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Consequences of Exits from Political Unions on Corporate Financial Policies: Brexit Case

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Abstract

The paper addresses the impacts of political exits on the capital budgeting policies, taking the impact of the Brexit deal on the UK's companies as a practical case. The paper linked the political risk and uncertainty of Brexit and linked it directly to the capital budgeting policy of UK companies over the last years. The paper divided into two periods, the first period before the Brexit deal (2010-2015), and the second period is after the Brexit deal (2016-2021). The aim of dividing the period is to show how the UK companies were developing their capital budgeting policies before Brexit, and in presence of Brexit. The data of the study were collected through a survey which was sent to the UK companies and the answers of respondents were analyzed through statistical techniques and empirical tests to reach the final results. Therefore, the results show that there is a direct relation between political exits and corporate financial policies such as capital budgeting. In addition, the results show that (NPV, IRR, PB, MIRR, Prof. Index) are the most used techniques at UK where financial managers are preferring NPV over IRR. Moreover, the results show that the use of net present value (NPV) method decreases with the political risk, where the use of the Payback method increases with the political risk. This means that during uncertainty periods managers seek to use different methods in order to understand all the surrounded atmosphere while developing their capital budgeting policy.

Keywords: Capital Budgeting, Political Exits, Brexit.

JEL Classification: C83, D81, F51, G31.

1. Introduction

Politics is linked to some extent to economic and financial policy, where there is a significant correlation between politics and the economy of any country. As it is not possible to hide the impact of political decisions, including elections, joining, exit, or even split on the economic situation, especially on the corporate financial policies. Kinder and Mebane (1983) confirms that politics interfere in economics in

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different ways, where the political activities and decisions draw the general track of the economic policies and effect on the pattern of the economic.

Political decisions such as joining or exiting political unions have a great impact on the economic and financial level, especially with regard to the future of companies operating in those countries, and the impact of these decisions and regulations on the corporate financial policy and the performance of these companies. Thissen et al. (2020) mention that the political exits such as Brexit have a lot of implications on the UK and EU economy, trade scenarios, and the performance of the companies. In such cases, the political exits may have an effect to a large extent on the performance of companies operating in that region, especially as they may face this scenario for the first time.

Exits from the political union happened when one of the participating members wants for various reasons and considerations to leave the union, and it is often discussed between the two parties to reach a final formula that satisfies the interests of both, knowing that any political member of the union must have regulations and laws protecting entry and exit operations. According to Huysmans and Crombez (2020), historically we witness a lot of political exits from political unions and the split of some countries from each other. Often these unions were subjected to external and/or internal pressures in exercising their role, which push their members to leave it, or for any worse situation leading to the termination of the union as the case of the League of Nations and the Soviet Union.

In recent years, we have witnessed the split of many countries around the world, the most important example of which was the split of South Sudan from Sudan 2011, and Eritrea's split from Ethiopia 1993 and recently the UK's exit from the European Union 2020, which is known as Brexit. According to Acemoglu & Robinson (2012), states do not fail overnight. The seeds of their destruction are sown deep within their political institutions. Usually, most of the separated states and countries, face many challenges such as their inability to fully take advantage of the potential of their society to grow, which makes citizens suffer from social and economic problems.

As for Brexit, there were many reasons that push the UK to leave the EU. Mauldin (2016) mentions that there are three reasons that lead UK to leave the EU back to economics, sovereignty, and political elitism. First, for economics, the UK believes that the EU brings negative influences for on its economy because it is an unbalanced economic organization includes some economically troubled countries. Second, for sovereignty, Brexit is a symbol that a nationalism is rising. Lastly, for political elitism, it is beneficial for government to make policies and decisions by themselves without returning back to the EU in order to secure its interests and achieve its priorities.

Certainly, the Brexit deal will leave its impact on the performance of UK companies, but the question remains to what extent? According to Bloom et al. (2019), Brexit created uncertainty in June 2016. This uncertainty persisted with more time without agreement on the terms of the UK's withdrawal, as companies became more skeptical about the fate and terms of the deal, and whether there would be a second referendum. The UK’s exit from the EU was a political and economic shock.

They studied how companies were being affected by Brexit depending on variables such as sales, prices, investment, and employment. The study contributed to tracking the views of companies throughout this period to assess the impact of Brexit and the associated uncertainty on corporate performance.

So, to which extent will the UK's exit from the EU affect the capital budgeting of UK companies where these companies have not been faced a similar situation? Also, the economic relations that will be agreed upon between the two parties and the impact of this decision on the performance of UK companies and their trading movement.

In this paper, we address the impacts of political exits on the capital budgeting policies, taking the impact of the Brexit on UK's companies as a practical case. The paper shed light on the political uncertainty of Brexit and linked it directly to the capital budgeting policies at the UK over 10 years. It also addresses the topic in a scientific manner to reach the final results. Therefore, this study shows the impact of political exit on the capital budgeting policies.

According to the nature of the topic, this paper could be useful for academics and researchers specializing in finance and economic field, as the study shows the impacts of political exits on the capital budgeting policies, taking the Brexit deal as an example. In addition, this study could be helpful for EU & UK in order to reach a suitable agreement between them, considering that any future procedure effect on the financial sector of the two parties.

The remainder of the paper is structured as follows. Section 2 addresses the theoretical background and tested hypothesis of the study. Section 3 describes the data and methodology that include the empirical tests. Section 4 shows the results and discussion of the study. Section 5 includes the conclusions and limitations.

2. Problem Statement

It is known that politics are linked in one way or another to the economic and financial policy of any country where the impact of political decisions is often reflected in economic and financial trends. O'Leary (1985) mention that it can be said that the political concept in societies is directly related to how the government carries out its political activities and applies them on the ground. However, no matter how good these practices are, they may sometimes be used incorrectly when applied to theories and practices. Therefore, the urgent need to link the political system and the financial policies of companies must be recognized as a fundamental factor in ensuring the development of companies and maintaining their continuity in light of global political and economic conditions.

It is certain that the political atmosphere has many impacts on the economic and financial policies. Political decisions such as the split of countries and the exit from political union have many impacts on corporate financial policies. According to Graham and Harvey (2001), a corporate financial policy denotes to the company's overall approach to manage its financial decisions; it also refers to how corporations deal with funding sources, capital structuring, and investment decisions. Corporate finance policy is linked to the decisions and regulations related to the financial system within the organization and the implementation of various strategies within the corporation.

Political decisions such as the exit from the political union have an impact on the corporate financial policies, especially on the capital budgeting. For DeBenedetti (2014), changing global policy practices can cause changes in economic and financial policies continuously; sometimes it leads to a change in economic policy, and the conversion of so-called strong investments into financial disasters. As a result, companies of all types must define and mitigate political risks to avoid losses from these practices. However, capital budgeting is more than just accounts, as political climates can play a huge role in where the money is invested.

In addition, DeBenedetti (2014) mentions that the capital budget differs from the regular costs that companies cost during the operating cycle. The differences include the amount of money spent and the expected duration of the investment to generate returns. The capital budget often uses time periods greater than a year. Funds invested in income-generating facilities or equipment require capital budget accounts. International companies may have capital assets in politically unstable countries, which makes decisions to allocate critical assets critical. Countries' political performance directly affects borrowing costs and taxes, regardless of corporate regulation and policy. Erroneous political practices such as bribery and corruption have dangerous effects on most companies.

Furthermore, Holmen and Pramborg (2009) analyze the impact of the political risks and instability on the capital budgeting by applying of regression models; they found that in the presence of capital market deficient and unsystematic conditions, political risks can affect the capital budgeting. These risks are difficult to estimate, especially since they lead to higher deliberation costs, managers tend to use simple rules to make decisions about the capital budget decisions. Political risks may help to explain why firms depend on alternative methods such as the Payback method, despite their theoretical flaws. Holmen and Pramborg (2009) added that the political risks may greatly effect on the capital budgeting policy, where the prevailing political climates greatly affect the size of investment and projects. Therefore, it requires politicians to take into account the impact of any decision or agreement which may have repercussions on corporate finance policy, especially the capital budgeting.

So what capital budgeting means exactly? According to Kenton (2020), capital budgeting can be defined as the process of evaluating a potential projects or investments. Companies aim to enter into such investments in order to yield the best return over an applicable period, which enhance shareholder value and profit. Also, Peterson and Fabozzi (2002) define capital budgeting as the process of identifying and selecting investments in long-lives assets or assets expected to produce benefits over more than one year. Capital budgeting is an ongoing process, because firms must first determine their corporate strategy, which is centered on the future investments.

Many studies have been reported on the capital budgeting decision, practices, and policies. For example, Kengatharan, L. (2016) discusses about the capital budgeting theory and practices, especially in developed countries. Also, Dayananda et al., (2002) mention that the capital budgeting practices are the investment decision taken for increasing shareholders value. Moreover, several studies have been conducted about capital budgeting practices in the US and Europe, such as (Pike, 1996; Block, 2007). Furthermore, Arnold and Hatzopoulos (2000) shed light in their study on the gap between theory and practice in capital budgeting by studying about 300 UK companies of different sizes. The results indicate that UK companies have increasingly relied on the analysis of prescribed financial books to reach the stage where the majority will use only discounted cash flows, formal risk analysis, adjustment corresponding inflation, and post-audit in their study.

Moreover, Drury et al. (1993) studied 300 manufacturing companies in the UK and analyzed their capital budgeting practices. The results showed that PB (86%) and IRR (80%) were the preferred methods. The widely used risk analysis was the sensitivity analysis. In another study for Brounen et al. (2004), four European countries such as the UK, France, Germany, and the Netherlands consisting of 313 companies during the period 2002 and 2003 were examined. The result showed that the UK companies were used 47% of NPV and 67% of PB respectively as a primary method for evaluating capital budgeting decision, whereas companies in Netherlands were used 70% of NPV and 65% of PB methods. However, companies in France and Germany reported lower usages of both methods, where in France they use 42% for NPV and 50 % for PB, and in Germany they use 44% for NPV and 51 % for PB. Also, there are many previous studies that were conducted in the US and the UK and some available studies for the Netherlands such as (Herst et al., 1997; Brounen et al., 2004).

3. Research Questions

Researchers are divided on the impact of political practices and decisions on corporate financial policies. Some researchers believe that political decisions have a weak impact on the financial policy of companies, where they believe that these issues are internal issues decided by the board of directors of each company, as they cannot determine whether or not the politics has a direct impact on the company's financial policy.

Faccio (2006) addressed that the impact of political ties mostly depends on the level of the institutional and economic development of the country, as the impact varies from one country to another. In other words, it can be said that the impacts of practicing politics can vary between one country and another, and in some cases it is not possible to say that there is no impact on a corporate financial policy. In addition, Feltri, S. et al. (2017) addressed that until the past two decades, finance researchers did not pay much attention to political economy until the impact of politics on the economy began to emerge. At that time, analysts did not study the impact of politics on the economy and on the companies' performance, thinking that there was no close relationship between them. The hypothesis below [H0] is adopted by some researchers who believe that politics charts the general framework of economic and financial policy, but it does not interfere in the corporate financial policy. These issues are an internal matter usually decided by the BOD, managers, and stakeholders, who draw the company orientation and policies.

H0: The exits from political unions have no impact on the capital budgeting policies.

On the other hand, there are many authors that investigate about the impacts of the political decisions on the corporate financial policies such as capital budgeting. For example, Holmen and Pramborg (2009) investigates about the impact of the political risks and instability on the capital budgeting, where they found that in the presence of capital market deficient, unsystematic country specifications, political risks can affect the capital budgeting. These risks are difficult to estimate, so it is important to analyze the impacts of the political instability on the capital budgeting policies. In addition, Frederikslust, R. et al. (2008) mention that the perceived excess of the 1980s produced a major regulation of the US financial markets that affects the control market, credit markets, and the market structure. These changes have shed light on the importance of the political environment and its impact on financial and governance policies. The hypothesis below [H1] is adopted by many authors in the political and economic field, since political decisions have an effect on the corporate finance policy, especially the capital budgeting policy.

H1: The exits from political unions change the capital budgeting policies.

Political risks are often associated with high deliberation costs, where they are significant for spending resources in order to make estimates of cash flows and the risk profiles for FDIs in countries where it faces a high political risk. So, it is logic that the political decisions such as exit from the political union could have many consequences on the firm’s capital budgeting policies.

4. Research Methods

This paper analyzes the impact of political exits on the capital budgeting policies during the period [2010-2021] taking the impacts of Brexit on the capital budgeting policy of UK companies. Brexit negotiations begin in 2016, and in order to study and analyze the impact of Brexit deal on the UK companies, we select a period of 10 years (2010-2021). The studied sample was applied to the UK companies, especially the listed companies of FTSE 100 and other 50 company from the UK. Data were collected from a survey sent to the selected firms and from their annual reports and FTSE 100, using both a qualitative and quantitative approach. In addition, some companies’ disclosures, managerial reports, and companies' financial reports were used.

It was necessary to study the period before and after the split, to notice the impact of Brexit (2016) on the capital budgeting policy of UK companies over 10 years, dividing the studied period into two periods (before & after). The first period was between 2010 &2015, while the second one was from 2016 to 2021. Moreover, Capital budgeting policies will be evaluated through studying the techniques and methods of capital budgeting such as net present value (NPV), internal rate of return (IRR), payback period (PB), modified internal rate of return (MIRR), and profitability index (PI) that the UK companies were adopted.

Decision-makers such as managers at UK companies were identifying different types of investment projects that had been implemented by their companies in the last decade. The investment strategy was represented in future projects and long-term investments especially acquisitions and mergers. There are main factors that affect capital budgeting such as the availability of funds, capital structure, management decisions, working capital, government policy, earnings, and political stability. Several techniques could be used to reach the final decision, such as NPV, IRR, and PB. According to Schall et al. (1978), most firms use payback, accounting rate of return, internal rate of return, and net present value as a capital budgeting techniques. In addition, Oblack and Helm (1980) mention that most multinational firms adopt accounting rate of return, internal rate of return, net present value, payback period, and profitability index as reliable methods for capital budgeting decision.

The sample comprised of 150 UK companies (listed companies of FTSE 100 & other 50 company from UK), who are active companies, having a registered office address in different regions of the UK (England, Scotland, Wales, Northern Ireland). The sample was selected from different sectors of different firm sizes. Table 1 below show the industry of the firms, number of selected companies, responding companies, and their percentage.

Table 1. Industry, companies' number & percentage, responding companies & percentage

Industry	No. of Co.	Companies' %	No. of Responding Co.	Responding Co. %
Agriculture	1	1%	1	100%
Chemical industry	3	2%	1	33.3%
Clothing	3	2%	2	66.7%
Construction	4	3%	1	25%
Financial Services & Insurance	30	20%	7	23.3%
Food Industry	26	17%	5	19.2%
Machinery and Equipment	6	4%	2	33.3%
Media	8	5%	1	12.5%
Medical Industry	7	5%	1	14.3%
Mining	8	5%	0	0%
Petroleum & Gas Industry	8	5%	1	12.5%
Software & Computer Services	10	7%	2	20%
Support Services	16	11%	8	50%
Telecommunications	2	1%	1	50%
Travel & Leisure	10	7%	3	30%
Other	8	5%	0	0%
Total	150	100%	36	

Source: Own work, 2022.

On March 15, 2022, the questionnaire was sent to the selected companies and their financial managers. The responsibilities of financial managers include collecting and using available funds in effective ways to achieve targeted financial goals. Those managers are responsible for setting and implementing the company's financial policies, and they also participate in the implementation of the company's overall objectives, through the development of strategies, plans, and conducting of control activities. Therefore, it can be said that they are familiar with the activity and performance of the company as a whole. The participation of these executives and financial managers in this study provides the required information and contributes to conveying an objective picture of the impact of Brexit on the performance of companies in order to give the research reliable scientific evidence. A cover letter was written at the top of the page of survey to the respondents that outlines the study's objectives and assures for participants about the study's safeguarding of confidentiality.

A follow-up reminder was sent out to non-respondents through emails on March 30, 2022. On April 15, 2022, 36 out of the 150 questionnaires were received. Consequently, 36 completed questionnaires were returned. The respondent's analysis gives a net response rate of 24% (36 completed questionnaires out of 150). The response rate is acceptable compared with more recent UK-based surveys (e.g. 19.09% was achieved by Alkaraan, 2020; 19.60% was achieved by Abdel-Kader & Luther, 2008). 62% of the respondents are financial managers, 14% are financial controllers and working in the financial department, and the remaining 24% are chief executive officers. Most of the respondents have a finance and accounting background and a years of experience in that domain.

The data and methodology are aligned with previous studies such as (Alkaraan, 2020; Northcott & Alkaraan 2007; Abdel-Kader & Luther, 2008; Harris, Emmanuel, and Komakech, 2009), where previous studies collect their data through a survey and depending on the annual reports of the studied firms. Previous studies included in their surveys many questions about the capital budgeting practices and decisions. Indeed, we follow the same strategy in our study, by sending a survey to the selected companies and through access the annual reports of these companies.

However, the important factor in this methodology was the study of the impact of the political factor such as Brexit on capital budgeting policy for UK firms, where the managers were asked about the impact of Brexit on their capital budgeting policy. It was important to show the impact of the political factor, since political stability and government policy are a main determinants of the capital budgeting policy.

5. Findings

After receiving the questionnaire of the UK companies who were filled by the financial managers and executives, we convert the results into charts and tables for analyzing and processing. Then we use the collected data to start the regression analysis in order to understand the consequences of the political factors such as Brexit on the capital budgeting policy, through analyzing the responses of UK companies during the period (2010-2021).

The results show that the applicants' age was between 32 & 52 years, where the average age was 42, which means they have a lot of experience in their domain and position. Also, 53% of the respondents were males, while 47% of the respondents were females. In addition, the last academic degree for the respondents were divided as follows: 25% holding a Bachelor's degree; 58% holding a Master's degree, and the remaining 17% holding a PhD Degree. These statistics indicate that all of them have an academic degree and have a finance and accounting background with many years of experience. Furthermore, the respondents' companies were divided into four countries as follows: 50% from England, 19.4% from Scotland, 16.7% from Wales, and the remaining 13.9% from Northern Ireland. It seems that the large number of respondents were from England, while the smallest portion from Northern Ireland.

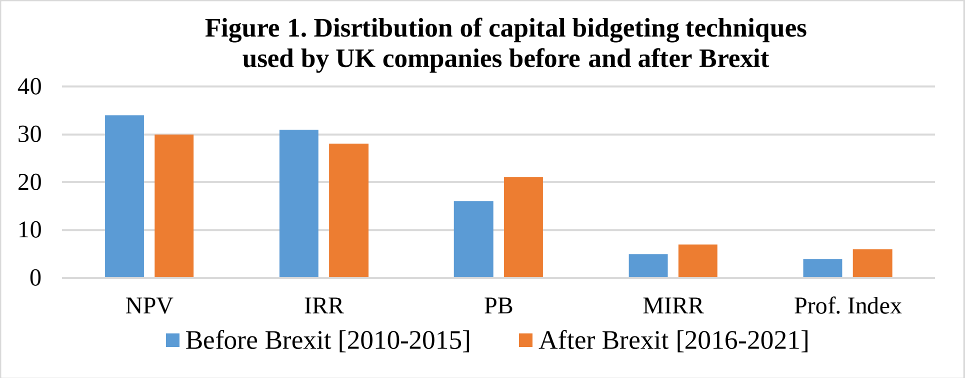
In addition, the results show that a combination of capital budgeting techniques is implemented by most companies in evaluating their financial performance, as shown in the table below. Table 2 shows the number of the UK companies that were adopting the capital budgeting techniques over the studied period in order to analyze their future projects and investment where most firms adopt these five techniques (NPV, IRR, PB, MIRR, Prof. Index). It was necessary to mention the impact of the Brexit Deal on the UK companies in order to know its consequences on the Firms' decisions regarding capital budgeting policy especially when entering any new project or investment where some questions have been added in the survey to detect the firms' response to Brexit impacts.

Table 2. Descriptive statistics

Before Brexit [2010-2015]				**After Brexit [2016-2021]**			
Techniques	**No.**	**Mean**	**St. dev.**	**Techniques**	**No.**	**Mean**	**St. dev.**
NPV	34	4.77	0.93	NPV	30	4.33	1.5
IRR	31	4.43	1.41	IRR	28	4.12	1.68
PB	16	2.67	2.03	PB	21	3.32	2.01
MIRR	5	1.56	1.40	MIRR	7	1.76	1.60
Prof. Index	4	1.43	1.27	Prof. Index	6	1.67	1.51

Source: Own work, 2022.

Prior research findings such as (Pike, 1996; Abdel-Kader & Dugdale, 1998) indicate that financial managers prefer IRR over NPV. In contrast, the current study ensures that the NPV technique has enjoyed greater loyalty from the managers of different UK companies compared to IRR, confirming with the findings of the survey (Alkaraan, F. 2020). Moreover, we can notice that the other techniques such as Payback period, MIRR, and Profitability Index were used as a secondary technique before Brexit. But after 2016, when the UK started its referendum to leave the EU and in the next years reaching to 2021, it seems that UK companies start depending more on those methods especially payback period believing that Brexit will bring additional uncertainty and risks in the coming years, where they should consider the impacts of the Brexit related laws on their capital budgeting policy.

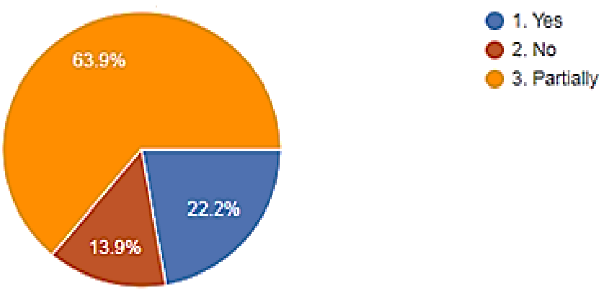


Source: Own work, 2022.

The results of Figure 1 aligns with the findings of Holman and Pramborg (2009) when they investigate the Swedish firms' use of capital budgeting techniques for Foreign Direct Investments through a survey. The results show that the use of net present value (NPV) method decreases with the political risk where the use of the Payback method increases with the political risk. This type of behavior might partly explain why respondents find that alternative methods such as the payback method, modified internal rate of return, or profitability index are frequently used despite their theoretical drawbacks. This means that during uncertainty periods managers seek to use different methods in order to understand all the surrounded atmosphere while developing their capital budgeting policy.

Moreover, we have included direct questions about Brexit in the survey sent to the UK companies in order to discover the impact of Brexit on capital budgeting policies. The results show that 63.9% of respondents were taken partially into consideration the impacts of Brexit, where 22.2% were considering totally the impacts of Brexit on their capital budgeting policy from all its aspects, where the remaining companies 13.9% were not considered the impacts of Brexit during developing their capital budgeting policies. Figure 2 below shows the distribution of the consideration of the impact of Brexit deal during the development of capital budgeting policies for UK companies.

Figure 2. Consideration of the impact of the Brexit during developing capital budgeting policy of UK Companies

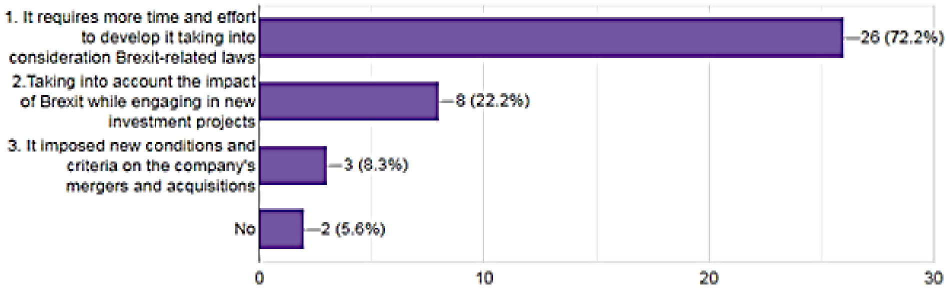


Source: Own work, 2022.

Moreover, the survey takes into consideration the risks and opportunities of Brexit during developing their capital budgeting policies. The results seem similar to the previous question in Figure 2, which is logical, since when developing your capital budgeting policy, you should be alert for the risks and opportunities of the surrounding factors especially, if it is a political factor. For example, Holmen and Pramborg (2009) consider that the political factor is one of the important factors during developing the capital budgeting policy.

Moreover, the results show how brexit had changed the capital budgeting policy for UK companies. Figure 3 below shows the results' distribution, where 72.2% mention that political factors such as Brexit require more time and effort to develop the capital budgeting policy taking into consideration the Brexit-related laws. Also, 22.2% mention that while developing their capital budgeting policy, they take into account the impact of Brexit while engaging in new investment projects. Others 8.3% mention that Brexit imposed new conditions and criteria for mergers and acquisitions. The remaining 5.6% believe that Brexit has not changed their capital budgeting policy.

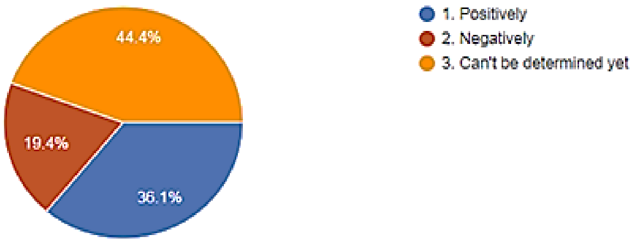
Figure 3. How Brexit had changed the capital budgeting policy for UK companies



Source: Own work, 2022.

Also, managers were asked about how brexit affected their capital budgeting policy, whether positively or negatively. The results show that 44.4% cannot determine the imapct of Brexit on their policy specifically, while 36.1% mention that Brexit has a positive impact on their position and performance, while 19.4% mention that Brexit will leave a negative impact on their performance. Figure 4 below shows the distribution of Brexit's impact on the capital budgeting policy for the UK companies.

Figure 4. How Brexit affected capital budgeting policy for UK companies



Source: Own work, 2022.

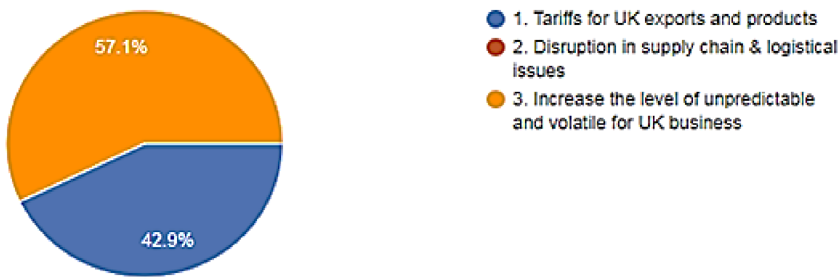
For those who consider that Brexit will have a positive impact on their companies, they believe that Brexit will bring a lot of privileges and advantages when it is applied. For ecample, 53.8% of them believe that Brexit will bring less EU restriction and more freely trade with the non-EU markets, where they will be allowed to trade freely with other markets all over the world. Moreover, 46.2% believe that Brexit will help them and give them the chance and opportunity for growth and involving them in new projects outside the EU. Figure 5 below shows the the positive impacts of the Brexit on the UK companies.

Figure 5. Positive impacts of Brexit on capital budgeting policy of UK companies

Source: Own work, 2022.

On the other side, some managers consider Brexit to have a negative impact on their companies for many reasons. For example, 57.1% believe that Brexit will increase the level of unpredictable and volatile for UK business, while 42.9 % believe that Brexit will create a tariffs in face of the UK exports and products. Figure 6 below shows the negative impacts of Brexit on the UK companies.

Figure 6. Negative impacts of Brexit on capital budgeting policy of UK companies



Source: Own work, 2022.

As a result of all I have mentioned before in the tables and figures, it appears that Brexit will cast its shadow over the UK companies, as it will have its repercussions and impacts on UK businesses. Many managers have stated that Brexit will have an impact on where UK companies should take into account the impact of Brexit on their companies' performance.

6. Conclusions

The paper sheds light on the impacts of political exits on the capital budgeting policies, taking Brexit as a practical case. The paper linked the political uncertainty of Brexit and linked it directly to the capital budgeting policy of UK companies. The studied period divided into two stages, before (2010-2015) and after Brexit (2016-2021).

The study data was collected through a survey which was sent to the UK. The apllicant's respondent age was between 32 & 52 years, where the average age was about 42. Furthermore, 53% of the respondents were males and 47% of the respondents were females. Also, the academic degrees were divided as follows: 25% holding a Bachelor's degree; 58% holding a Master's degree and its equivalent, with the remaining 17% holding the PhD Degree.

In addition, the results show that a combination of capital budgeting techniques is used by most companies, but the financial managers prefer NPV over IRR in the normal situation while they rely more on additional techniques mainly payback period during uncertainity period. The results show small decreases in the use of NPV and IRR method with the political uncertainty, where the use of the Payback method increases with the political uncertainty.

Also, the results show that 63.9% of respondents were taken partially into consideration the impacts of Brexit while developing their capital budget policy, while 22.2% were considering totally the impacts of Brexit on their capital budgeting policy, where the remaining companies 13.9% were not considered the impacts of Brexit at all.

Moreover, managers were asked about how brexit affected their capital budgeting policy, whether positevly or negatively. The results show that 44.4% can't determine its impact, while 36.1% mention that Brexit has a positive impact, and the remaining 19.4% mention that Brexit will leave a negative impact on their performance.

So, it is obvious that Brexit will leave its impact whether (positive or negative) on the UK companies, as it will have its consequences on UK businesses and trade movement. These indicators support the H1 Hypothesis, which ensures that the Brexit deal has a direct impact and changes the capital budgeting policies.

Finally, there are two main limitations to this study. First, the time constraints, which prevent us from giving the respondents more time, because the deadline was (one month from sending the survey). Second, many companies did not respond to the survey, which prevented us from providing a comprehensive picture of the topic.

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