



Corporate Capital Investments and Future Earnings Growth: The Moderating Effect of External Pressures

الاستثمارات الرأسمالية للشركات ونمو الأرباح المستقبلية: التأثير المعدل للضغوط الخارجية

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Abstract

The study's purpose is to investigate the impact of corporate capital investments on future earnings growth. Furthermore, the study investigates the moderating influence of external pressure on the association between corporate capital investments and future earnings growth in the Egyptian stock exchange. The study relied on a database of 424 observations from 53 non-financial corporations on the Egyptian Stock Exchange from 2015 to 2023. The study used fixed-effect models to estimate the study findings. The study findings reveal that corporate capital investments enhance future earnings growth in the long term. The companies that invest in their capital are associated with higher future earnings. Moreover, the findings corroborate that external pressure moderates the association between corporate capital investments and future earnings growth in the Egyptian stock exchange. The study's originality lies in its exploration of the moderating influence of external pressure on the association between corporate capital investments and future earnings growth by using a sample from Egyptian companies. This research offers practical insights for policymakers, corporations, and stakeholders to enhance future earnings. The study provides actionable insights for corporations to align capital investments with growth practices, enhancing their future earnings.

Keywords: External Pressure, Corporate Capital Investments, Future Earnings Growth, Egyptian Stock Exchange.

الملخص

تهدف الدراسة إلى دراسة تأثير الاستثمارات الرأسمالية للشركات على نمو الأرباح المستقبلية. كما تتحث الدراسة في التأثير المعدل للضغوط الخارجية على العلاقة بين الاستثمارات الرأسمالية للشركات ونمو الأرباح المستقبلية في البورصة المصرية. إعتمدت الدراسة على قاعدة بيانات مكونة من ٢٤ ملاحظة من ٥٣ شركة غير مالية في البورصة المصرية من عام ٢٠١٧ إلى عام ٢٠٢٣. واستخدمت الدراسة نماذج التأثير الثابت لتقدير نتائج الدراسة. تكشف نتائج الدراسة أن الاستثمارات الرأسمالية للشركات تعزز نمو الأرباح المستقبلية على المدى الطويل. حيث ترتبط الشركات التي لديها استثمارات راسمالية بأرباح مستقبلية أعلى. علاوة على ذلك، تؤكد النتائج أن الضغوط الخارجية تعزز الارتباط بين الاستثمارات الرأسمالية الشركات ونمو الأرباح المستقبلية في البورصة المصرية. تكمن أصالة الدراسة في استكشافها للتأثير المعدل للضغوط الخارجية على المالية بين الاستثمارات الرأسمالية بين الاستثمارات الرأسمالية للشركات ونمو الأرباح المستقبلية في البورصة المصرية. تكمن أصالة الدراسة في استكشافها للتأثير المعدل للضغوط الخارجية على العلاقة بين الاستثمارات الرأسمالية عملية الشركات وأمو الأرباح المستقبلية باستخدام عينة من الشركات المصرية. تكمن أصالة الدراسة في استكشافها للتأثير المعدل للضغوط الخارجية على العلاقة بين الاستثمارات الرأسمالية الشركات ونمو الأرباح المستقبلية باستخدام عينة من الشركات المصرية. يقدم هذا البحث لصناع المشركات وامو الأرباح المستقبلية باستخدام عينة من الشركات المصرية. يقدم الدراسة رؤى المشركات والمو الأرباح المستقبلية باستخدام عينة من الشركات المصرية. يقدم هذا البحث لصناع البوركات والمو الأرباح المستقبلية باستخدام عينة من الشركات المصرية. يقدم الدراسة رؤى المشركات والمو المراح المستقبلية باستخدام عينة من الشركات المصرية. يقدم الدراسة رؤى الملية القررص

Corporate Capital Investments and Future Earnings Growth: The Moderating Effect of External Pressures

1. Introduction

Future earnings growth refers to the expected increase in earnings of a corporation or business in the future (Cui et al., 2021). According to Esplin (2022), increasing the corporation's market share or entering new markets can increase revenues and earnings. According to many studies (Collins et al., 2017; Flint et al., 2010; Godoy-Bejarano et al., 2020), many factors affect future earnings growth, including launching new products or services to meet customer needs or differentiate from competitors, which can drive growth. Furthermore, reducing costs and increasing operational efficiency can improve earnings margins (Istianingsih et al., 2020). Investing in technology can drive improved production and future growth (Pora & Wilner, 2020). Expanding the adoption of strategies to maintain a competitive advantage can also significantly affect earnings sustainability (Sargent et al., 2021). Numerous studies (Godoy-Bejarano et al., 2020; Kim-Duc & Nam, 2024; Shivakumar & Urcan, 2017) have concluded that capital investments that a corporation invests in its assets lead to future earnings sustainability. Accordingly, analysing future earnings growth requires considering past financial performance and future forecasts based on economic and financial data as well as qualitative factors related to the corporation and the market.

On the other hand, corporate capital investments reflect the money invested by the corporation in long-term assets to improve productivity and future growth (Xinyue et al., 2020). Capital investments are typically used to expand operations, update equipment, improve technology, or develop new products and services (Lerner, 2022). Corporate capital investments aim to improve operational efficiency and production capacity (Ruhnka et al., 2022). According to Hurry et al. (2022), technology investments include updating information systems, cloud computing, artificial intelligence, and other

modern technologies to improve productivity and reduce costs. Furthermore, developing new products or services is an essential part of the growth strategy of innovation-driven corporations (Caucutt & Lochner, 2020). Corporate capital investments may include infrastructure investments such as building new facilities or improving supply chain structure (Crouzet & Eberly, 2019). These investments ensure the sustainability of operations and meet market requirements. Some corporations may also acquire or merge with other corporations as part of capital investments to increase their market share or enter new sectors (Jacob et al., 2022; Nguyen et al., 2023). Accordingly, corporate capital investments are an important element in promoting growth and increasing competitiveness, and their decisions are usually carefully considered due to the high costs and risks associated with them.

Simultaneously, external pressures reveal influences that come from outside the corporation and include factors such as laws and regulations, societal expectations, economic changes, technological innovation, and market competition (Amann et al., 2007; Salter & Tapper, 2002). These factors can affect how decisions are made within the corporation and force it to adapt or change its strategies. External pressures are external factors that affect the performance of corporations and their ability to achieve their goals (Diehl & Golann, 2023). These pressures may be economic, political, social, technological, legal, or environmental, and include a set of challenges that a corporation must confront and adapt to ensure the continuity and success of its operations (Adebanjo et al., 2016). Economic pressures include changes in the macroeconomy such as inflation, interest rates, unemployment rates, exchange rates, and economic growth (Dubey et al., 2017). These changes can lead to fluctuations in demand and increased costs, which impact earnings. Furthermore, competitive pressures include competition from other corporations, whether established or new (Darus et al., 2015; Yasmin & Ghafran, 2019). This requires corporations to develop effective strategies to maintain a competitive advantage and attract customers. Technological

pressures also focus on rapid developments in technology, which can be a challenge for corporations that need to keep up with technological transformations to meet market demands and improve operational efficiency (Damert & Baumgartner, 2018). Legal and regulatory pressures include laws and regulations imposed by governments, such as labour laws, environmental protection, taxes, and health and safety requirements (Fan & Zhao, 2017). Non-compliance can result in fines, penalties, or even the cessation of operations. Regarding financial pressures, they mean all the financial burdens and obligations incurred by the corporation as a result of investments, financing, and operational processes within the corporation, which may have an impact on the flow of future earnings (SHAMIL et al., 2022; Weaver et al., 1999). Accordingly, dealing with these pressures requires corporations to be flexible and adaptable through strong planning strategies, periodic assessment of the external environment, and risk analysis.

The research gap identified through the existing literature, which is not cited in studying and analysing future earnings growth, corporate capital investments, and external pressure (Fan & Zhao, 2017; Hurry et al., 2022; Kim-Duc & Nam, 2024), still introduces unexplored rules in the Egyptian context. This study is vital and different from previous studies in many aspects. Firstly, the study focuses on non-financial Egyptian corporations, whereas the previous literature focused on developed countries. Secondly, this study analyses the moderating influence of external pressure on the association between corporate capital investments and future earnings growth. Thirdly, future earnings growth studies remain significant and have become a source of concern for stakeholders and policymakers (Esplin, 2022; Sargent et al., 2021; Xinyue et al., 2020). Consequently, it is necessary to investigate how corporate capital investments affect future earnings growth for investor protection. Therefore, this study provides an extension of prior studies in an attempt to deepen the literature and reduce discrepancies. Finally, this research differs from previous studies in that it depends on the

financial statements of non-financial Egyptian corporations. It is contended that in developing countries with different cultural, regulatory, and institutional contexts, it can be expected to differ from those in developed countries (Diehl & Golann, 2023; Hurry et al., 2022; Lahr & Mina, 2016).

The study aims to illustrate the impacts of corporate capital investments on future earnings growth and the moderating influence of external pressure in the Egyptian context. The analysis is based on 442 observations from 53 non-financial corporations spanning the years 2015 to 2023. The findings corroborate that corporate capital investments have a positive influence on future earnings growth. The findings also concluded that external pressure moderates the association between corporate capital investments and future earnings growth. The current study contributes to the following aspects: First of all, the study aims to enrich the research on future earnings growth, corporate capital investments, and external pressure. Thus, advancing the relevant literature in these fields. Secondly, the study is significant because the important role of external pressure in company monitoring deserves in-depth research on the various factors that relate capital investments to future earnings. Finally, the study provides practical contributions to corporations, shareholders, policymakers, investors, and other stakeholders. The remainder of this study is organized as follows: Section 2 provides a detailed discussion concerning the previous studies and hypotheses development. Section 3 presents the study's methodology and data sampling. Section 4 discusses the findings, and Section 5 presents the conclusion.

2. Literature Review

2.1. Future Earnings Growth

Studies on future earnings growth and the factors that influence it help understand how this growth affects investment decisions and the

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sustainability of corporations and economies of countries. Literature review on future earnings growth covers multiple aspects, including financial analysis, market dynamics, management strategies, and macroeconomic factors (Cui et al., 2021; Istianingsih et al., 2020; Kim-Duc & Nam, 2024). Several studies have concluded that sustainable earnings growth increases the value of a corporation and its stock price, which increases its attractiveness to investors (Collins et al., 2017; Flint et al., 2010; Ichev & Valentinčič, 2025). This effect depends on the continuity of growth and the corporation's ability to generate earnings in the long term, as the value of expected earnings is highlighted in financial analysis and stock valuation. Furthermore, future earnings growth affects investment trends (Jin et al., 2025). Corporations with increasing growth usually attract internal investments in research and development and technology, while their attractiveness to external investors increases (Sargent et al., 2021). Future earnings growth encourages financing new projects and increasing working capital, which creates additional growth opportunities (Pora & Wilner, 2020). On the other hand, some studies have addressed the impact of macroeconomic factors, such as inflation, interest rates, and general economic growth, on future earnings growth (T. Wang et al., 2024; Xinyue et al., 2020). In economic downturns, growth rates often slow, affecting earnings expectations and making investors more conservative. Conversely, positive economic periods lead to improved demand and thus increased earnings.

Financial sustainability refers to a corporation's ability to maintain earnings growth without taking on large debts or cash pressures (Athira et al., 2024). Numerous studies (Inamdar, 2024; Wei et al., 2024; Yadav et al., 2024) focus on the importance of achieving a balance between financing growth from realized earnings and reducing reliance on debt to ensure sustainable growth and avoid financial risks. Additionally, technological innovation is a very influential factor in future earnings growth (Lahr & Mina, 2016). According to Hurry et al. (2022), corporations that regularly invest in technology and innovation are better able to enhance their efficiency and increase their revenues. This growth enhances the corporation's ability to compete and continue in the market. With the increasing interest in environmental and social sustainability, corporations that adhere to responsible practices have attracted the attention of investors and customers (Esplin, 2022; Miao et al., 2024). Shivakumar & Urcan (2017) concluded that socially responsible investments can positively impact future earnings growth as customers' and investors' confidence in these corporations increases, which is reflected in their sales and profitability. In the presence of strong competition, corporations are required to enhance their strategies and search for new channels for growth (Flint et al., 2010). In highly competitive markets, maintaining earnings and growth can be a greater challenge, requiring corporations to cut costs, offer unique offerings to customers, or expand into new markets (Collins et al., 2017). While some studies focus on the opportunities and challenges associated with earnings growth in emerging markets, where economic growth rates are higher, so are the risks (Pora & Wilner, 2020; Sargent et al., 2021). These markets offer opportunities for multinational corporations but also require a deeper understanding of local culture and policies to ensure sustainable growth.

Several studies have examined the relationship between corporate capital investments and future earnings growth (Akresh, 2007; Canace et al., 2018; Inci, 2011; Inci et al., 2009; Vaicondam et al., 2014). This relationship depends on the deployment of financial resources in projects and investments that may return future earnings (Esplin, 2022). Some investments may take time to realize their returns and may involve risks (Cumming et al., 2017). However, corporations that can manage risks well can increase the chances of their investments succeeding and achieving future earnings (Bergman, 2021). According to Canace et al. (2018), the relationship between corporate capital investments and future earnings growth reflects the efficiency of the corporation in using its financial resources to achieve sustainable returns that

increase the value of the corporation in the long term. Conti et al. (2019) concluded that corporate capital investments have a positive impact on the sustainability of earnings in the corporation, as increasing investments in the corporation lead to increasing earnings in the future as a reflection of this investment.

2.2. Stakeholder Theory and Corporate Capital Investments

Stakeholder theory considers that there are a variety of parties directly or indirectly involved in future earnings growth, and these parties include shareholders, customers, employees, and local communities (Freeman, 2015). This theory emphasizes the importance of these parties in determining the corporation's goals and influencing its behaviour and decisions (Schaltegger et al., 2019). Pressure increases on corporations to adopt critical decisions to meet the expectations of various stakeholders (Freeman, 2023). Corporations' awareness of the importance of stakeholders and their effective interaction with them can positively impact the corporation's future earnings growth (Jin et al., 2025). In other words, managing good relationships with stakeholders can directly impact a corporation's ability to achieve its goals and survive in the market (Freeman et al., 2021). Adopting effective stakeholder management strategies contributes to building a strong reputation for the corporation and building their trust (Elmashtawy et al., 2024), reducing the legal, environmental, and social risks that the corporation may face (Schaltegger et al., 2019), and achieving future earnings growth for the corporation in the long term (Istianingsih et al., 2020).

On the other hand, capital investments refer to making long-term investment decisions that lead to the corporation's long-term earnings growth (Bhalotra & Clarke, 2020). According to Lerner (2022), capital investments involve allocating capital resources to different projects that yield the highest possible return according to risk factors and expected revenues. The main

challenge is to balance between achieving future earnings growth for shareholders and taking into account the interests of other parties (Cui et al., 2021; Jacob et al., 2022). Stakeholder theory helps enhance the reputation and sustainability of the corporation, while capital investments focus on maximizing future earnings growth (Pora & Wilner, 2020). Therefore, according to stakeholder theory, corporations can build investment strategies that enhance earnings growth, which leads to the long-term sustainability of these corporations. Furthermore, external pressures directly affect stakeholders, who in turn put pressure on the corporation to adapt or make changes (Diehl & Golann, 2023; Fan & Zhao, 2017). Accordingly, stakeholder theory studies the importance of balancing the interests of multiple parties, while external pressures explain how external factors affect the corporation and force it to adapt and respond to ensure its sustainability and compatibility with its external environment.

2.3. External Pressures, Corporate Capital Investments, and Future Earnings Growth

External pressures can be a burden on a corporation when adopting capital investments to achieve growth in future earnings (Darus et al., 2015). Corporations view external pressures as a necessary factor resulting from increasing their investments (Salter & Tapper, 2002). Therefore, corporations have to be prepared to bear the burden of external pressures resulting from increasing their investments and working to enhance future earnings (Adebanjo et al., 2016). Several previous research findings have concluded that there is a positive relationship between external pressures and corporations' strategic goals (Wang et al., 2023; Yasmin & Ghafran, 2019; Yongming & Yunfeng, 2019). Similarly, studies (Damert & Baumgartner, 2018; Dubey et al., 2017; SHAMIL et al., 2022) have indicated that external pressures are positively related to corporations' capital investments. According to Wang et al. (2023), external pressures significantly affect

investment and capital decisions, as factors such as global economic conditions, government policies, fluctuations in currency and commodity prices, and also the debt burden play a role in determining the extent to which corporations are willing to invest their capital. When external pressures are negative, such as high inflation or trade tensions between countries, they increase uncertainty and push investors to adopt a more conservative approach, which may lead to a decline in investments (Amann et al., 2007; Weaver et al., 1999). On the other hand, economic facilities and investment-supportive policies can contribute to stimulating capital flows and directing them towards new opportunities (Crouzet & Eberly, 2019).

The future earnings growth index (Kim-Duc & Nam, 2024; Sargent et al., 2021; Xinyue et al., 2020) is supported by several literatures. External pressures significantly affect the future earnings growth of corporations, as these pressures determine the general business environment and affect competitiveness, cost, and return (Esplin, 2022). Fan and Zhao (2017) concluded that external pressures can reduce growth-oriented investments or force firms to take austerity measures, which negatively affects future earnings growth. Accordingly, it is assumed that there is a relationship between capital investments and future earnings growth, and this relationship is affected by the level of external pressures that the corporation is exposed to as a result of increased investment. Furthermore, previous studies emphasize the importance of determining the level of external pressures on the corporation due to its tangible impact on future earnings growth, which is relied upon by various stakeholders when making investment decisions related to the corporation. Based on the above-mentioned justifications and the purpose of the study, it is suggested that external pressures moderate the relationship between corporate capital investments and future earnings growth.

3. Methodology

3.1. Sample

The joint stock companies listed on the Egyptian Stock Exchange represent the study population. The study selected a judgmental sample based on the following criteria to ensure homogeneity among the companies: First, companies in the banking, insurance, and financial sectors were excluded due to the difference in the nature of their activities and regulatory rules. Second, companies that prepared their reports other than 12/31 were excluded. Third, companies that submit their financial reports in a currency other than the Egyptian pound were excluded. Finally, companies whose financial reports were not reached or had missing data were excluded. Therefore, after applying the previous criteria, the final study sample amounted to 53 nonfinancial companies divided into 12 sectors, and thus the number of observations amounted to 424 observations. Table 1 shows the study sample according to the sector classification.

No.	Industry Sector	No.	No.	%
		Companies	Observation	
1	Real Estate	8	64	0.15
2	Food, Beverage & Tobacco	6	48	0.11
3	Health Care &	6	48	0.11
	Pharmaceuticals			
4	Materials	5	40	0.09
5	Basic Resources	5	40	0.09
6	Industrial Services &	5	40	0.09
	Products & Automobiles			
7	Contracting & Engineering	4	32	0.08
	Construction			
8	Textiles & Durable Goods	4	32	0.08
9	Communications, Media &	3	24	0.06
	Information Technology			
10	Tourism & Entertainment	3	24	0.06
11	Paper & Packaging Materials	2	16	0.04
12	Trade & Distributors	2	16	0.04
	Total	53	424	100%

 Table 1: Sample by industry

The study period is from 2015 to 2023, noting that there are no observations in 2023 as the dependent variable measures the effect of the subsequent period. Therefore, each company has 8 observations during the study period. The study relied on secondary data to collect the study variables. The secondary data represented the financial reports of the companies under study. The study data was collected from the reports and official websites of the companies in addition to relying on some electronic websites, such as the Mubasher Misr website <u>https://www.mubasher.info/countries/eg</u>.

3.2. Measuring Future Earnings Growth

Future earnings growth is the expected increase in a company's or project's earnings over time. This forecast is based on an analysis of past financial performance, the company's growth strategies, economic conditions, innovation, and the ability to achieve cost efficiencies, as well as market expansion or increased demand for products or services. According to numerous studies (Godoy-Bejarano et al., 2020; Inamdar, 2024; Jin et al., 2025; Kim-Duc & Nam, 2024; Miao et al., 2024), future earnings growth can be measured by the ratio of net income before tax to the book value of total assets.

3.3. Measuring Corporate Capital Investments

Corporate capital investments are the funds spent by companies or governments to purchase long-term assets or improve existing assets to generate long-term economic returns. These investments aim to support future business growth, enhance production capacity, and improve the quality of products and services. Corporate capital investments include the purchase of real estate, machinery, and equipment, and the development of technology or infrastructure. Corporate capital investments are essential because they enhance the ability of companies to expand and increase productivity and, in

some cases, reduce operating costs over time. According to several pieces of literature (Cheng et al., 2024; Hurry et al., 2022; Nguyen et al., 2023; Xiong et al., 2024), corporate capital investment can be measured by the ratio of capital expenditure to total assets for firm i in year t.

3.4. Measuring External Pressure

External pressures are factors or forces that affect the work of organizations or individuals from outside the system or internal environment. These pressures can be either positive or negative, but they usually require a response to adapt to new conditions or overcome challenges. According to several studies (Achmad et al., 2022; Fan & Zhao, 2017; Yarana, 2023; Yasmin & Ghafran, 2019), external pressure can be measured by the ratio of total debt to total assets.

3.5. Developing Composite Variables for Corporate Capital Investments and External Pressure

A moderating variable refers to a variable that affects the relationship between the independent variable and the dependent variable (Elmashtawy et al., 2023b). It changes the strength or direction of that relationship, making it stronger, weaker, or sometimes even inverse (Fan & Zhao, 2017). On the other hand, a composite variable is created by combining two or more individual variables to measure a broader concept that cannot be captured by a single variable (Jacob et al., 2022). Composite variables are useful when studying complex constructs that require multiple dimensions for a complete understanding. Composite variables are typically created by aggregating scores on multiple items or questions representing relevant aspects of a studied topic (Elmashtawy et al., 2023b). By combining multiple items, the reliability of measures can be improved, reducing the influence of the variance of any single item (Elmashtawy et al., 2023a; Pallant, 2020).

The orthogonal relationships between the variables are not captured when using individual variables as a stand-in for external pressure and corporate capital investments (Ruhnka et al., 2022). To solve this problem, the study developed composite variables using the moderating analysis. Additionally, by lowering measurement error and possible multicollinearity, the moderating analysis makes the composite variables more significant than the individual variables (Abdullah, 2024; Fan & Zhao, 2017).

The study kept the components of external pressure and corporate capital investments with eigenvalues higher than one. Following a varimax rotation, the study described the component using variables whose absolute loading factors were greater than 0.40 (Hair, 2009; Pallant, 2020). Lastly, the Kaiser-Meyer-Olkin test and Bartlett's sphericity were employed to assess whether the data was adequate for the moderating analysis.

3.6. Control Variables

The study relied on some of the control variables affecting the study variables, which are: company age, sales growth, working capital, cash ratio, competitor's size, and audit firm size. The company age is measured by the natural logarithm of one plus the number of years since a firm's IPO (i.e., ln (number of years +1)) (Abdullah, 2024; Cheng et al., 2024; Godoy-Bejarano et al., 2020; Jin et al., 2025; Wei et al., 2024). While sales growth is measured by (Sales t - Sales t-1) / Sales t-1 (Athira et al., 2024; Ichev & Valentinčič, 2025; Wang et al., 2024; Xiong et al., 2024). Furthermore, working capital is measured by the difference between current assets and current liabilities, scaled by total assets (Athira et al., 2024; Ichev & Valentinčič, 2025; Lahr & Mina, 2016). Then, the cash ratio is measured by the sum of a firm's cash and liquid assets scaled by total assets (Athira et al., 2024; Wang et al., 2024; Wei et al., 2024). Moreover, the competitor's size is measured by the log of total sales of remaining firms in the same sector (Conti et al., 2019; Godoy-Bejarano et al., 2020; Kim-Duc & Nam, 2024). Finally, the audit firm size is

measured by a dummy that equals 1 if a firm hires one of the Big 4 as an auditor in a year and 0 otherwise (Elmashtawy et al., 2023b; Elmashtawy & Salaheldeen, 2023; Wang et al., 2024). Accordingly, Table 2 shows the study variables measurements.

Variables	Measurements	Sources
	Ratio of net income before	(Godoy-Bejarano et al.,
Future	tax to the book value of total	2020; Inamdar, 2024; Jin et
Earnings	assets	al., 2025; Kim-Duc &
Growth		Nam, 2024; Miao et al.,
		2024)
Capital	The ratio of capital	(Cheng et al., 2024; Hurry
investments	expenditure to total assets	et al., 2022; Nguyen et al.,
Investments	for firm i in year t	2023; Xiong et al., 2024)
	The ratio of total debt to total	(Achmad et al., 2022; Fan
External	assets	& Zhao, 2017; Yarana,
Pressures		2023; Yasmin & Ghafran,
		2019)
	The natural logarithm of one	(Abdullah, 2024; Cheng et
Δge	plus the number of years	al., 2024; Godoy-Bejarano
nge	since a firm's IPO (i.e., ln	et al., 2020; Jin et al., 2025;
	(number of years +1))	Wei et al., 2024)
	(Sales $_{t}$ - Sales $_{t-1}$) / Sales $_{t-1}$	(Athira et al., 2024; Ichev
Sales growth		& Valentinčič, 2025; Wang
Sales growin		et al., 2024; Xiong et al.,
		2024)
	Working capital, measured	(Athira et al., 2024; Ichev
Working	as the difference between	& Valentinčič, 2025; Lahr
capital	current assets and current	& Mina, 2016)
capital	liabilities, scaled by total	
	assets	
	The sum of a firm's cash and	(Athira et al., 2024; Wang
Cash ratio	liquid assets scaled by total	et al., 2024; Wei et al.,
	assets	2024)
Competitors'	The log of total sales of	(Conti et al., 2019; Godoy-
size	remaining firms in the same	Bejarano et al., 2020; Kim-
	sector	Duc & Nam, 2024)
	A dummy $= 1$ if a firm hires	(Elmashtawy et al., 2023b;
Big 4	one of the Big 4 as an auditor	Elmashtawy &
	in a year and $= 0$ otherwise	Salaheldeen, 2023; Wang
		et al., 2024)

 Table 2: Variables Measurements

3.7. Regression Models

The study investigated two models to measure the influence of corporate capital investments on future earnings growth and the moderating influence of external pressures on the relationship between corporate capital investments and future earnings growth. The study's models can be formulated as regression models, as follows:

The direct effect model assesses the effect of corporate capital investments on future earnings growth in Egyptian non-financial corporations.

Future earnings growth_{it}

 $= \alpha + \beta_{1} Corporate capital investments_{it} + \beta_{2} Age_{it}$ + $\beta_{3} Sales growth_{it}$ + $\beta_{4} Working capital_{it} + \beta_{5} Cash ratio_{it}$ + $\beta_{6} Competitors size_{it} + \beta_{7} Big 4_{it} + \varepsilon_{it}$

This model answers hypothesis 1, which is:

H1: Corporate capital investments have a significant and positive impact on future earnings growth.

Furthermore, the moderator influence model investigates the moderating role of external pressure on the relationship between corporate capital investments and future earnings growth in Egyptian non-financial corporations.

Future earnings growth_{it}

 $= \alpha + \beta_{1} Corporate capital investments_{it}$ $+ \beta_{2} External pressures_{it}$ $+ \beta_{3} Corporate capital investments$ $* External pressures_{it} + \beta_{4} Age_{it} + \beta_{5} Sales growth_{it}$ $+ \beta_{6} Working capital_{it} + \beta_{7} Cash ratio_{it}$ $+ \beta_{8} Competitors size_{it} + \beta_{9} Big 4_{it} + \varepsilon_{it}$

This model answers hypothesis 2, which is:

H2: External pressure moderates the relationship between corporate capital investments and future earnings growth.

4. Results and Discussion

4.1. Descriptive Statistics

4.1.1 Panel Data Analysis and Diagnostic Test

The study relied on statistical models suitable for analysing intermittent time data (panel data) in testing its hypotheses, which combine the cross-sectional data method and the time series data method (Hayes, 2017). This is done by applying three main steps: First, apply three different models to determine the estimated effect, which are the pooled regression model, the fixed effects model, and the random effect model. Second, choosing the optimal model to represent the data by applying the following statistical tests: (1) the Wald test to compare the aggregate model and the fixed effects model, where the fixed effects model is the best if (P-value < 0.05) and vice versa. (2) The Breusch & Pagan Lagrange multiplier test is applied to compare the aggregate model and the random effects model, and accordingly, the random effects model is the best if (P-value < 0.05) and vice versa. (3) If the previous tests show that both the fixed effects and random effects models are better than the aggregate model, the Hausman Test is applied to compare the two models. If (P-value < 0.05), this indicates that the fixed effects model is the best to rely on in representing the data, and vice versa.

Finally, the quality and validity of the estimated model are determined by conducting several validity tests to ensure the reliability of the results. The variance inflation factor (VIF) test was used to ensure that the independent variables of the study do not suffer from the problem of duplication multicollinearity (Pallant, 2020). If the VIF of a certain independent variable exceeds the value (10), this means that this variable causes a multicollinearity problem. Moreover, other influential factors that may affect the results

(control variables) were taken into consideration. The study conducted the Wooldridge test to ensure that there is no problem of autocorrelation of the residuals.

4.1.2 Normality

The shape of the data distributions for an individual quantitative data variable and their correspondence to the normal distribution are referred to as normality. Normality is a necessary assumption in multivariate analysis, and a sufficiently large deviation from normality will result in statistically invalid results. Furthermore, while normality is not required for estimating regression coefficients, it is required for valid hypothesis testing (Eldaia et al., 2022; Hair, 2009; Sharma & Kaur, 2021). There are several methods for determining the normality of variables, including graphical methods such as histograms and normal probability plots, as well as statistical methods such as skewness and kurtosis values. Kolmogorov-Smirnov and Shapiro-Wilk were used in this study, and the results in Table 3 show that only a few variables deviate from the normality assumption. Hair (2009), on the other hand, suggested that in large observations (200 or more), the effect of nonnormality on the analysis is insignificant and can be ignored. Because this study examines many observations (424), the results may not be distorted under this condition.

	Kolmogorov-Smirnov		Shapiro-Wilk		
	Statistic	Sig.	Statistic	Sig.	
Future Earnings Growth	0.085	0.000	0.953	0.000	
Capital investments	0.229	0.000	0.683	0.000	
External Pressures	0.043	0.044	0.989	0.003	
Age	0.063	0.000	0.986	0.000	
Sales growth	0.333	0.000	0.174	0.000	
Working capital	0.046	0.033	0.992	0.020	
Cash ratio	0.180	0.000	0.764	0.000	
Competitors' size	0.228	0.000	0.601	0.000	
Big 4	0.071	0.000	• , • • ۲	0.000	

Table 3: Tests of Normality

4.1.3 Descriptive analysis

Table 4 elaborates a summary of the descriptive analysis for the independent, dependent, moderating, and control variables used in the study. In respect of continuous variables, Table 4 reveals that the mean of future earnings growth is 0.057 with a standard deviation of 0.096. The mean of corporate capital investments is 0.038, and the minimum and maximum levels are 0.00 and 0.485, respectively. The mean external pressure was around 50%, with a standard deviation of 0.242. This percentage indicates a high level of external financial pressure on the study sample. Concerning the control variables, the mean age is 3.341, and the standard deviation is 0.468. The average sales growth is 0.335 with a standard deviation of 1.879. The average working capital is 0.162, and the standard deviation is 0.237. The mean cash ratio is 0.083, and the minimum and maximum levels are 0.00 and 0.558, respectively. The average competitor's size is 24.95, and the standard deviation is 3.18. Regarding the discontinuous variables, the result indicated that 40.3% of the corporations sampled have auditors from the Big 4 as an indicator of the audit firm size.

Variable	Obs.	Mean	Min	Max	Std. Dev.					
	Panel A:	Continuou	is variab	les						
Future Earnings Growth	424	0.057	-0.351	0.457	0.096					
Capital investments	424	0.038	0	0.485	0.051					
External Pressures	424	0.501	0.001	1.263	0.242					
Age	424	3.341	1.609	4.543	0.468					
Sales growth	424	0.335	-1	33.394	1.879					
Working capital	424	0.162	-0.582	0.819	0.237					
Cash ratio	424	0.083	0	0.558	0.089					
Competitors' size	424	24.954	0	27.361	3.181					
Panel B: Interval variables										
	1 0									
Variable		Freque % Freque ncy			%					
Big 4		171	40.3	253	59.7					

Table 4: Descriptive statistics

4.1.4 Correlation analysis

Table 5 illustrates the results of the correlation analysis. The correlation findings reveal that all values of the correlation coefficients within the matrix amounted to less than 0.80. This result indicates that the results of the correlation analysis between the study variables are free from multicollinearity (Gujarati & Porter, 2013; O'brien, 2007). Table 5 also concludes that there are significant correlations among independent, dependent, moderating, and control variables. The highest correlation between external pressures and competitors' size is 0.491, suggesting that the larger the competitor, the greater the external pressure on the corporation as a result of increasing its investments based on the size of its competitors. Furthermore, there is no problem of linear correlation between the independent variables as the absolute values of the correlation coefficients are

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less than 80%, which indicates the safety of the model from the problem of linear correlation.

Table 5: correlation matrix analysis

Variables	(1)	(2)	(3)	(4)	(5)	(9)	(7)	(8)	(6)
(1) Future Earnings Growth	1								
(2) Capital investmen ts	.275*** (0.000)	1							
(3) External pressures	- .159*** (0.001)	- 0.388** * (0.000)	1						
(4) Age	0.156** * (0.001)	-0.001 (0.991)	-0.046 (0.346)	1					
(5) Sales growth	0.201** * (0.000)	0.139** * (0.004)	-0.072 (0.139)	0.036 (0.463)	1				
(6) Big 4	0.002 (0.975)	0.133** * (0.006)	- .162*** (0.001)	-0.303** (0.000)	0.022	1			
(7) Working Capital	0.295** * (0.000)	0.032 (0.512)	.200*** (0.000)	0.145** * (0.003)	+0.089* (0.068)	189** (0.000)	1		
(8) Cash Ratio	0.298** * (0.000)	0.195** * (0.000)	-0.048 (0.327)	-0.195** (0.000)	0.081* (0.096)	0.069 (0.157)	0.317** * (0.000)	1	
(9) Competito rs' size	0.147** * (-0.002)	0.325** * (0.000)	- .491*** (0.000)	-0.008 (0.868)	0.05 (0.306)	.214*** (0.000)	-0.117* (0.016)	.157*** (0.001)	1
*** p<0.01,	** p<0.05,	, * p<0.1	, ,	×	~	, ,	× ×	, ,	

4.2. The direct effect Results

Table 6 displays the regression findings of the direct effect analysis. This analysis is allocated to the effect of corporate capital investments on future earnings growth. The findings concluded a significant positive effect of corporate capital investments on future earnings growth at a significant level of 1% (0.038). This finding indicates that corporations exhibiting elevated capital investments demonstrate a greater degree of future earnings growth, and these corporations can increase their earnings through increased capital investments. This finding is supported by the stakeholder theory and is consistent with the findings of the studies (Akresh, 2007; Canace et al., 2018; Inci, 2011; Vaicondam et al., 2014). Therefore, H1 is supported.

Future Earnings Growth	Coef.	St. Err.	t- value	p- value	VIF	1/VIF	Sig		
Capital investments	0.038	0.010	3.86	0.000	1.172	0.853	.000		
Age	0.056	0.016	3.59	0.000	1.198	0.835	.000		
Sales growth	0.077	0.019	3.94	0.000	1.044	0.958	.000		
Big 4	0.012	0.014	0.88	0.382	1.257	0.796	.000		
Working Capital	0.140	0.028	4.92	0.000	1.257	0.796	.000		
Cash Ratio	0.218	0.054	4.02	0.000	1.289	0.776	.000		
Competitors' size	0.041	0.027	1.51	0.133	1.203	0.831	.000		
Constant	-0.404	0.137	-2.95	0.003			.000		
Number of Obs.				424					
Durbin-Watson (D-W)				1.589					
R-squared	0.247								
Adj R-squared	0.2345								
F-test				19.509					
Prob > F				0.000					
*** <i>p<.01</i> , ** <i>p</i> <	<.05, * p-	<.1							

 Table 6: Regression estimates of the effect of corporate capital

 investment on the future earnings growth

Furthermore, the results concluded that the corporation age has a positive effect on future earnings growth across the conducted model. These results mean that as the age of the corporation increases, its future earnings are enhanced. The findings also concluded that sales growth positively affects future earnings growth according to the conducted model at a 1% significant level. This result means that the sales growth ratio is important to enhance future earnings growth. In addition, there is an effect of the Big 4 on future earnings growth, as the value of future earnings growth is 0.012. This result

reflects the positive but not significant impact of selecting Big 4 auditors on future earnings growth. Moreover, there is a significant and positive influence of working capital and cash ratio on future earnings growth at the significance level of 1% (0.140 and 0.218, respectively). Finally, there is an insignificant positive effect of competitors' size on the future earnings growth across the conducted model. The adjusted R^2 value is 23%, indicating that the research variables account for approximately 23% of the future earnings growth. The model evaluated additionally demonstrated that the D-W result values elaborated that variables do not have autocorrelation issues.

4.3. The moderating effect of external pressures on the relationship between corporate capital investment and future earnings growth

Table 7 presents the moderating influence of external pressure on the association between corporate capital investment and future earnings growth. The findings of the moderating role indicate that external pressure, as a moderating variable, strengthens the relationship between corporate capital investment and future earnings growth. These results indicate that corporations can enhance their future earnings by paying attention to capital investments to meet the needs of various stakeholders. In addition to paying attention to external pressure, it has a negative effect on enhancing future earnings. These findings are consistent with the findings of studies (Fan & Zhao, 2017; L. Wang et al., 2023; Yongming & Yunfeng, 2019). Hence, H2 is supported. Noteworthy is that the external pressure has strengthened the association between corporate capital investments and future earnings growth across the conducted model (at a significance level of 1%), which was obtained when the external pressure as a moderating variable.

Table 7: Regression estimates of the moderating effect of external pressures on the relationship between corporate capital investment and future earnings growth

Future Earnings Growth	Coef.	St. Err.	t- value	p- value	VIF	1/VIF	Sig	
Capital Investment	0.071	0.017	4.17	0.000	3.691	0.271	0.000	
External Pressures	-0.008	0.002	-3.37	0.001	9.574	0.105	0.000	
CI*EP	0.041	0.014	2.85	0.005	6.400	0.1562	0.000	
Age	0.051	0.016	3.30	0.001	1.212	0.825	0.000	
Sales growth	0.079	0.019	4.10	0.000	1.046	0.956	0.000	
Big 4	0.01	0.014	0.76	0.45	1.190	0.84	0.000	
Working Capital	0.151	0.029	5.30	0.000	1.301	0.768	0.000	
Cash Ratio	0.214	0.053	4.00	0.000	1.046	0.956	0.000	
Competitors' size	0.025	0.029	0.84	0.404	1.421	0.704	0.000	
Constant	-0.42	0.163	-2.58	0.010			0.000	
Number of Obs.				424				
Durbin-Watson (D- W)	1.521							
R-squared 0.268								
Adj R-squared	0.2523							
F-test				16.856				
Prob > F				0.000				
*** p<.01, ** p<.05, *	p<.1							

It is clear from the results of the regression analysis of the direct effect and the moderating effect that the values of adjusted R^2 reached 0.2345 for the direct effect regression model and 0.2523 for the moderating effect regression model. This indicates the positive effect of inserting the interaction between corporate capital investments and external pressure variables in the moderating model. Additionally, it signifies the precision of the models and the autonomy of the factors influencing future earnings growth. Moreover, the outcomes demonstrated that the significance levels were 0.00 across the regression analysis models. The results of the moderating effect analysis can be supported by stakeholder theory. According to stakeholder theory, having capital investments with external pressure leads to working to meet the needs of different stakeholders, which has a long-term impact on enhancing the corporation's future earnings.

5. Conclusion

The study investigated the impact of corporate capital investments on future earnings growth and the moderating influence of external pressure on the relationship between corporate capital investments and future earnings growth. This study is attributed to a balanced database of 424 firm-year observations of Egyptian non-financials spanning from 2015 to 2023. The findings revealed that corporate capital investments had a significant and positive effect on future earnings growth. In addition, the study elaborated that external pressure moderates the relationship between corporate capital investments and future earnings growth. Furthermore, the findings corroborate the significant influence of introducing external pressure as a moderator variable in the moderating role models. Corporate capital investments have a positive effect on future earnings growth, as the more the company invests, the more it affects the growth of future earnings in the form of returns on these investments. Moreover, external pressures may affect this relationship, as they enhance the strength and direction of this relationship. It is worth noting that external pressures have a negative effect on future earnings growth, but this effect becomes positive with the presence of the compound or moderating variable.

This study makes the following distinct contributions to the current studies: Firstly, for theoretical contribution, it adds to the existing literature

on future earnings growth, corporate capital investments, and external pressure, especially in the Egyptian context. The study is the first to investigate the moderating influence of external pressure on the relationship between corporate capital investments and future earnings growth. Second, the study offers various practical implications for policymakers, corporations, and stakeholders. The study illustrates that corporate capital investments can bolster future earnings within non-financial corporations listed on the Egyptian Stock Exchange. Consequently, policymakers can formulate guidelines and regulations that promote corporate capital investments and external pressure integration to bolster future earnings. Finally, stakeholders can focus on corporate capital investments to enhance future earnings.

The study is subject to several limitations. Firstly, the analysis spanned nine years and focused solely on non-financial corporations within a single country, thereby restricting the generalizability of the conclusions and limiting control over all variables influencing the outcomes. Second, the quantitative analysis of secondary data may not offer the capacity to interpret and clarify unforeseen associations among certain variables and future earnings. Finally, the measures used to measure future earnings in the study might not encompass all dimensions of future earnings growth, given its multifaceted nature. There remains potential for future investigations to explore the impact of external pressure on the association between corporate capital investments and future earnings growth using alternative future earnings growth metrics. Furthermore, future research could consider extending this analysis to encompass both financial and non-financial companies. In conclusion, forthcoming research could endeavour to replicate the models developed in this study across diverse countries and extend the comparison over an extended timeframe to enable a more comprehensive analysis.

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