

**Factors Determining the Selection of Capital Budgeting Techniques:
Evidence from Pakistani Market**

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ABSTRACT

Purpose: The main purpose of this research study is to determine the factors that play an important role in the selection of a particular capital budgeting techniques. The study determines the factors that an investor considers significant in the selection of capital budgeting techniques.

Methodology/Design/Approach: A primary data based study of 92 firms has been conducted to find the determinants of capital budgeting techniques selection while considering financial and non financial factors. The financial factors include company size, growth rate and capital expenditure, whereas non financial factors include project life, industry, management demographics, competition in the industry, environmental uncertainty and risk.

Findings: The study concludes that firm's decision maker's considers both financial and non financial factors (except leverage level and company age) while selecting capital budgeting technique. Small firms usually rely on a one capital budgeting technique and therefore, mostly don't consider the non-financial factors like company age, competition and demographics.

Research Limitations: The study takes the data of the listed and non-listed companies that are operating and having their offices in the region of Lahore.

Managerial Implications: The study assist investor's and decision making authorities of domestic and international firms to have a better look of taking capital budgeting decisions. This research also enables a broad and rich overview of capital budgeting techniques used for investment projects within the Pakistan.

Originality/Value: Most of the operational issues and factors of capital budgeting methods leading to its long term sustainability and selection are brought under discussion. First comprehensive study has been conducted on factors determines the selection of capital budgeting techniques within the Pakistan.

Key Words: Capital Budgeting, Risk and Uncertainty, Net Present Value, Internal Rate of Return, Payback Period