

Enter your search terms here



Advanced search

[Home](#) / [Journals](#) / [Journal of Financial Reporting and Accounting](#) / [Volume 16 Issue 1](#)

/ Corporate CAPEX and market capitalization of firms on Malawi stock exchange: an empirical study

To read this content please select one of the options below:

Add to cart

32.00€ (excl. tax)
30 days to view and
download

Access through your institution

Access and purchase options 

Corporate CAPEX and market capitalization of firms on Malawi stock exchange: an empirical study

[Byson Beracah Majanga](#) [Journal of Financial Reporting and Accounting](#)

ISSN: 1985-2517

(International Article publication date: 12 March 2018

Standard

Serial [Permissions](#) 

Number.)

DOWNLOADS



684

Abstract

Purpose

Market capitalization of firms reflects the current value of a firm and provides a reasonable basis on mergers and acquisition bargains. Determinants of a firm's increasing or decreasing market capitalization are multi-faceted, hence the study. The paper is about a historical study of the responsiveness of common share prices of some listed industrial companies to the firms' investments in capital expenditure. This study aims to discuss the impact of capital expenditure on a firm's market capitalization, with a focus on companies listed on the Malawi stock exchange (MSE).

Design/methodology/approach

The study reviews data collected from published annual reports for the years from 2007 to 2015. The variations in capital expenditure (CAPEX) which are termed "increase" or "decrease" were studied to establish their association with variations in stock prices before the increase or decrease, and after the increase or decrease. As stock price changes are caused by other determinants, the variables of return on capital employed (ROCE), net profit margin (NPM), asset turnover (ATO) and earnings retention ratio (ERT) were analyzed, and a respective correlation test was done against CAPEX movement over the years through panel data analysis and regression analysis to establish the correlation between the variables using XLSTAT

We are using cookies to give you the best experience on our website, but you are free to manage these at any time. To continue with our standard settings click "Accept". To find out more and manage your cookies, click "Manage cookies".

Accept

[Manage cookies](#)

negatively with ERT at 6.45e-2. With tests favoring a

positive relationship between elements of profitability and stock price, the study finds that there is a positive relationship between a firm's CAPEXs and its future stock prices.

Research limitations/implications

The firm's commitment to CAPEX has a positive impact on its stock price on the stock exchange. These findings, however, need to be interpreted with caution as the data reviewed excluded that from financial institutions, the inclusion of which may affect the outcome, and that the data are derived from a small and young stock market which may be lacking in its efficiency compared to the old and big ones the world over.

Originality/value

The study was undertaken based on the study of listed companies on the Malawi Stock Exchange, and the results may or may not reflect the reality on the ground in other stock exchanges.

Keywords

- Capex
- Market capitalization
- Share price
- Wealth maximization

Citation

Majanga, B.B. (2018), "Corporate CAPEX and market capitalization of firms on Malawi stock exchange: an empirical study", [Journal of Financial Reporting and Accounting](#), Vol. 16 No. 1, pp. 108-119.
<https://doi.org/10.1108/JFRA-10-2016-0080>

 [Download as .RIS](#)

Publisher: Emerald Publishing Limited
Copyright © 2018, Emerald Publishing Limited