

AN INTEGRATED MODELLING OF TRADITIONAL AND MODERN PERFORMANCE MEASURES ON SHARE PRICES - AN EMPIRICAL ANALYSIS OF ENERGY INDUSTRY IN CNX NIFTY

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ABSTRACT

In the present era of globalization, the main aim of corporate companies has been maximizing their shareholder's wealth. A company's longevity has a semblance on how they create wealth and trust amongst their shareholders. In this context, Value Based Management (VBM) has gained popularity which links the strategies of a firm with the value it creates in the capital market. Value based measures like EVA and MVA have gained importance with respect to assessing a company's performance in relation to wealth creation. Whilst in past, traditional variables like ROA, ROE, ROIC, EPS etc. were used for analyzing a company's financial performance. This paper attempts to model the integrated effect of both traditional accounting variables and modern value based measures on share prices of companies belonging to Energy Industry in CNX NIFTY for a period of ten years from 2005 to 2014. The hypothesized model was tested by performing Structural Equation Modelling (SEM) using AMOS 18 version. Further, the impact of EVA on MVA of companies were analyzed by carrying out ANOVA. In turn, the performance of the companies belonging to Energy Industry in CNX NIFTY were assessed based on return ratios, leverage ratio, EPS, total assets, percentage of EVA to capital employed (EVA%), EVA and MVA.

KEYWORDS:EVA, MVA, Return Ratios,Share Prices, Value Based Management.

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