

Determinants of Sustainable Capital Budgeting Practice: A Structural Equation Modelling Approach

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ABSTRACT

Across the globe, capital budgeting – the planning process of appraising an organisation’s long-term investments for funding – plays a pivotal role in economic growth by providing the platform for mobilising long-term funds for economic development. Capital budgeting practice refers to the aggregate tools/techniques for strategic investment decisions under risk and uncertainty conditions (Desai, 2019; Hillier et al., 2021). It involves a large cash outlay, expecting a future stream of benefits/income/return. Existing research suggests that financial and non-financial considerations influence managers’ choices of CBTs across nations (Batri & Verma, 2017). One of the significant concerns of Oman’s Ninth five-year development plan 2016-2020 is its focus on achieving a private sector-driven economy enabled by public-private partnership (PPP) projects and related growth strategies that will drive non-hydrocarbon and more excellent employment opportunities for the Omani nationals. To this end, the manufacturing sector is at the centre of Oman’s Top 7 Sectors comprising other critical industries, including Construction, Wholesale and Retail Trade, Agriculture and Forestry, Real Estate and Business Activities, Private households with Employed Persons, and Hotels & Restaurants (MoCI, 2014). However, there has been very little academic research on capital budgeting with a focus on the manufacturing industry of Oman.

Keywords: Advanced capital budgeting techniques (ACBTs), Confirmatory factor analysis (CFA), Oman, Real options valuation (ROV), Structural equation modelling (SEM).