

IMPACT OF EVA OR TRADITIONAL ACCOUNTING MEASURES ON MVA - A STUDY OF BSE LISTED COMPANIES

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Abstract *The main aim of this paper is to know the superior impact of economic value added (EVA) or traditional accounting measures (i.e. return on assets and earning per share) for value maximisation. Market value added (MVA) is used as an indicator to test the impact and relationship with these variables. The study considers 190 listed companies selected from BSE (A Group). The study used fixed effects and random effects model as well as the Hausman test to find out the appropriate model for the study. This study also used ordinary least squares regression as well as simple linear regression to know the impact. The study also used correlation to measure the relationship between EVA, selected traditional accounting measures and controlled variables on MVA. The study finds no evidence in support of EVA as a superior indicator for value creation than traditional accounting measures. The study reveals that it is better to measure financial performance through traditional accounting measures than EVA. The study is useful to the managers who are in the process of maximizing the wealth of shareholders' as well as to the investors for a sound investment decision. The study is useful to all the stakeholders' who require financial results of the companies for various purpose. This study covers the required controlled variables and relates to the MVA with financial measures.*

Keywords: *Economic Value Added, Market Value Added, Traditional Accounting Measures, Value Maximisation, Performance Measurements, Controlled Variables*

INTRODUCTION

The main purpose of any corporate is to maximise the shareholder's wealth. In today's world, increasing awareness among the shareholders pressurises the corporate to improve their performance. It is because the financial performance of the companies is not only affecting the shareholders but also to the all investors and stakeholders who require financial information. Due to this, it is very important to measure the financial performance of the companies. There are many traditional accounting measures or indicators through which companies' performances can be measured such as Return on Assets, Return on Equity, Earnings per Share, etc. Many researchers evaluated the financial performances of the companies through these (Hall, 2016). The wealth of the shareholder is to be calculated by considering the returns on investments. It could be in the form of dividend payout or total market value of the companies, which includes the total of debt and equity. Therefore, the market value added (MVA) which indicates the difference between the total market value of the company and the total capital invested by the investors can become the return generator for the wealth maximization (Hall, 2016). The association of accounting

financial measures with the shareholder's wealth have been studied by several researchers. Out of which some of the researchers found the association between the variables and some of them were unable to find. The researcher also found that the traditional accounting indicators are not enough for shareholder's wealth creation (Vijay Kuma Gupta, 2016). Therefore, they have suggested a new variant for performance evaluation, i.e. economic value added (EVA). In the year 1991, Stern Stewart & Co. has introduced and developed EVA as a new variant (Vijay Kuma Gupta, 2016) as the performance evaluation indicator in explaining the changes in shareholder's wealth creation. As per his opinion, EVA is superior than traditional accounting measurement. Many researchers also researched on the superiority of EVA on the traditional accounting measurements (John Henry Hall, 2014; Vijay Kumar Gupta and Ekta Sikarwar, 2015; Y V Reddy and Parab Narayan 2017). Some of them were able to find the evidence in support of them (Johannes De Wet, 2005; Woo Gon Kim, 2006). The study made the literature survey on it and observed that researcher made the survey by considering EVA and traditional tools. But to evaluate the performance of any company, the role of other controlled variables is even important. Meanwhile, the existing literature review has also observed that most of the

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studies are made either in Malaysia or in other developing countries. This study considers the top A Group BSE-listed companies for the period of 5 years, i.e. 2014–2018, for the analysis purpose. The study also covers some controlled variables such as dividend pay-out, liquidity, leverage, etc., which can affect the financial performance of the companies and use MVA to test the relationship and impact of financial measures.

The current study considers MVA (Market Value Added) as a proxy variable to evaluate the shareholder's wealth. The study also considers the independent variable like EVA, return on assets (ROA), earnings per share (EPS) along with the other controlled variables such as dividend payout, liquidity, leverage, etc.

The next section is literature review. Then research questions and hypotheses are framed following the research methodology and data analysis. The study ends with result, discussion, limitations and suggestions.

LITERATURE REVIEW

The study covers the literature reviews of the national as well as international levels.

(Wet, 2005) compared the performance drivers of shareholder value, i.e. EVA, a modern technique for performance measurement and traditional accounting tools. The study made on the JSE securities exchange listed companies of South Africa. MVA has been used as a proxy to shareholder value. The study found the robust relationship of MVA with cash flow operations than EVA. Also, the study took the serious note on the impact of dividend per share and earning per share on MVA. (Kim, 2006) studied the superiority of EVA than traditional accounting measurements especially with the hospitality firms. For the study purpose, incremental contents of EVA and earnings and cash flows have been used as traditional performance measurements. Regression analysis has been used to check the superiority. The study found that the earnings are more powerful than cash flows to measure the market value of hospitality firms. The study concluded with the findings that for the equity market value, EVA is not superior than traditional performance measurements. (Sharma, 2012) aimed to compare the performance measurement tools such as the EVA and conventional to check the superiority. For the study purpose, Indian-listed manufacturing companies have used for the period of 2000 to 2009. To measure the relationship, correlation has been used and others techniques such as paired T-test and incremental value test have also been used. Multivariate regression is also used to know the impact. The study concluded with the findings that the investors should rely on both the EVA and traditional tools

for performance measurement. (Ismail, 2013) examined the quantity factors required to measure the corporate performance in Malaysia. He noted that only earnings are not enough to measure the corporate performance. He focused on the economic value addition (EVA), the modern technique to measure the performance. He also compared the traditional methods to measure the performance with EVA to know the relationship with stock market. The study has been made on 75 listed companies Bursa Malaysia for 10 years' periods of exploratory research and correlations have been used for the study purpose. The study used the combined data of time series and cross section. The panel-pooled regression is also used to know the impact. The study found that EVA has strong correlation with stock return than the traditional tools. (Pruthy, 2013) aimed to compare the EVA and MVA of power sector companies of India during 2009–2011. The study used three adjustments out of 160 adjustments described in GAAP (Generally Accepted Accounting Practices) for calculating economic profit. The study found Indin Oil Corporation Ltd. as most wealth-creating company and Reliance power as most wealth-destroying company during the period 2009 to 2011 due to the negative eva. (Tania Mengi, 2014) analysed the views of the financial experts of India on performance measurement tools specifically focused on EVA and traditional accounting measurements. The study aimed to examine the impact of these selected tools on MVA as well as examined the other factors, which are relevant for the investors. For an analysis purpose, the study divided in three groups such as the group who preferred only EVA, the other group who preferred only traditional measurement and the last group who preferred both the techniques for the performance measurement. The study found the more relevance or superiority of EVA than traditional performance measurement with the fact that calculation of EVA is more tedious. (Aravind & Ramya, 2015) examined the relationship between the share prices and EVA. The study also investigated the explanatory power of EVA on share prices. The study used selected companies of BSE during 2008–2013. The study found no evidence in support of EVA. (Madhavi, 2015) aimed to examine the superiority of EVA over the traditional accounting measures. The study made on 12 selected companies from the cement and FMCG industries, which were listed on NSE for the period of 5 years, i.e. 2010 to 2014. The study proved that all the selected companies have created their wealth after post-crash period but the study was unable to prove the superiority of EVA over traditional accounting measures. (Vijay Kumar Gupta, 2016) examined the superiority of EVA over the traditional accounting measurement. The variables such as return on assets, return on equity, earning per share, etc., have been used to know the relationship with stock return. The study made on 50 companies which are selected from the Nifty Index. The study was made for the period of 2008

to 2011. Descriptive study, panel regression techniques and incremental information content test have been used for an analysis purpose. The study found superiority of EVA over the traditional accounting measures. (Hall, 2016) aimed to study the industry-specific determinants of shareholder value creation. The study made on the 192 listed firms of the Johannesburg stock exchange for the period of 2001 to 2011. The study used MVA and market adjusted stock return (MAR) have used as dependent variables whereas 11 independent variables such as return on equity, earnings per share, dividend per share, etc., have been used to know the superior driver of shareholder value creation. Step-wise regression analysis was used to know the superior independent variables for appropriate determinants of each industry. The study concluded with the findings that MVA is better than MAR whereas it supported traditional accounting measures than EVA. The study also found that earnings per share and return on assets are the most significant drivers for the shareholder value. (Reddy, 2017) studied the impact of EVA as well as traditional accounting measures on stock returns on the selected 50 companies listed on National Stock Exchange (NSE) for the year 2012 to 2016. The traditional measures such as earnings per share, dividend per share, return on equity and return on assets were used along with EVA. For an analysis purpose correlation, regression analysis using ordinary least square model was used. The study also used the Granger causality test to verify the result. The study found a positive relationship of stock returns with EVA as well as traditional accounting measures. (Panigrahi, 2017) examined the tools for performance measurement and for creating shareholder wealth creation. The study specifically made on the listed construction companies of Malasiya for the periods of 11 years. i.e. 2003-2012. The study used panel data analysis specifically, error correction model was used to test the relationship of error term for an analysis purpose. The study concluded that earnings per share, dividend payout ratio, and EVA played a vital role along with the internal and external performance for the shareholder wealth maximisation. The study also found the negative relation of MVA with created shareholder value (CSV). (Zawna & Singh, 2020) examined the relationship between EVA and stock price. The study used 17 NSE listed firms from different six sectors for analysis purpose during the period 2007-08 to 2016-17. The study used single and multiple correlations and found weak correlations between the EVA and selected variables to measure the performance.

Research Questions and Hypothesis

- Is EVA a better performance indicator for corporate?
- Are traditional accounting measures superior indicator for corporate performance?

- Does selected controlled variables affect the financial performance?

Hypothesis

- H_1 ; There is positive relationship between EVA and MVA.
- H_2 ; There is positive relationship of ROA and EPS with MVA.
- H_3 ; There is positive relationship of controlled variables with MVA.
- H_4 ; There is significant impact of EVA on MVA.
- H_5 ; There is significant impact of ROA and EPS on MVA.
- H_6 ; There is significant impact of selected controlled variables on MVA.

RESEARCH METHODOLOGY

Selection of Samples

BSE listed (A Group) 190 companies have been selected for the study purpose. The study made during the year 2014 to 2018. BSE (A Group) has performed good in terms of growth, advancement, etc. The companies are selected based on the consistent data availability and the consistent dividend paying.

Variables Measurements

The purpose of the study is to measure or compare the superior component for performance evaluation. The study also wants to know the correlation between the EVA and MVA. After reviewing the literature, the study selected MVA as a dependent variable, which we have taken directly from the PROWESS. Total five independent variables have been used to know the relationship and impact of them on MVA. The selected independent variables are EVA, earning per share, return on assets, dividend payout, liquidity and leverage. These selected variables are also selected from the different literatures. All data, which have been used for the study purpose, are collected from the database PROWESS.

MVA (Market Value Added) = Profit to Book ratio is taken as proxy.

EVA (Economic Value Added) = Net profit after tax (NOPAT) – (Capital Employed (CE) * Weighted Average Cost of Capital (WACC)).

where, Total WACC (weightage average cost of capital) is calculated by considering the cost of equity (Vijay Kumar Gupta, 2016) whereas cost of equity (Ke) is calculated by using the capital asset pricing model. The formula for calculating the Ke is,

$$= R_f + B_i (R_m - R_f)$$

where, Rf = Risk Free Return

Rm = Total market rate of return

Bi = Beta (Risk Coefficient)

Risk free return (Rf) is directly taken from the Reserve Bank’s Website; 365 days’ treasury bill rate is used for Rf. Beta and Market rate (Rm) of each selected companies are directly collected from the database PROWESS.

ROA (Return on Assets) = Profit after tax/Average total assets

EPS (Earnings per Share) = Profit after Tax/Average number of shares

LIQUIDITY = Quick Ratio is used as proxy variable.

LEVERAGE (Total Debt / Equity Ratio) = Total Debt to Equity ratio is used as proxy variable.

In order to study the relationship among the selected variables, correlation is used. Based on the assumption that not all the selected companies are same in terms of size, advancement, growth, etc., fixed effects and random effects models have used to know the impact and associations of selected variables on MVA. However, the study also used the Hausman test to check the endogeneity in panel data. Hausman test is used to check the suitable model for regression (Gupta & Sikarwar, 2016). Accordingly, the following hypothesis is created.

H₁ Fixed effect model is suitable.

Further, the study also used simple liner regression and ordinary lest square regression analysis to know the impact of independent variables on dependent variables. The study used E views and SPSS to analyse the impact and relationship.

Models

The following equations are framed to test the hypothesis.

$$MVA_t = B_0 + B_1 EVA + e_t \text{ ---- 1}$$

$$MVA_t = B_0 + B_1 ROA + B_2 EPS + e_t \text{ ---- 2}$$

$$MVA_t = B_0 + B_1 DPY + B_2 LIQ + B_3 LEV + e_t \text{ ----- 3}$$

where, MVA = Market Value Added

EVA = Economic Value Added

ROA = Return on Assets

EPS = Earnings Per share

DPY = Dividend Payout

LIQ = Liquidity

LEV = Leverage

E = Error

T = Time Period

RESULT AND DISCUSSION

Descriptive Statistics

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
MVA	4.4575	4.56623	950
ROA	8.3131	7.91960	950
EPS	41.6895	218.88975	950
EVA	14584.1624	153126.13915	950
DPY	197.5203	376.64523	950
LEV	.8557	1.80840	950
LIQ	1.5406	3.44609	950

(Source: Calculated by Author)

Table 1 shows the descriptive statistics. The mean value of EVA (14584.1624) is higher with high standard deviation (153126.13915). Leverage has low standard deviation (1.80840) with the mean value of .8557, which shows that the firms have a stable leverage and they are adding value to the shareholders.

$$\text{Model – 1 } MVA_t = B_0 + B_1 EVA + e_t \text{ ---- 1}$$

Table 2: Relationship between EVA and MVA

		Correlations	
		MVA	EVA
MVA	Pearson Correlation	1	-.044
	Sig. (2-tailed)		.173
	N	950	950
EVA	Pearson Correlation	-.044	1
	Sig. (2-tailed)	.173	
	N	950	950

Source: Calculated by Author

Table 2 indicates the result of correlations between MVA and EVA. The result shows a negative and insignificant relationship between MVA and EVA. By observing P-values ($P < 0.05$) for MVA and EVA, it indicates the weak correlation between MVA and EVA (i.e. 04.4%).

Which accepts that null hypothesis.

Table 3: Hausman Test

Correlated Random Effects - Hausman Test			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.980876	1	0.3220

Source: Calculated by Author

Table 3 indicates the Hausman test for endogeneity in order to decide the appropriateness of fixed effects or random effects model. Interpreting the P value of Chi-square which is ≥ 0.05 (i.e. 0.3220) indicates that null hypothesis (H_0) is accepted. Hence, it is said that the preferred model is random effects.

Table 4: Impact of EVA on MVA

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	EVA ^b	.	Enter

^a. Dependent Variable: MVA
^b. All requested variables entered.

Source: Calculated by Author

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.044 ^a	.002	.001	4.56417

^a. Predictors: (Constant), EVA

Source: Calculated by Author

Table 4 indicates that the value of R for the selected firms is 4.4% that refers that there is a weak linear correlation between explanatory variable such as EVA and the dependent variable, i.e. MVA. The R square value (the R square column) indicates how much of the total change in the dependent variable can be explained by the independent variable. Value of adjusted R square for the selected firm is .002. It indicates that there is no change in the value of MVA due to the change in EVA. In other words, it is depicted no impact of EVA on MVA.

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.703	1	38.703	1.858	.173 ^b
	Residual	19748.370	948	20.832		
	Total	19787.073	949			

^a. Dependent Variable: MVA
^b. Predictors: (Constant), EVA

Source: Calculated by Author

The F ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. The above table shows that the independent variables statistically significantly predict the dependent variable, $F = 1.858$, $p >$ (i.e., the regression model is unfit for the data). It means H_4 hypothesis is rejected, which ultimately indicates no significant impact of EVA on MVA of the selected companies.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.477	.149		30.095	.000
	EVA	-1.319E-006	.000	-.044	-1.363	.173

^a. Dependent Variable: MVA

Source: Calculated by Author

From the above table, general form of the equation to predict MVA from the EVA can be obtained as under:

$$= 4.477 + (-1.319E-006 * E)$$

Unstandardized coefficients indicate how much the dependent variable varies with an independent variable.

In the above table, the unstandardized coefficient for EVA is -1.319E-006, which indicates for every additional decrease in EVA is decreasing the MVA.

Relationship between ROA, EPS and MVA

$$MVAt = B0 + B1 ROA + B2 EPS + et \text{ ---- } 2$$

Table 5: Relationship of ROA and EPS with MVA

Correlations				
		MVA	ROA	EPS
MVA	Pearson Correlation	1	.324**	.017
	Sig. (2-tailed)		.000	.604
	N	950	950	950

ROA	Pearson Correlation	.324**	1	.114**
	Sig. (2-tailed)	.000		.000
	N	950	950	950
EPS	Pearson Correlation	.017	.114**	1
	Sig. (2-tailed)	.604	.000	
	N	950	950	950

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Calculated by Author

Table 5 indicates the result of correlations of ROA and EPS with MVA. The result shows the positive and significant relationship between ROA and MVA whereas positive insignificant relationship between MVA and EPS. It indicates the partial correlation between ROA and MVA (i.e. 32.4%) whereas weak correlations between EPS and MVA (i.e. 1.7%).

Table 6: Hausman Test

Correlated Random Effects - Hausman Test			
Test Cross-Section Random Effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.476918	2	0.0647

Source: Calculated by Author

Table 6 indicates the Hausman Test for endogeneity in order to decide appropriateness of fixed effects or random effects model. Interpreting the P-value of Chi-square is ≥ 0.05 (i.e. 0.0647) which indicates that null hypothesis is accepted. Hence, it is said that the preferred model is random effects.

Table 7: Impact of Traditional Accounting Measures on MVA

Dependent Variable: MVA				
Method: Panel Least Squares				
Sample: 2014 2018				
Periods included: 5				
Cross-sections included: 190				
Total panel (balanced) observations: 950				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.910632	0.203657	14.29185	0.0000
ROA	0.188212	0.017837	10.55163	0.0000
EPS	-0.000425	0.000645	-0.659269	0.5099
R-squared	0.105454	Mean dependent var		4.457526

Adjusted R-squared	0.103565	S.D. dependent var	4.566229
S.E. of regression	4.323317	Akaike info criterion	5.769076
Sum squared resid	17700.45	Schwarz criterion	5.784412
Log likelihood	-2737.311	Hannan-Quinn criter.	5.774919
F-statistic	55.81884	Durbin-Watson stat	0.782343
Prob (F-statistic)	0.000000		

Source: Calculated by Author

Table 7 shows the result of the given equation 2. It is depicted from the model that the adjusted R², which refer to the measure of fitness of the model, is 10.3% (approx.), which means about 90% variations in the MVA are due to the other factors such as error term. P-values ($P \leq 0.05$) for return on assets indicates null hypothesis is rejected. It means null hypothesis is rejected. It means return on assets has significant impact on MVA, which also indicates the stable and increase value of return on assets adding the market value. Table 7 also shows that ($P \geq 0.05$) for earning per share which in result accepting the null hypothesis and indicates no impact of earning per share on MVA of the selected firms.

$$MVA_t = B_0 + B_1 DPY + B_2 LIQ + B_3 LEV + et \text{ ----- } 3$$

Table 8: Relationship Between Controlled Variables with MVA

		Correlations			
		MVA	DPY	LEV	LIQ
MVA	Pearson Correlation	1	.178**	-.023	-.025
	Sig. (2-tailed)		.000	.476	.446
	N	950	950	950	950
DPY	Pearson Correlation	.178**	1	-.096**	.014
	Sig. (2-tailed)	.000		.003	.669
	N	950	950	950	950
LEV	Pearson Correlation	-.023	-.096**	1	-.155**
	Sig. (2-tailed)	.476	.003		.000
	N	950	950	950	950
LIQ	Pearson Correlation	-.025	.014	-.155**	1
	Sig. (2-tailed)	.446	.669	.000	
	N	950	950	950	950

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Calculated by Author

Table 8 shows the result of correlations of DPY, LEV and LIQ with MVA. The results show a positive and significant relationship between DPY and MVA whereas a negative and insignificant relationship between MVA, LEV and LIQ. It indicates a weak correlation between DPY and MVA (i.e. 17.8%) whereas very low correlations between LEV, LIQ and MVA.

Table 9: Hausman Test

Correlated Random Effects - Hausman Test			
Test Cross-Section Random Effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	21.570963	3	0.0001

Source: Calculated by Author

Table 9 indicates the Hausman Test for endogeneity in order to decide appropriateness of fixed effects or random effects model. Interpreting the P-value of Chi-square is ≤ 0.05 (i.e. 0.0001), which indicates that null hypothesis is rejected. Hence, it is said that the preferred model is fixed effects.

Another important assumption of the fixed effects is that the time invariant characteristics are unique to the individual and should not be correlated with other individual characteristics. So, for the model 3, it is identified that fixed effect is rational.

Table 10: Impact of Controlled Variables on MVA

Dependent Variable: MVA				
Method: Panel Least Squares				
Sample: 2014 2018				
Periods included: 5				
Cross-sections included: 190				
Total panel (balanced) observations: 950				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.113629	0.197472	20.83144	0.0000
DPY	0.002154	0.000389	5.529567	0.0000
LEV	-0.026447	0.082105	-0.322116	0.7474
LIQ	-0.038222	0.042890	-0.891160	0.3731
R-squared	0.032625	Mean dependent var		4.457526
Adjusted R-squared	0.029558	S.D. dependent var		4.566229
S.E. of regression	4.498239	Akaike info criterion		5.849451
Sum squared resid	19141.51	Schwarz criterion		5.869899
Log likelihood	-2774.489	Hannan-Quinn criter.		5.857242
F-statistic	10.63482	Durbin-Watson stat		0.758470

Prob(F-statistic)	0.000001			
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Source: Calculated by Author

Table 10 depicts the result of the given equation. It has been depicted from the model that the adjusted R², which refers to the measure of fitness of the model, is 2.9% (approx.), which means an about 97% variations in the MVA are due to the other factors such as error term. By observing P-values ($p \leq 0.05$) for dividend payout. It means null hypothesis is rejected. It means dividend payout has significant impact on MVA. It means that with increase in dividend, payout increases the market value. It is said that higher the value of dividend payout adding the value of shareholders. The table also shows that ($P \geq 0.05$) for leverage and liquidity which in result accepting the null hypothesis and indicates no impact of liquidity and leverage on the MVA of the selected firms.

FINDINGS OF THE STUDY

The study used the panel regression to know the superior impact of EVA over MVA than traditional accounting measures. Based on the regression analysis result, the study finds no evidence in support of superiority of EVA on MVA in comparison to the traditional accounting measures, which are in support of the prior literatures (Kim, 2006 and Reddy, 2018). Therefore, this study reveals that traditional accounting measures are strong indicators than EVA for the financial measurements of the corporate.

LIMITATIONS OF THE STUDY

The study used only few variables, which are based on the literature survey, and it is made only for the period of five years, which may cause biased result. The study only incorporates the cost of equity for calculating EVA because of non-availability of data for cost of debt.

FURTHER RESEARCH AND SUGGESTIONS

The study could be pursued by taking the other variables for traditional accounting measures. The study could also employ the other indicators of shareholders' wealth for further analysis purpose.

The findings of the study are useful to the investors, stakeholders, managers, corporates and all others who are affected by firm's financial report.

CONCLUSION

The study evaluates the impact of traditional accounting measures and EVA on MVA. The study also examines the

impact of others selected controlled variables which are relevant to measure the financial performance. For this purpose, the study used 190 selected listed companies from BSE (A Group) during 2014 to 2018. Panel data, fixed effects model, random effects model, Hausman test, ordinary least square and simple linear regression are used for an analysis purpose. Correlation is also used to know the relationship of selected variables with MVA. The study finds no impact of EVA on MVA than traditional accounting measures. The study shows a positive, significant impact of ROA and DPY on MVA. Moreover, study finds no impact of EPS, leverage and liquidity on MVA. The study concludes that a firm should evaluate the financial performance through the indicators such as ROA and DPY as they add more wealth to the shareholders than EVA. Ultimately, the study narrates that increase in profitability and dividend payout adds more value to the shareholders' wealth. The findings of the study are useful to the management, shareholders and investors as well as to the other stakeholders who measure the financial performance for various purposes. Finally, the study supports traditional accounting measure over EVA for measuring the financial performances.

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