CHAPTER VI
FINDINGS AND CONCLUSION

The present research work is a survey-cum-analytical work. The focus of the study has been finding out the usefulness of EVA in the Indian context for the management and to the investors in the equity market. The major findings and conclusion of the study are presented in this chapter. Before presenting the findings, as a prelude, the chapters and content of the chapters of the present study, objectives and hypotheses are given below.

In Chapter 1, the various aspects like introduction, origin and evolution of EVA, statement of the problem, objectives of the study, scope of the study, research hypotheses, research methodology and research limitations are discussed. The second chapter discusses the earlier works of EVA. In chapter three, the theoretical framework of EVA and economic value addition or destruction of the selected companies during the study period have been shown. Industry-wise EVA based rankings are also given in the third chapter.

The Chapter IV explores the usefulness of EVA in evaluating the performance of the selected companies. In the performance evaluation analysis, MVA is taken as the proxy measure of market performance and EVA has been taken as the financial performance measure. Along with EVA, the other popular traditional financial measures have been considered to test their ability in explaining the market performance of the companies. Tools like simple and multiple regression analysis have been applied for the
purpose of performance evaluation analysis. In the analysis whether there is any significant difference in the rankings of the companies based on the selected financial measures have been examined. In Chapter V, the researcher examines the ability of EVA in explaining the returns from equity shares. In this context, whether EVA is useful in the investment decision making process is analyzed. Using the regression tools this analysis was carried out. This analysis explored the relationship between the financial measure, EVA and the equity returns. Eventually, the study serves as a backdrop for the utility and application of EVA in the Indian corporate world.

6.1 RESTATEMENT OF OBJECTIVES OF THE STUDY

1. To measure year-wise Economic Value Addition or destruction of the sample companies in the Indian corporate sector.

2. To find out whether there is any influence on industry class on the value of EVA of the sample companies.

3. To rank the sample companies on the basis of their EVA, Earnings, Return of Capital Employed and Net Present Value.

4. To investigate the relationship between, Market Value Added (MVA) on one hand and the value based metric, EVA the traditional financial measures such as Earnings, Net Present Value and Return of Capital Employed on the other.

5. To find out the usefulness of EVA as an investment decision making facilitator in explaining the equity returns and the risk adjusted equity returns from the equity portfolios constructed from the sample companies.
6.2. RESTATEMENT OF HYPOTHESES

To accomplish the stated objectives of the study, the following research hypotheses were framed.

1. There is no significant difference among the Economic Value Addition/Destruction of sample companies falling in the various industrial classes.

2. There is no significant relationship between Market Value Added and EVA.

3. There is no significant influence of EVA and other selected measures on MVA of the sample companies.

4. There is no significant difference between the rankings based on EVA and the rankings based on other selected measures such as Earnings, Net Present Value and Return on Capital Employed of the sample companies.

5. EVA as a performance evaluation measure is unable to explain future equity returns and the future risk adjusted returns from the sample companies.

6.3 MAJOR FINDINGS OF THE STUDY

In the light of the objectives and hypotheses, analyses of the data have been completed with appropriate statistical tools and in this chapter the findings are presented with concluding remarks. In the present study, the researcher had three analysis chapters and therefore the major findings of the study are divided into three sections. They are, findings regarding economic value addition and destruction of the selected companies, findings regarding the efficacy of EVA as a performance evaluation measure and the
findings related to the usefulness of EVA in the investment decision making process. The observed findings are presented below.

6.4. FINDINGS REGARDING ECONOMIC VALUE ADDITION AND DESTRUCTION OF THE SELECTED COMPANIES

The idea behind the EVA is that, for creating economic value the company should earn more than the cost of capital and the economic value is destroyed if the company earns less than its cost of capital. Based on this concept, the performance of the selected companies had been studied for their economic value addition or destruction.

Among the selected 100 companies, nearly 80 per cent of the companies added their economic value for seven years out of ten years during the period of the study. From the result, it is significant to note that except ten percent of the sample, all the companies destroyed their economic value in the remaining years, 1999-2000, 2003-04 and 2005-06.

In Aluminium Industry, the two companies, Hindalco Industries Ltd and National Aluminium Co. Ltd. had fluctuating EVA values during the period of the study. The mean EVA values of the companies for the period of ten years were negative which means that the companies in general destroyed their Economic Value. The mean EVA values were for the National Aluminium Co. Ltd and Hindalco Industries Ltd were Rs. (-)296.30 croress and Rs. (-) 558.25 croress respectively.

In the Automobile and Ancillary Industry, out of ten years of the study period, all the companies in this Industry added their economic value in six years out of ten years. In 2001-02, except Mahindra & Mahindra Ltd. and Tata Motors Ltd., all the remaining eight companies registered positive EVA values. Ashok Leyland Ltd is the only company
added its economic value in 2005-06 by registering Rs. 49.132 croress in the Automobile
and Ancillary Industry.

Four companies were in the list of Beverages, Food and Tobacco Industry in the
sample of the study. They are Britannia Industries Ltd., Dabur India Ltd., Nestle India
Ltd. and Tata Tea Ltd. Among these companies Tata Tea Ltd. registered negative EVA
for five years out of ten years; its mean EVA value was Rs.91.9987 croress in the study
period. The Nestle India Ltd topped in the list was able to have a mean EVA value of Rs.
158.24 crores and it was followed by Britannia Industries Ltd with the mean EVA value
of Rs. 12.50 crores.

Three companies, ABB Ltd., Jain Irrigation Systems Ltd., and Sterlite Industries
(India) Ltd were in the sample from the Capital Goods Industry. Jain Irrigation Systems
Ltd. destroyed its economic value for seven years out of the ten year period. All the three
companies in this industry registered their mean economic value in negative; that means,
they destroyed their Economic Value during the study period.

In case of Cement Industry, among the six companies, such as, ACC Ltd. Ambuja
Cements Ltd., Birla Corporation Ltd. India Cements Ltd. Madras Cements Ltd., and
Shree Cement Ltd., Ambuja Cements Ltd is the only company which registered positive
mean EVA value. Though India Cements Ltd has been considered a giant company, it
destroyed its economic value for about six years out of ten years of the study period and
was pushed down to the last place in the order of Economic Value Addition among the
cement companies included in the sample by recording the mean EVA of Rs. (-)105.094
croress.
In the Hotel Industry, all the three companies included in the sample destroyed their economic value for the five years during the study period and their mean EVA values were also negative. The mean EVA values of the companies in the industry namely Hotel Leelaventure Ltd., Indian Hotels Co. Ltd. and E I H Ltd. are Rs. (-) 88.6854 crores, Rs. (-)10.9.187 crores and Rs. (-)63.1665 crores respectively.

Infosys Technologies Ltd. Moser Baer India Ltd., Mphasis Ltd., Satyam Computer Services Ltd., Wipro Ltd., C M C Ltd. and Hexaware Technologies Ltd. are the seven companies included in the sample from the Computer and Software Industry. Among these companies, the mean EVA values of Moser Baer India Ltd., Mphasis Ltd and Hexaware Technologies Ltd recorded negative mean EVA. The other companies, Infosys Technologies Ltd, Wipro Ltd. and Satyam Computer Services Ltd. are the three players in the Computer and Software Industry having Economic Value Addition during the study period.

In the Construction and Engineering Industry, the two companies I V R C L Infrastructures & Projects Ltd. and Nagarjuna Construction Co. Ltd. performed well by registering positive mean EVA of Rs.15.04 crores and Rs. 8.05 crores respectively when compared to the other three companies such as Ansal Properties & Infrastructure Ltd., Hindustan Construction Co. Ltd., and Bharat Earth Movers Ltd. which destroyed their overall economic value.

As far as the FMCG industry is concerned all the three companies, Colgate-Palmolive (India) Ltd., Hindustan Unilever Ltd. and Marico Ltd., registered positive mean EVA values of Rs. 50.61 crores, Rs. 637.00 crores and Rs.13.82 crores respectively. The years 1999-2000 and 2003-04 were not favourable for this industry.
since all the three companies included in the sample from the industry destroyed their economic value. In 2005-06, except Marico Ltd., the other two companies in this industry added their economic value.

In the Diversified group, seven companies, Larsen & Toubro Ltd., Raymond Ltd., Adani Enterprises Ltd., Aditya Birla Nuvo Ltd., Grasim Industries Ltd. I T C Ltd. and Kesoram Industries Ltd. are listed. Among these companies, I T C Ltd. is the only company which added economic value during the study period with the mean EVA of Rs.296.55 crores. Other companies recorded negative mean EVA values.

Six companies such as Bhushan Steel Ltd., Steel Authority Of India Ltd., Tata Steel Ltd., Hindustan Zinc Ltd., J S W Steel Ltd. and Jindal Saw Ltd. were included in the sample from Iron and Steel Industry. Except the two companies, Hindustan Zinc Ltd and Jindal Saw Ltd., the remaining four companies destroyed their mean EVA values. The first and second ranks have been accorded to these two companies respectively for their performance with the respective mean EVA values of Rs. 422.18 crores and Rs.31.98 crores.

Among the 14 companies included in the sample from the Pharmaceutical Industry, six companies registered positive mean EVA during the study period and the remaining companies in this industry registered negative mean EVA over the period of the study. Among the companies Sun Pharmaceutical Industries Ltd had a mean EVA of Rs.95.80 crores which topped in the list of Pharmaceutical industry followed by Glaxosmithkline Pharmaceuticals Ltd. with the mean EVA of Rs. 72.29 crores. The other companies recorded positive mean EVA value were Cipla Ltd. with the mean EVA of Rs. 34.39 crores, Lupin Ltd with mean EVA of Rs. 24.33 crores, Workhardt Ltd with mean
EVA of Rs.19.89 crores and Apollo hospitals Enterprise Ltd with a mean EVA of Rs. 3.17 crores. The other companies had destroyed their Economic Value on an average during the study period.

Among the nine companies of the Power and Energy Sources Industry included in the sample CESC Ltd., destroyed its economic value for seven years out of ten years. Castrol India Ltd was in the first place as far as economic value addition is concerned with the mean EVA of Rs.91.92 crores and it was followed by Kirloskar Brothers Ltd. and Kalpataru Power Transmission Ltd with the mean EVA values of Rs.37.26 crores and Rs. 19.50 crores respectively. The other companies destroyed their economic value by registering negative mean EVA for the study period.

Refinery Industry is the one of the important industries in the development of Indian economy. The selected five companies included in the sample from the industry are Bharat Petroleum Corpn. Ltd., Hindustan Petroleum Corpn. Ltd., Indian Oil Corpn. Ltd, Mangalore Refinery & Petrochemicals Ltd. and Oil & Natural Gas Corpn. Ltd. In the analysis it was found that these companies’ mean EVA values were Rs. (-) 385.18 crores, Rs. (-) 520.12 crores, Rs. (-) 1741.571 crores, Rs. (-) 460.30 crores and Rs. (-) 4089.55 crores respectively. Thus none of the companies in this industry registered positive mean EVA during the study period.

In the Container and Shipping Industry Aban Offshore Ltd., Great Eastern Shipping Co. Ltd., Shipping Corpn. Of India Ltd. and Container Corporation Of India Ltd are companies included in the sample. Of these companies Shipping Corporation of India Ltd is the only company in the industry which destroyed its economic value during the study period with the mean EVA of Rs. (-)20.18 crores. Among the other companies
Great Eastern Shipping Corporation of India Ltd had a mean EVA of Rs. 126.45 crores, Container Corporation of India Ltd had a mean EVA of Rs. 120.27 crores and Aban Offshore Ltd had a mean EVA of Rs. 2.33 crores during the study period.

The companies such as Bharat Electronics Ltd., Siemens Ltd., Bharat Heavy Electricals Ltd., Crompton Greaves Ltd., Voltas Ltd. and Titan Industries Ltd. are included in the sample from the Electrical and Electronic Equipment Industry. All the six companies in this industry destroyed their economic value in the years 1999-2000, 2003-04 and 2005-06. Titan Industries Ltd is the only company in this industry which had positive mean economic value addition in the ten year period of the study. Even though the company registered positive mean EVA, the value is very meager, that is, it amounts to only Rs. 1.95 crores.

From Textile Industry, Century Textiles & Industries Ltd. and Bombay Dyeing & Mfg. Co. Ltd. are the two companies which had been considered for analysis. In the industry, Century Textiles & Industrial Ltd destroyed its economic value for five years and Bombay Dyeing & Mfg. Co. Ltd. destroyed its economic value for seven years during the period of the study. Both the companies destroyed their mean economic value. Their respective mean economic values were of Rs. -197.85 and Rs. -136.297 crore in that period. Though the Bombay Dyeing & Mfg. Co. destroyed its economic value for more number of years than the other company, the overall value destruction is less than the mean value destruction of the latter company.

Only one company in each was included from the Chemical and Fertilizer Industry, Telecommunication Industry, Paint Industry and Media and Entertainment Industry. Tata Chemicals Ltd. in the Chemical and Fertilizer Industry and Videsh Sanchar
Nigam Ltd. in the Telecommunication Industry destroyed their mean economic value during the study period. Their mean EVA values during the study period were Rs.(-)150.62 crores and Rs.(-) 179.02 crores respectively. Asian Paints Ltd. in the Paint Industry and Zee Entertainment Enterprises Ltd. in the Media and Entertainment Industry added their mean economic value in the ten years study period with their respective mean EVA values of Rs. 48.58 crores and Rs. 65.17 crores.

In each industry based on the EVA values ranks were assigned to the companies. That is, the company with the highest mean EVA value was given the first rank in the industry and the company with next best means EVA value was given the second rank and so on. In this analysis it was found that in the Automobile and Auto ancillary Industry, Hero Honda Motors Ltd. was in the first place with the mean EVA of Rs. 307.074 crores. Hindustan Zinc Ltd. in the Iron and Steel Industry registered the highest mean EVA of Rs. 422.1776 crores. In the Beverages, Food and Tobacco Industry, Nestle India Ltd. was able perform well with the highest mean EVA of Rs.158.2357 crores. Ambuja Cements Ltd. in the Cement Industry got the first rank in the mean Economic Value Addition during the study period. It registered the mean EVA of Rs.24.39773 crores.

Infosys Technologies Ltd. added its economic value of Rs.541.136 crores which is the highest mean EVA among the companies in the Computer Industry. Like – wise IVRCL Infrastructures & Projects Ltd. in the Construction and Engineering Industry, Hindustan Unilever Ltd. in the Fast Moving Consumer Products Industry, I T C Ltd. in the Diversified Group, Sun Pharmaceutical Industries Ltd. in the Pharmaceutical Industry, Mangalore Refinery & Petrochemicals Ltd. in the Refinery Industry, Great
Eastern Shipping Co in the Container and Shipping Industry, Titan Industries Ltd in the Electrical and Equipment Industry were in the top position in the mean economic value addition during the study period. The companies in the other industries’ considered in the study destroyed their economic value except Media and Entertainment Industry.

In the Industry-wise EVA based rankings, the Fast Moving Consumer Goods Industry topped in the ranking with the mean EVA of Rs. 233.814 crores. The second rank was assigned to Computer and Software Industry with the mean EVA value of Rs. 67.18746 crores. It was followed by Media and Entertainment Industry, Container and Shipping Industry, Paint Industry, Beverages, Food & Tobacco Industry and Automobile and Ancillary Industry. Among twenty one selected industries only the above mentioned seven industries added their economic value in the overall period of the study. The other industries destroyed their economic value by obtaining negative mean EVA. Power and Energy Source Industry, Aluminium Industry and Refinery Industry got the last three ranks with the respective mean EVA values of Rs. -300.5354 crores, -427.2799 crores and -1439.346 crores respectively.

A comparison of EVA values among different industries was made to examine whether EVA values differ among the industries. The null hypothesis, “there is no significant difference among the EVA values of the selected Industries” was framed. Using One-Way ANOVA the hypothesis has been tested. It was found that at 5 per cent level of significance, the null hypothesis was accepted. This shows that there is no difference among the EVA values of different industries. However, if the level of significance is extended to 10 percent, then there is a difference among the EVA values of the selected industries. Hence, there is a mild level of difference in the EVA values of
different industrial groups. Along with the ANOVA, Duncan Post Hoc test has been applied to identify whether there is any homogeneous industrial groups regarding the mean EVA values. In this test, the industries were classified into three groups. In the analysis fifteen industries such as Textile Industry, Capital goods Industry, Electrical and Electronic Equipment Industry, Refinery Industry, Hotel Industry, Diversified Group of companies, Aluminium Industry, Cement Industry, Power and Energy Sources Industry, Construction and Engineering Industry, Iron and Steel Industry, Pharmaceutical and Allied Industry, Container and Shipping Industry, Computer and Software Industry, Automobile and Ancillary Industry were grouped into one. In which textile, capital goods industries and other industries were in the second group. Along with the thirteen industries which are in the first group, there is one more industry named beverages, food and tobacco industry had been included in the second group which are somewhat having homogenous character as far as the EVA values are concerned. In the third group six industries were having homogeneity. In that, four industries such as Pharmaceutical industry, Container and Shipping industry, Computer and Software industry and Automobile and Auto-ancillary industry which were listed in the first and second group had been included. Beverages, Food and Tobacco industry was included in the second group also and consumer product industry is the only industry, which was not brought into any group except in the third group. Thus the result of the analysis became inconclusive regarding the homogeneity of the industries in the sample.
6.5. FINDINGS REGARDING THE EFFICACY OF ECONOMIC VALUE ADDED AS A PERFORMANCE EVALUATION MEASURE

Based on the EVA values the ranks were assigned for the all the companies in the sample. In the analysis it was found that there was no consistency in the rankings of the EVA values of the companies during the recent five years period of study. However, among 100 companies Nestle India Ltd. maintained its performance level by positioning itself within the first five ranks during the period of analysis.

Regarding the number of companies destroyed their Economic Value, it was found that in the year 2002-03, only five companies destroyed their economic value but in the year of 2003-04, 93 companies destroyed their economic value. Like-wise, twenty five companies destroyed their economic value in 2004-05 but in the immediate succeeding year 2005-06, seventy five companies in the sample destroyed their economic value. In 2006-07 only one company Adani Enterprises Ltd., destroyed its Economic Value.

To verify whether there is any significant relationship between market performance measure, MVA and the financial performance measure, EVA, the researcher used Karl Pearson coefficient of correlation and Kendalls tau_b coefficient of correlation. The result of the analysis exhibited that there was a significant relationship EVA and MVA for the study period except in the year 2003-04.

In the regression analysis of EVA on MVA, it was found that in the year 2002-03, there was a significant influence of EVA on MVA. In the year 2003-04, there was an insignificant influence of EVA on MVA; this may be due heavy destruction of the EVA values of the selected companies. In the next subsequent years of the study period EVA
had a positive and significant influence on MVA. In the years 2004-05 to 2006-07, EVA explained MVA to the extent of 55 percent, 13 per cent and 42 per cent respectively. This analysis concluded that EVA has the ability to influence the market performance measure, MVA.

Performance of the companies has also been analysed using the earnings and as per the values of earnings recorded by the companies rankings have been assigned in the descending order of the earnings value. In the years 2001-02 and 2002-03, Matrix Laboratories Ltd. and JSW Steel Ltd were in the first position respectively as per their earnings. In the subsequent two years of the study period, the Steel Authority of India Ltd. and Nestle Ltd were in the first position as per the earnings values.

In the year 2005-06, Hindustan Zinc Ltd. was able to get the first rank. It was followed by Kirloskar Brothers Ltd., Ansal Properties & Infrast. Ltd., Kalpataru Power Transmission Ltd. and Nestle Ltd. They were the in the top five positions as per their earnings in the year 2005-06. From the analysis of ranks assigned to the companies based on earnings, it was revealed that there is no uniformity in the ranks obtained by the sample companies as per their level of earnings.

Nestle Ltd. is the only company in the top five ranks during the period of analysis as per the ranks assigned based on earnings value.

In the correlation analysis between Earnings and MVA it was found that there existed a positive and significant correlation between the values. In the regression analysis of MVA on earnings it was found that there was significant relationship of MVA on earnings however, the R square value was less than that of the regressed relationship of MVA on EVA.
Similar to the analysis, probing the influence of EVA on MVA and Earnings on MVA, the relationship of MVA on NPV also had been tested. For this purpose the year-wise NPV values of the companies for the period of analysis were calculated. Then the rankings were assigned for the companies based on their NPV values. In the year 2002-03, nearly 58 companies registered positive NPV. In the subsequent two years, the number of companies recording positive NPV value was 60 and, In the last two years of the study period, it went up around 70.

The analysis of NPV values and ranks assigned to the companies based on the NPV values exhibited that no consistency was maintained by the Companies in their NPV values as well as the ranks earned by sample companies over the years of analysis. When the year-wise correlation between the values of NPV and MVA of the companies was analysed the results depicted that there is no significant relationship between the NPV and MVA except in the case of final year of the study period 2006-07.

In the regression analysis keeping the MVA as dependent variable and NPV as explanatory variable it was found that there was no statistically significant positive influence of NPV on MVA and the R Square values were less than 6 per cent for all the five years of analysis. Hence, it was concluded that there is no significant influence of NPV on MVA of the sample companies.

In the case of relationship between ROCE and MVA the results of the correlation analysis revealed that there was significant relationship between ROCE and MVA in all the years of the study period. In the regression analysis of MVA on ROCE, it was proved that there is a positive relationship of MVA on ROCE.
The study made a comparison between the performance ranks assigned to the companies based on the traditional financial performance measures (Earnings, NPV and ROCE) and value based measure EVA to find out whether these measures evaluate the companies alike using the Mann-Whitney U test and Wilcoxon W test. The analysis ended with the findings that EVA and Earnings do not rank the performance of the companies alike in the period of recent four years out of five years of the study period considered for the analysis.

Similar analysis was carried out to test the difference between the rankings assigned to the companies based on ROCE and EVA then NPV and EVA. It was found that there is a statistically significant difference between the rankings of the companies assigned based on NPV and EVA values for the entire study period, which was under consideration. In case of comparison between the ranking assigned to the companies based on the values of EVA and ROCE also, the study ended with the same result. Thus from the results obtained in the analysis it was concluded that the ranks assigned to the companies for their performance based on traditional financial measure and value based measure EVA differed significantly.

In the multiple regression analysis, regressing MVA of the sample companies on other measures such as ROCE, Earnings, NPV and EVA of the sample companies it was found that the influence of NPV on MVA was not statistically significant and all other variables EVA, Earnings and ROCE had statistically significant influence on the market performance measure MVA of the companies.
6.6. FINDINGS REGARDING THE USEFULNESS OF EVA IN THE INVESTMENT DECISION MAKING

The study explored whether EVA can be used by the investors for investment decision making or not, that is, whether EVA can explain the return from equity in the form of absolute return and in the form risk adjusted return has been explored in the study. For this purpose, every year, the sample companies were grouped in to ten portfolios based on EVA values such as low EVA portfolio to high EVA portfolio. Then the year-wise mean EVA values of the companies in each portfolio were calculated. The calculated mean EVA of the companies in a portfolio has been termed as EVA of the portfolio. After that simple regression had been run to find out the relationship between the EVA values of the year ‘t’ and returns from the equity portfolios of those companies of the year ‘t+1’. The results of the analysis proved that in the recent years statistically significant relationship did not exist between EVA and the future returns.

Similar to the above analysis the year-wise risk adjusted returns of the portfolios were calculated using Treyner Index. The risk-adjusted returns of the year t+1 from the portfolios constructed were regressed on the EVA values of the portfolios of the year ‘t’. In this analysis also it was found that statistically significant relationship did not exist between EVA and future risk adjusted equity returns. Therefore it was concluded that EVA as single measure cannot be an effective measure to make investment decision in the Indian equity market since EVA does not have the ability to predict the future equity returns in the form of absolute return and risk-adjusted returns in the recent years.
6.7 IMPLICATIONS OF THE STUDY

The study has explored the usefulness of EVA in the Indian context as performance evaluation measure for corporate control and investment decision making measure from the investors’ angle. A close observation of the results would give the following impression.

The close analysis of the EVA values of the companies have proved that EVA values of the different industries were not differentiated significantly each other. Moreover a good association between MVA and EVA has been found in the analysis. It indicates that EVA as performance evaluation measure reflects the market performance also. So it can be used as internal control measure in the corporate management.

However, from the investors’ point of view, EVA was not able to reflect the equity returns. This has been proved using the absolute return and risk adjusted return. This suggests that EVA can not be used as a measure for investment decision making by the individual investors. So relying on the value of EVA is not advisable for the individual investors to take investment decision so as to earn a superior profit in the Indian context.
6.8 CONCLUSION

During the 1990's value based management has made a strong entry into the hodgepodge of management tools in the form of EVA as marketed by Stern Stewart & Co. The central idea of EVA is subtracting the cost of capital from the firm's profits to measure, as the term indicates, the economic additional value produced by the firm to its owners over the weighted cost of the capital employed. The weighted cost of capital implies both the effect of debt and equity cost components which are reflected in the behavior of EVA. This makes the EVA a popular measure in the performance evaluation process; hence, it tells the true economic profit of the firms. Lot of academic research works have been carried out related to this value based measure EVA especially in the developed countries. This induced the researcher to do the research in the Indian context to find out the usefulness of EVA from the point of view of Management control and Investment Decision making tool in the equity market. In other words it can be stated that in this study, it was tested whether EVA can be used as an internal measure of control or investor measure for investment decision making in the equity market or both.

The analysis found that EVA can be a useful measure in the performance evaluation of the companies. It might be considered as an important measurement in the management decision making as like Earnings, ROCE and other popular traditional financial measures. In the analysis it was observed that except NPV all the other three measures, (EVA, ROCE and Earnings) are significantly related with the market performance measure, MVA. As EVA had better relationship with MVA than the other traditional measures considered in the analysis EVA can be used as an internal control measure for evaluating the performance of the companies.
In the study the researcher also found no clear evidence to support the argument that EVA can predict the returns from equity shares of the companies in the market.

The result of the study supports the results of the analysis conducted by Tracey Worth and Andrew Worthington in their study. They stated that, “Earnings are more closely associated with returns than net cash flow, residual income and EVA”\(^1\). To conclude, EVA can be used as an internal measure for performance evaluation but it cannot be a good tool to act as an investor’s investment decision making measure to earn good returns from the equity investment in the Indian environment.