IS ECONOMIC VALUE ADDED APPROACH INFLUENCING MARKET PRICE OF A SHARE? - A CASE STUDY OF S&P CNX NIFTY COMPANIES

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ABSTRACT
In financial management, wealth is defined as value of the shareholders’ equity. It is generally agreed in theory that financial goal of the firm should be maximization of shareholders’ wealth as reflected in the market value of the firm’s shares. The financial manger must know financial engineering and wealth creation strategies like Earnings, issue of bonus, right and special rights, adoption of stock splits, offering of buy back, and corporate restructuring to be adopted in influencing the market price of shares; otherwise he would find himself unable to maximize the market price of the company’s shares. The paper is to empirically study the impact of Economic Value Added on market price of share.

The study is analytical in nature and used secondary data analysis to attain its objectives. The data used for the study covers five years from 2008-09 to 2012-13. Ratios, averages, variance, Compound Annual Growth Rate, Percentages and t test are used for measuring the change in EVA and MPS over the study period. The results depicts that EVA issues does influence MPS of stocks.

KEY WORDS: NOPAT (Net Operating Profit after Taxes), CAGR (Compound Annual Growth Rate), EVA (Economic Value Added), MPS (Market Price per Share)