**Use of Capital Investment Appraisal Practices and Effectiveness of**

**Investment Decisions: A Study on Listed Manufacturing**

**Companies in Sri Lanka**

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**Abstract**

Primary objective of the present study was to examine the relationship between use of capital investment appraisal practices and effectiveness of investment decision of listed manufacturing companies in Sri Lanka. Capital investment appraisal practices were measured by capital investment appraisal techniques and risk analysis techniques of investment projects. Effectiveness of investment was measured by perceptions of CFOs on the performance from investment. Firm size was used as the control variable to examine the relationship between investment appraisal practices and effectiveness of investment decision. The study employed a field survey from January to March 2017 and primary data was collected through self-administered questionnaires from randomly selected 20 listed manufacturing companies. Results of the study revealed that use of NPV and IRR have significantly positively related to effectiveness of investment decision while DPB has significantly negatively related to effectiveness of investment decision of listed manufacturing companies in Sri Lanka. Risk analysis techniques were not significantly related to effectiveness of investment decision. Findings of the study may useful to the investment decision makers in order to achieve the shareholders wealth.

**Keywords**: investment appraisal techniques, risk analysis techniques and effectiveness.