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# Sensitivity analysis for the determinants of investment appraisal

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## Abstract

*This study empirically conducts the sensitivity analysis for the determinants of investment appraisal of Pakistani non-financial firms listed at Pakistan Stock Exchange (PSX) across sectors. We employed OLS regression along with common effect and fixed effect model on panel data pertaining to 60 non-listed firms at Pakistan Stock Exchange (PSX) over the period from 2003 to 2015. Empirical results document that leverage, growth, dynamism and inflation have strong positive associations with investment appraisal, however, munificence and GDP influence the process conversely. The study provides useful framework for potential investors to evaluate all these vital factors besides conventional mechanism, prior to making investment decision. Policy makers for non-financial sectors may get benefit by apply this diagnostic model to evaluate prospective investment projects for the most optimistic outcome. Corporate finance literature reveals that there is no formal evidence of determinants of capital expenditure at different levels of economic recessions; therefore, the study is pioneer effort to identify the significant determinants of investment appraisal of Pakistani listed non-financial firms across sectors, eventually, a useful contribution in existing literature.*

**Keywords:** Capital expenditure, investment appraisal, sensitivity analysis, munificence, HHI

**JEL Classification:** M41, G31, G12

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