition, modernization and replacement of long-term assets (Styles & Tennyson, 2007; Awodire, 2010).

Dividend Decision: The financial manager must select the best dividend policy per time, the timing of dividend, the forms of dividend to be paid, the methods of payment and the amount to be paid e.t.c. are some of the important considerations expected of the financial manager. Sourcing the funds to be used is an important function of the financial manager (Shu'ara, 2021b; Styles & Tennyson, 2007). As dividend can be paid either in cash (cash dividend) or by share allocation (stock dividend), the amount to be retained by the

firm for future finances must also be considered. Since the retained earning is the cheapest source of fund to the firm, however a bird in hand is worth more than ten in the bush (Zetzsche et al., 2020). Thus, cash dividend will mean more to some sector of investors than the retained earning which still remain ab-initio the shareholders wealth. Zhao et al. (2022) opined that the financial manager must be able to draw the border line between amounts to be declared as dividend and retained earnings.
Liquidity Decision: The financial manager must take note of current assets management. Rotimi et al. (2021) posited that current assets affect the firm's profitability and liquidity. Current assets management that affects firm's liquidity is yet another important finance function which needs to be managed efficiently for safeguarding the firm against the risk of ***illiquidity.*** Latter, financial management cover the areas of accounting, marketing, productions and human resources. In accounting operations, it works as computation, statements and decisions (Mosteanu & Faccia, 2020). However, in marketing operations, it works as formulation of policy, investment and working capital. While in production operations it works as technology selections, operations, plant size and capital budgeting. In human resources operations it works as paid salary, salary packages and capital productivity. In this way, in the modern era financial management can be said to be broader in perspectives in the sense that it covers the necessary aspect of any organization. Hence, in order for any organization to grow or be established, finance is the livewire and or blood as earlier posited (Petty et al., 2015; Rotimi et al., 2021).

2.4 Ways to Make Better Investments Decisions

Styles & Tennyson (2007) argued that speaking on six ways to make better decisions in his article one of the things about really effective managers and leaders is that they have to be able to make good decisions. However, decision making is not always a simple process. There are invariably many uncertainties, pressures and risks to be assessed and the effective leader and manager has to establish a robust process for ensuring that the decisions she or he makes are sound (Grindle, 2004; Lyons & Kass-Hanna, 2021). One of the key issues in decision making is to address the issue of uncertainty. Firstly, there is the need to have to identify the objectives of the investment decisions. What are the financial managers trying to achieve? What are the important issues in terms of how they go about sorting out the situation and in the outcomes they ultimately create? How will they know if their decisions have been successful? Secondly, there is need to create an environment in which decisions can be made effectively, involving all those individuals who will be affected by the decision (Taiwo & Falohun, 2016; Tkachenko, 2022).

Taiwo & Falohun (2016) argued that a decision-friendly environment where people can offer their ideas freely is important to gain high levels of commitment. Thirdly the financial manager need to understand clearly the full range of issues involved in the decision they have to make and how these issues will be affected by the decision. Tkachenko (2022) stressed that the financial manager cannot make a good decision unless they frame the problem properly. Fourthly is that the financial manager have to generate alternatives. In the absence of alternatives there can be no genuine decision as the outcome will be predetermined. It is then important to create an atmosphere where brainstorming and other creative techniques can be used to create a broader approach to thinking about the issues involved and create as many alternatives as possible (Lyons & Kass-Hanna, 2021). Hence, evaluating the alternatives is number five on the checklist and at this stage it is important to consider risk, financial implications and the extent to which each possible solution adheres to the values of the organization.

2.5 Influence of Environmental and Economical Factors on Investment Appraisal

Grindle (2004) defined environment literally to mean the surroundings, external objects, influences of circumstance under which someone or something exists. The environment of any organization is the aggregate of all conditions, events and influences that surround and affect it. Since the environment influences an organization in multitudinous ways, it is of crucial importance to understand it. The concept of environment can be understood by looking at some of its characteristic (Grindle, 2004; Lyons & Kass-Hanna, 2021).

Business environment (or simply, environment) exhibits many characteristics. Some of the important, obvious, characteristics are briefly described.

Environment is Complex: The environment consists of a number of factors, events, conditions, and influences arising from different sources (Taiwo & Falohun, 2016). All these do not exist in isolation but interact with each other to create entirely new sets of influences. It is difficult to comprehend at once what factors constitute a given environment. All in all, environment is a complex phenomenon relatively easier to understand in parts but difficult to grasp in its totality.

Environment is Multi-Faceted: What shape and character an environment will assume depends on the perception of the observer. A particular change in the environment or a new development may be viewed differently by different observers (Tkachenko, 2022). This is seen frequently when the same development is welcome as an opportunity by one company while another company perceives it as a threat.

Environment has a Far-Reaching Impact: The environment has a far-reaching impact on organizations. The growth and profitability of an organization depends critically on the environment in which it exists. Any environmental change has as impact on the organization in several different ways. Since the environment is complex, dynamic, muti-faceted, and has a far reaching impact, dividing it into external and internal components enables us to understand it better (Grindle, 2004; Lyons & Kass-Hanna, 2021).

2.6 Investment Appraisal Techniques

As it was earlier stated in the introductory part of this study, Amusat et al. (2022) posited that in practice, it is possible to examine the viability or otherwise of a project using five different methods which may be properly classified into two approaches. The discounted cash flow (DCF) or conventional investments approach and traditional methods or non-conventional investment approach. Under the conventional investment approach are the payback period, and the average rate of return methods (ARR). While on the other hand, are the net present value, internal rate of return, and profitability index. Blessing & Onoja (2015) found that investment decision entails a high standard of judging the desirability of a project in order to determine acceptance or rejection of such projects. There are two categories of investment criteria; discounted cash flow (DCF) criteria which consist of net present value (NPV), internal rate of return (IRR), and profitability index (PI). The second approach is the traditional methods, which consist of **p**ayback period (PB) and accounting rate of return (ARR).

2.7 Risks and Capital Budgeting

Amusat et al. (2022) facilitated the understanding of the capital budgeting technique so as to provide clearer perspectives to authors and professionals in the field of project management. However, in real world situation, the firm in general and its investment projects in particular are exposed to different degrees of risks. What is risk? How can risk be measured and analyzed in the investment decision? Blessing & Onoja (2015) argued that the nature of risk exists because of the inability of the decision-maker to make perfect forecast. Forecast cannot be made with perfection or certainty since the future events on which they depend are uncertain. Thus, risk arises in investment evaluation because of the inability of financial managers to anticipate the occurrence of the possible future events with certainty and consequences cannot make any correct prediction about the cash flow sequence (Amusat et al., 2022; Blessing & Onoja, 2015).

2.7.1 Risk and Uncertainty

Ogbari et al. (2023a) stressed that in a practical situation, it is necessary to incorporate risk and uncertainty in decision making analysis. The authors argued further that risk is applied to a situation where there are several possible outcomes and they are relevant as data to enable statistical evidence to be produced for predicting the possible outcome. Uncertainties exists where there are several possible outcomes, but there is little or no previous statistical evidence or data to predict the outcome (Nasri et al., 2022; Ogbari et al., 2023b). The likelihood that an event will occur is known as probability and this is normally expressed in decimal form with of value between 'O' and I.A value of 'O' denotes a nil likelihood of occurrence, whereas a value of 'I' signifies absolute certainty. The total of the probabilities for events, which can possibly occur, must add to I.O.A probability of 0.4 means that event is expected to occur four times out of ten (Ogbari et al., 2023a;

Olasehinde, 2020). The expected value (sometimes called expected ay off) is the weighted arithmetic mean of possible outcomes. The expected value of a decision represents the long-run average outcome that is expected to occur if particular course of action is undertaken many times (Nasri et al., 2022).

2.7.2 Incorporation of Risk Factor

Incorporation of risk factor in capital budgeting decisions is a difficult task that financial managers must continue to encounter in effective management of projects (Blessing & Onoja, 2015). The following are some techniques used for this purpose: General techniques**:** Risk adjusted discount rate and certainty equivalent coefficient. Quantitative techniques: Sensitivity analysis, Standard deviation and Coefficient of Variation.

2.7.3 Quantitative Techniques Sensitivity Analysis

Quantitative techniques sensitivity analysis is one measure which expresses risk in more precise term. It provides information about the degree of sensitivity of the estimated project parameters (Soubbotina, 2004; Shu'ara & Amin, 2022). The expected cash flows, the discount rate and project life are to estimate errors. Sensitivity analysis takes care of estimation errors by using a number of positive outcomes in evaluation of projects. Olasehinde (2020) posited that the sensitivity analysis provides different cash flows estimates under three assumptions. Pessimistic, expected, and optimistic outcomes associated with a project to the decision maker. Instead of firm laying all their faith in the discounted cash flow yield resulting from expected cash flows, they calculate the set of cash flows based on the pessimistic and the optimistic assumptions respectively (Nasri et al., 2022; Olasehinde, 2020). The pessimistic approach assumes highest cost of capital, short life, highest operation cost, lowest revenue, etc. The DCF yield will be the lowest return envisaged from the prepared data while at the other extreme, the optimistic approach assumes the opposite of the pessimistic approach, the DCF yield resulting from the approach will be highest possible return that could be achieved (Amusat et al., 2022; Blessing & Onoja, 2015). In effect, the pessimistic and optimistic approach to forecast set the outer limit within which expect to find the DCF yield. The drawback of this method is that it does not quantify the degree of optimism and pessimism assured in the set of cash flows. There is the need for a precise measure of risk, which shall lead us to standard deviation and co-efficient of variation.

2.8 Inflation and Capital Budgeting

Soubbotina (2004) opined that the effect of inflation on accounting information is a subject that cannot be ignored. In the area of financial reporting number of controversial proposals have been made and it is clear that a full solution to the accounting problem posed by inflation has not yet been found. Inflation strikes at the basic accounting principle of money measurement which relies on a stable unit of currency for its proper operation (Nasri et al., 2022; Ogbari et al., 2023b). Any interpretation of figures which does not allow for the effects of inflation is likely to be misleading. Many financial decisions have longterm implications and over that long term and also even quite modest degrees of inflation will make a considerable difference to money values (Nasri et al., 2022; Ogbari et al., 2023a; Ogbari et al., 2023b; Olasehinde, 2020). The following terms needs to be defined: Money cost of Capital is the cost of capital that has taken into account the effect of inflation. It is an inflated cost of capital. While the real cost of capital is the cost of capital that excludes the effect of inflation i.e. it assume no inflation.

2.8.1 Incorporating Taxation in Capital Investment Appraisal

Soubbotina (2004) reported that taxation has an impact on investment appraisal. A company will have a potential liability to pay tax on all profits. Tax is the cash payment and its effect is relevant to an investment decision using DCF criterion. Brüggen et al. (2017) argued that in practice, tax is calculated on the adjusted profit and if information is given as related to the expected profit, the tax payable will be calculated as accurately as possible. Cash inflow gives rise to cash outflow by way of tax at the company’s tax rate in the same way that additional receipts will give rise to payment as additional cost will give way to tax savings (Amusat et al., 2022; Blessing & Onoja, 2015). Expenditure on a working capital is assumed not to have corporation tax implications whatsoever. Unless otherwise stated, tax is assumed to be payable one year after the flow which gave rise to its occurrence (Brigham & Houston, 2021). This thus invariably increases the lifespan of the project by one year.

3.0 Strategic Financial Management

Business variables especially the key success factors are all interdependent. Adjustment or fluctuations in any of the variables will inevitably affect another and vice versa (Brigham & Houston, 2021). For instance, successful cost-cutting techniques of the financial department might result in lost sales or opportunities. Strategic financial management ensures that short-term gains do not undermine long-term profitability by breaking down interdepartmental boundaries (Soubbotina, 2004; Shu'ara & Amin, 2022). Financial statement and management accounting reports prepared in the traditional firm could be cumbersome, outdated and irrelevant to the future of an organization. Strategic financial management ensures that reports come in a format that makes it indispensable to top management and other users, making them pro-active in the market place (Chen et al., 2021; Fabozzi & Drake, 2009).

It also brings about a paradigm shift in the finance department. Actions are motivated by “ends” sought by the organization as against merely trying to meet reporting deadlines. Sofat & Hiro (2015) argued that in recent times significant increase in the use of non-financial or intangible measures of performance has made it imperative to design ways of linking financial outcomes with the strategic consequences of activities which have been undertaken. Accountants or Chief Financial Officers (CFO) of today are seen as a repository of strategic information and knowledge. Therefore they are expected to play a broader role in management. This has brought about a need for the “Hybrid Accountant” who is the Financial Strategist (Fox & Bartholomae, 2020; French & Mckillop, 2016). Some major issues are considered while setting up the financial strategy of an organization. The way funds are raised, deployed, and managed is determined by the strategy adopted by an organization to pursue its financial objectives.

4.0 Capital and Financial Structure Decision

Financial decision stress much point on capital structure. Meanwhile, financing decision is the second important role to be performed by the financial manager (Soubbotina, 2004; Shu'ara & Amin, 2022). Broadly speaking, he or she must decide when, where from and how to acquire funds to meet the firm’s investment needs. Our interest at this stage is on those strategy issues that are considered in choosing a particular structure. Capital structure consists as follows, debt (long-term borrowing), debentures, convertible loan etc. The important factors considered while drawing up strategies for capital structure are; Ownership and Control, Dilution of earning per share (EPS), Financial Flexibility, Market iterates rate and stock prices, Volume of cash flows generated, Business Risk and Tax consideration (Chen et al., 2021; Fabozzi & Drake, 2009). Financial structure is similar to capital structure. The difference is that capital structure accounts for long-term debt and equity alone, while financial structure deals with the method of financing investment projects and hedging decisions (Bhagwati, 2014; Branchoux et al., 2018).

5.0 Research Methodology

This simply will provide the reader full detail information about how the necessary data/materials used in the study was collected. Methodology in the research is the plan and structure used by the researcher to obtain answers to certain concerns that emanated from the review of previous studies. In carrying out this research study, different sources of data were employed during the process for investigation. The researcher used secondary sources of data collection. The data used for the research work were collected by means of vital and relevant data from secondary sources through the review of some related and available documents such as textbooks, term papers, and business publications like magazines, journals, newspaper, periodicals, published and unpublished works and statistical records.

6.0 Conclusion of the Study

This study was necessitated by the researcher's desire to review existing studies and find out the role of financial managers in order to measure how efficient and effective it has performed so far, especially as regards its impact on capital investment appraisal. This was in view of the fact that the financial manager had been recognized in every institution created, the financial manager must do all that is possible to generate returns that will not only be sufficient to meet the cost of fund but also enough to satisfy the wealth maximization objective of the firm. It therefore seemed imperative to take a close look at the operations of the financial manager to find out if they truly make use of relevant techniques in the study and whether they were actually performing its functions as required for it to make an impact on capital investment appraisal. In this regards, the role of financial management in capital investment appraisal was examined or looked into. In this study, findings revealed that the role of financial management has a great impact in capital investment appraisal. From this study, it was gathered that most of the projects embarked upon has a majority life span of not more than five years because of the shortage of funds and competing need for the existing funds. In the world of today, for any organization to experience positive change, it must include in its objective cost minimization and profit maximization of its investments. The organization should also provide a well-articulated management team who will always include other staff in their program and device an information system that is accurate and operative. In other words, management and other staff should work hand-in-hand in the decision making process, so that the lower category of personnel will have and feel a sense of belonging. It is a known fact that organizations are established to achieve the goal for which it was set up. But while seeking to maximize shareholders' wealth, growth and development should also be at the back of their mind.

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