



FINANCIAL PERFORMANCE ANALYSIS BASED ON ECONOMIC VALUE ADDED: AN EMPIRICAL STUDY

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ABSTRACT

Purpose – The primary goal of the present study was to evaluate the operational and financial efficiency and to analyse the impact of select financial ratios on Economic Value Added of Steel Authority of India Limited listed in Bombay Stock Exchange.

Design/methodology/approach – For analysis, Steel Authority of India Limited listed in Bombay Stock Exchange (BSE) were selected covering the study period from 2010-2011 to 2019-2020. The data collected for this study are: financial statement and monthly closing price. The tools used in this study are: (1) Economic Value Added (2) Descriptive Statistics, (3) Multiple Regression Analysis. Findings of the study are: profitability, liquidity and management efficiency ratios did not influence the real value of the shareholders.

Research limitations/implications – The results of this study open up various possibilities for further investigation. Future researchers would need to explain anomalies in the statistical results of different academicians in the finance field, as one of the research implications.

Social implications – As economic growth is related to the growth in Public Sector Enterprise, while developing countries like India depend on the accuracy of the information. In the presence of given information, the select financial measure such as profitability, liquidity and management efficiency have a negative effect on Economic Value Added, so that it haven't serious harmful consequences on the economy.

Originality/value - The study is conducted that the most of the financial ratios are not associated with Economic Value Added. The present study determined that the select traditional financial performance measures do not influence the real value of the shareholders and investors.

Key words: Financial Performance, Economic Value Added, Shareholder's Wealth Creation, Financial Ratio Analysis and Shareholder's Wealth Creation.

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1. INTRODUCTION

Steel Authority of India Limited (SAIL) is one of the biggest public area steel making organization situated in New Delhi, India. It is India's biggest steel making organization and one of the top steel maker in world. Five integrated steel plants, three special plants, and one subsidiary are run by SAIL in various parts of the country. SAIL has played a key role in developing a strong foundation for the country's industrial development. Besides, it has immensely contributed to the development of technical and administrative expertise. It has set off the secondary and tertiary waves of economic growth by ceaselessly giving the inputs for the consuming industry (Gopinath, 2019a). The present study is used to evaluate the financial performance of Steel Authority of India Limited, which is a public sector enterprise in Indian steel Industry and the largest steel producer in India. In the present study, traditional performance measures such as Operating Profit Ratio (OPR), Net Profit Ratio (NPR), Earning Per Share (EPS), Return on Equity (ROE), Return on Asset (ROA), Return on Capital Employed (ROCE), Current Ratio (CR), Quick Ratio (QR), Inventory Turnover Ratio (ITR), Debtor Turnover Ratio (DTR), Working Capital Turnover Ratio (WCTR), Asset Turnover Ratio (ATR), Debt / Equity Ratio (DER) and Interest Coverage Ratio (ICR) as well as advanced performance measures such as Economic Value Added (EVA) have been used to analyse the financial performance of Steel authority of India Limited. Financial health and shareholders' wealth of such a development steel company is of great national significance (Gopinath, 2016a). Therefore, the present study was proposed to examine its financial health and shareholders' wealth through the measurement called Economic Value Added (EVA). EVA is a metric which is important for investors who wish to determine how well a company has created value for its investors. Therefore, EVA is a performance measurement that attempts to measure the true economic profit produced by the SAIL, which is a Public Sector Enterprise and India's largest steel producing industry.

2. LITERATURE REVIEW

Business firms exist in a universe of quick changes. In 21st century, business and monetary climate is described by various changes like High-growth markets, financial crisis, technological advances, stiff competition, innovation etc. (GHOUSE, S., Prasad, B., & Azeem, B. 2013; Suchitra & Gopinath, 2020 a). Internationally, there are many studies directed to identify the correlation between accounting and value based financial performance measures with stock return, but most of those studies are managed in developed countries and very few research have been conducted on EVA in Asian countries (Sharma & Kumar, 2010). A research was undertaken to establish National Thermal Corporation Ltd's liquidity and profitability condition, and it was recommended that essential steps be taken to manage the declining trend and conclude that enterprises could continue to pursue the same policies in the future for enhanced profitability (Nasir Rashid and Manivannan *et al.*, 2017). The efficiency of a business is measured by the amount of profit acquired by it. The greater the profit, the more efficient the business will be. The benefit of a business may be assessed by thinking about the efficiency of interest in it. All the activities in the business are the means and profit earning is the end. Therefore, an evaluation is done from time to time to assess the efficiency of operations and the profitability of the organization. This evaluation is called financial analysis or financial performance analysis (Gopinath, 2020). But profit maximization as an objective of a firm has been criticized by many scholars and is considered as traditional objective of the firm while

wealth creation or value creation for the shareholders is considered as the modern objective of the firm (Khan & Jain, 2011). Besides, many studies have examined the correlation between EVA, Return on Assets and Return on Equity with Market Value (Nakhaei *et al.* (2018). The concept of the EVA is not new and is described as Residual income which is equal to operating profit minus capital chargers. It can be said that EVA is one version of residual income with some adjustments (Stern Stewart, 1998). One of the earliest to mention the residual income concept was Alfred Marshall in 1890 (Wallace, 1997). Shareholders will place a high value on companies that generate strong EVA momentum (Dierks & Patel, 1997).

3. HYPOTHESES OF THE STUDY

H₀₁: There is no significant impact of Profitability Ratios on Economic Value Added of Steel Authority of India Limited listed in Bombay Stock Exchange.

H₀₂: There is no significant impact of Liquidity Ratios on Economic Value Added of Steel Authority of India Limited listed in Bombay Stock Exchange.

H₀₃: There is no significant impact of Management Efficiency Ratios on Economic Value Added of Steel Authority of India Limited listed in Bombay Stock Exchange.

H₀₄: There is no significant impact of Solvency Ratios on Economic Value Added of Steel Authority of India Limited listed in Bombay Stock Exchange.

4. RESEARCH METHODOLOGY OF THE STUDY

In this study, an analytical research design was adopted. The available facts and information have been used to analyse and to make critical evaluation of financial position of Steel Authority of India Limited. The data pertaining to the present study were collected from the secondary sources only. Three types of data were used in the present study: financial data, share price and historical data related to Steel Authority of India. Financial data of Steel Authority of India Limited extracted from the official website of the company and share price was collected official websites of Bombay Stock Exchange (Suchitra & Gopinath, 2020 b). The present study covers a period of ten years from 2010-2011 to 2019-2020. The variables incorporated in the present study are used to analyse the traditional techniques of financial ratio analysis and advanced value addition techniques in the form of Economic Value added of Steel Authority of India Limited during the study period. For analysing the data, statistical techniques like measure of Economic Value Added, Descriptive Statistics and Multiple Regression Analysis have been used. Then the hypotheses have been tested at confidence level of 95%.

5. DATA ANALYSIS & INTERPRETATION

Table 1 Result of Net Operating Profit After Tax, Capital Invested, Risk, Return on Invested Capital %, EVA in ₹ and EVA % of Steel Authority of India Limited

Years	NOPAT	Capital Invested	Risk	ROIC %	EVA in ₹ (Cr)	EVA %
2010-2011	6408.42	56125.27	1.08	11.42	3976.36	7.08
2011-2012	5391.32	55908.53	2.04	9.64	1024.15	1.83
2012-2013	3773.91	62525.21	0.84	6.04	1037.29	1.66
2013-2014	4136.22	66933.05	1.92	6.18	388.76	0.58
2014-2015	3910.49	71725.50	1.98	5.45	-109.01	-0.15
2015-2016	-1613.29	72266.47	1.88	-2.23	-6506.28	-9.00
2016-2017	249.84	74909.58	0.59	0.33	-3545.87	-4.73
2017-2018	3590.11	77735.15	0.90	4.62	-608.15	-0.78
2018-2019	6914.27	79585.45	0.89	8.69	2205.06	2.77
2019-2020	7288.73	90978.19	1.74	8.01	1903.58	2.09

Source: Computed from Annual Report of SAIL.

As per the analysis from Table-01, Net Operating Profit After Tax had rather shown a mixed performance of SAIL which is listed in BSE over the period 2010-2011 to 2019-2020. However, in terms of percentage change in the NOPAT over the said period was moderate. SAIL had a highest NOPAT in the year 2019-2020 which was ₹ 7288.73 (crs) and negative NOPAT in 2015-2016. Invested Capital of the SAIL had a highest percentage changes during the study period. It had positive growth rate which indicates increase in the investment. The high beta value indicates high risk and similarly low beta value indicates low risk. The risk value of SAIL had more than one in the years 2010-2011, 2011-2012, 2013-2014, 2014-2015, 2015-2016 and 2019-2020 which indicates that it was not possible for investment that the investment is tends to go down when the market goes up. In the year 2015-2016, SAIL had negative ROIC which was -2.23. In rest of the years SAIL had moderate Return on Invested Capital which indicates that the SAIL has underperformed with regard to value of Return on Invested Capital. SAIL had highest value of EVA in the year 2010-2011 which was ₹3976.36 (crs). It had the negative EVA from the year 2014-2015 to 2017-2018 and rest of the years it had a positive EVA. Positive values of EVA indicates, during study period that the industry has been a value creator than a value destroyer for its shareholders. SAIL had the moderate percentage change in EVA during the year 2010-2011 to 2019-2020. The study shows that most of the years Steel Authority of India Limited was able to earn a return and quite sufficient to meet their cost of capital and have been able to add the values.

Table 2 Result of General Profitability Position of Steel Authority of India Limited

Years	Operating	Net	Earning	Return	Return	Return on
2010-2011	19.22	11.32	11.9	14.06	6.44	14.33
2011-2012	15.09	7.94	8.6	9.23	4.82	10.58
2012-2013	10.82	4.86	5.3	5.69	2.57	6.76
2013-2014	9.26	5.6	6.3	6.25	2.84	4.84
2014-2015	10.92	4.57	5.1	4.86	2.1	6.01
2015-2016	-5.25	-10.29	-9.7	-9.73	-4	-7.63
2016-2017	0.72	-6.37	-6.9	-7.53	-2.65	-3.49
2017-2018	8.7	-0.83	-1.2	-1.34	-0.42	2.87
2018-2019	15.4	3.25	5.3	5.9	1.87	9.19
2019-2020	18.22	3.27	4.9	5.19	1.61	9.26

Source: Computed from Annual Report of SAIL.

Table-02 depicts various general Profitability Ratios of SAIL which includes Operating Profit Ratio, Net Profit Ratio, Earning per Share, Return on Equity, Return on Asset and Return on Capital Employed for the period from 2010-2011 to 2019-2020. Profitability Ratios show how efficiently an organization generate profit and value for shareholders. Higher ratio results are often more favourable. Out of these, Return on Capital Employed is most important indicator of profitability and it ranges from -7.63 to 14.33 which can be considered as reasonable value for SAIL. All the ratios related to the profitability performance shows a fluctuating in trend which had a positive and some negative impact on the overall performance.

Table-3, presents financial ratios covering liquidity position of the industry for the period under study. Liquidity Ratios greater than one indicate that the company is in good financial health and if it is less likely fall into financial difficulties. In the years 2010-2013 Steel Authority of India Limited had good financial conditions. But it had moderate financial condition in rest of the years. Liquidity Ratios are the measures of the company's short-term solvency position. The average Current Ratio of the industry is 0.959 and the average Quick Ratio is calculated as 0.45 which indicates that liquidity position of SAIL is not much competent to pay its most immediate liabilities.

Table 3 Result of Liquidity Position of Steel Authority of India Limited

Years	Current Ratio	Quick Ratio
2010-2011	1.51	1.04
2011-2012	1.52	0.79
2012-2013	1.23	0.52
2013-2014	0.95	0.41
2014-2015	0.83	0.31
2015-2016	0.63	0.25
2016-2017	0.55	0.21
2017-2018	0.68	0.29
2018-2019	0.78	0.31
2019-2020	0.91	0.38

Source: Computed from Annual Report of SAIL.

Table 4 Result of Management Efficiency Position of Steel Authority of India Limited

	Inventory	Debtor	Working	Total
2010-2011	3.83	12.49	1.9	0.57
2011-2012	3.37	11.49	3.1	0.61
2012-2013	2.79	10.86	3.4	0.53
2013-2014	3.07	10.56	4.4	0.51
2014-2015	2.58	11.79	4.2	0.46
2015-2016	2.66	13.85	8.2	0.39
2016-2017	2.83	16.41	12.1	0.42
2017-2018	3.39	17.36	10.5	0.50
2018-2019	3.44	16.01	7.7	0.58
2019-2020	2.6	9.27	3.2	0.49

Source: Computed from Annual Report of SAIL.

Table-04, depicts various ratios concerning to the Management Efficiency Position of Steel Authority of India Limited. They are also known as Turnover Ratios. They indicate the efficiency with which the capital employed is rotated within the company. If the efficiency ratio increases, it means a bank's expenses are maximizing or its revenues are minimizing. Inventory Turnover Ratio was range from 2.58 to 3.83 which indicates that the industry's efficiency in the utilization of inventory was fluctuating in trend. Debtor Turnover Ratio was range from 9.27 to 17.36 which indicates that the industry's efficiency in the utilization of debt was fluctuating in trend. Working Capital Turnover Ratio was range from 1.9 to 12.1 which indicates that fluctuating trend over the study period. Total Asset Turnover Ratio was range from 0.39 to 0.61 which indicates that fluctuating trend over the study period, which can be inferred that the industry's efficiency in the utilization of fixed assets is fluctuating in all the years of the study period. The operational efficiency of management position of Steel Authority of India Limited was quite moderate during the study period.

Table 5 Result of Solvency Position of Steel Authority of India Limited

Years	Debt Equity Ratio	Interest Coverage Ratio
2010-2011	0.5	13.68
2011-2012	0.4	7.79
2012-2013	0.5	5.09
2013-2014	0.6	4.2
2014-2015	0.7	2.61
2015-2016	0.9	-2.05
2016-2017	1.1	-0.92
2017-2018	1.3	0.73
2018-2019	1.2	2.06
2019-2020	1.4	1.91

Source: Computed from Annual Report of SAIL.

Table-05, shows the Solvency Ratios which indicate the proportion of owners' stake in the business. A high Debt Equity Ratio, above one, indicates that a company is significantly funded by debt and may not have difficulty meeting its obligations. The Debt Equity Ratio of the Steel Authority of India Limited ranges from 1.1 to 1.4 percent in the years 2016-2017, 2017-2018, 2018-2019 and 2019-2020 which means the industry was significantly funded by debt and may not have difficulty meeting its obligations. The Debt Equity Ratio of the Steel Authority of India Limited ranges from 0.4 to 0.9 percent in the years 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015 and 2015-2016 which means the industry was not significantly funded by debt and may have difficulty meeting its obligations. A high Interest Coverage Ratio, above two, indicates that the company has sufficient amount of earnings to meet its outstanding debt. In the years 2015-2016, 2016-2017, 2017-2018 and 2019-2020, the Interest Coverage Ratio of the industry was less than two which means the industry is not enough capable of paying its interest. In rest of the years, Interest Coverage Ratio of the industry was more than two which means the industry is quite enough capable of paying its interest. From overall performance of the Solvency Ratio indicates that the industry was not significantly in condition in all the taken years.

Table 6 Result of Descriptive Statistics of Dependent and Independent variables

Variables	Mean	Median	Standard	Kurtosis	Skewness
EVA	-23.41	706.45	3015.78	1.51	-1.17
OPR	10.31	10.87	7.67	0.62	-0.99
NPR	2.33	3.92	6.51	0.40	-0.87
EPS	2.96	5.20	6.81	0.04	-0.92
ROE	3.26	5.44	7.35	-0.05	-0.70
ROA	1.52	1.99	3.16	-0.08	-0.39
ROCE	5.27	6.39	6.61	0.42	-0.87
CR	0.96	0.87	0.35	-0.75	0.75
QR	0.45	0.35	0.27	1.75	1.56
ITR	3.06	2.95	0.43	-0.98	0.51
DTR	13.01	12.14	2.77	-1.23	0.44
WCTR	5.87	4.30	3.51	-0.85	0.75
ATR	0.51	0.51	0.07	-0.63	-0.28
DER	0.86	0.80	0.37	-1.71	0.23
ICR	3.51	2.34	4.58	1.86	1.23

Note: Economic Value Added (EVA), Operating Profit Ratio (OPR), Net Profit Ratio (NPR), Earning Per Share (EPS), Return on Equity (ROE), Return on Asset (ROA), Return on Capital Employed (ROCE), Current Ratio (CR), Quick Ratio (QR), Inventory Turnover Ratio (ITR), Debtor Turnover Ratio (DTR), Working Capital Turnover Ratio (WCTR), Asset Turnover Ratio (ATR), Debt to Equity Ratio (DER) and Interest Coverage Ratio (ICR).

The Descriptive Statistics of dependant and independent variables of Steel Authority of India Limited are given in Table-06. The mean of EVA was negative and it indicates that the dependant variable price series decreased over the period of time. All other variables had positive value which indicates that the respective variables price series were increased over the period of time. The standard deviation of dependant and independent variables were high. It means that the variables had high volatility in the market during the year 2010-2011 to 2019-2020. High standard deviation refers to high risk and high volatility. Skewness is a measure of symmetry. In this study, it was found that skewness of distribution of EVA, OPR, NPR, EPS, ROE, ROA, ROCE and ATR were less than 0.00, and it indicates that the distribution was negatively skewed distribution. It implies that negative returns the respective variables. The skewness of CR, QR, ITR, DTR, WCTR, DER and ICR were greater than 0.00, it indicates the distribution was positively skewed distribution. It implies that possibility of the positive returns

for the respective variables. Kurtosis is a measure of the fat-tails that associate with less density in the middle. A normal distribution has kurtosis equal to 3.0 or excess. Here kurtosis of all the variables were less than 3.00; it shows the distribution is platykurtic.

Table 7 Result of Multiple Linear Regression Analysis of Profitability Ratios and EVA

Dependent variable: Economic Value Added				
Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-1636.03	1393.787	-1.1738	0.3252
OPR	24.99586	346.8309	0.072069	0.9471
NPR	905.7144	564.2394	1.605195	0.2068
EPS	-970.153	840.6737	-1.15402	0.3321
ROE	899.1234	752.1158	1.195459	0.3178
ROA	-1729.02	1041.77	-1.65969	0.1956
ROCE	343.2744	587.7813	0.584017	0.6002
R-squared	0.982081			
Adjusted R-squared	0.946243			
F-statistic	27.40358			
P – value (F)	0.01027			
Durbin-Watson	2.525932			

Source: Computed from E-views - Significant at 5% level.

The model regression Table-07 reports the coefficients for Explanatory variables along with the significance value. The explanatory power (R^2) of EVA model is 0.982081, which reflects that about 98.2% of change in Economic Value Added can be explained jointly by the given Profitability Ratios while the remaining 1.8% is attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model is 94.62%. Coefficient of OPR (24.99586) indicates that for every one unit change in OPR, there is 24.99586 unit change in EVA. Coefficient of NPR (905.7144) indicates that for every one unit change in NPR, there is 905.7144 unit change in EVA. Coefficient of EPS (-970.153) indicates that for every one unit change in EPS, there is -970.153 unit negatively change in EVA. Coefficient of ROE (899.1234) indicates that for every one unit change in ROE there is 899.1234 unit change in EVA. Coefficient of ROA (-1729.02) indicates that for every one unit change in ROA, there is -1729.02 unit negatively change in EVA. Coefficient of ROCE (343.2744) indicates that for every one unit change in ROCE, there is 343.2744 unit change in EVA. However, it can be observed that Regression coefficient of OPR, NPR, EPS, ROE, ROA and ROCE are statistically insignificant at 5% level of significance (Sig. > 0.05). Therefore, the Null Hypothesis H_{01} is accepted. A high significance value of more than 0.05 for Profitability Ratios indicates weak influence on EVA.

Table 8 Result of Multiple Linear Regression Analysis of Liquidity Ratios and EVA

Dependent variable: Economic Value Added				
Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-5520.1	3405.042	-1.62116	0.149
CR	5652.765	7452.795	0.758476	0.4729
QR	167.8265	9773.39	0.017172	0.9868
R-squared	0.446501			
Adjusted R-squared	0.288358			
F-statistic	2.823408			
P – value (F)	0.126156			
Durbin-Watson	1.388002			

Source: Computed from E-views - Significant at 5% level.

The model regression Table - 08, reports the coefficients for Explanatory variables along with the significance value. The explanatory power (R^2) of EVA model is 0.446501, which reflects that about 44.65% of change in Economic Value Added can be explained jointly by the given Liquidity Ratios while the remaining 55.35% is attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model is 28.83%. Coefficient of CR (5652.765) indicates that for every one unit change in CR, there is 5652.765 unit change in EVA. Coefficient of QR (167.8265) indicates that for every one unit change in QR, there is 167.8265 unit change in EVA. However, it can be observed that Regression coefficient of CR and QR are statistically insignificant at 5% level of significance (Sig. > 0.05). Therefore, the Null Hypothesis H_{02} is accepted. A high significance value of more than 0.05 for Liquidity Ratios indicates weak influence on EVA.

Table 9 Result of Multiple Linear Regression Analysis of Management Efficiency Ratios and EVA

Dependent variable: Economic Value Added				
Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-13758.8	6453.262	-2.13207	0.0862
ITR	-188.555	3391.18	-0.0556	0.9578
DTR	183.4101	863.4543	0.212414	0.8402
WCTR	-392.442	671.5467	-0.58439	0.5843
ATR	28166.1	18402.21	1.530583	0.1864
R-squared	0.771305			
Adjusted R-squared	0.588348			
F-statistic	4.215785			
P – value (F)	0.073241			
Durbin-Watson	2.152914			

Source: Computed from E-views - Significant at 5% level.

The model regression Table - 09, reports the coefficients for Explanatory variables along with the significance value. The explanatory power (R^2) of EVA model is 0.771305, which reflects that about 77.13% of change in Economic Value Added can be explained jointly by the given Management Efficiency Ratios while the remaining 22.87% is attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model is 58.83%. Coefficient of ITR (-188.555) indicates that for every one unit change in ITR, there is -188.555 unit negatively change in EVA. Coefficient of DTR (183.4101) indicates that for every one unit change in DTR, there is 183.4101 unit change in EVA. Coefficient of WCTR (-392.442) indicates that for every one unit change in WCTR, there is -392.442 unit negatively change in EVA. Coefficient of ATR (28166.1) indicates that for every one unit change in ATR there is 28166.1 unit change in EVA. However, it can be observed that Regression coefficient of ITR, DTR, WCTR and ATR are statistically insignificant at 5% level of significance (Sig. > 0.05). Therefore, the Null Hypothesis H_{03} is accepted. A high significance value of more than 0.05 for Management Efficiency Ratios indicates weak influence on EVA.

The model regression Table-10, reports the coefficients for Explanatory variables along with the significance value. The explanatory power (R^2) of EVA model is 0.745074, which reflects that about 74.5% of change in Economic Value Added can be explained jointly by the given Solvency Ratios while the remaining 25.5% is attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model is 67.22%. Coefficient of DER (4519.245) indicates that for every one unit change in DER, there is 4519.245 unit change in EVA. Coefficient of ICR (741.8222) indicates that for every one unit change in ICR, there is 741.8222 unit change in EVA. However, it can be observed that Regression coefficient of Solvency Ratios is statistically significant at 5% level

of significance (Sig. < 0.05). Therefore, the Null Hypothesis H_{04} is rejected. A low significance value of less than 0.05 for Solvency Ratios indicates strong influence on EVA.

Table 10 Result of Multiple Linear Regression Analysis of Solvency Ratios and EVA

Dependent variable: Economic Value Added				
Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-6513.76	2299.899	-2.83219	0.0253
DER	4519.245	2089.578	2.162755	0.0473
ICR	741.8222	168.3994	4.405135	0.0031
R-squared	0.745074			
Adjusted R-squared	0.672239			
F-statistic	10.22950			
P – value (F)	0.008365			
Durbin-Watson	1.413409			

Source: Computed from E-views - Significant at 5% level.

6. CONCLUSION, SUGGESTION, AND LIMITATIONS

In this study, investigation of descriptive statistics has been discussed in detail and the results of multiple regression models have been integrated and discussed to arrive at a conclusion. The analysis of financial ratios of SAIL indicates that quite enough well in condition during the study period (Saminathan *et al.*, 2020). The present study determined that EVA is unique and distinct from some traditional accounting ratios such as OPR, NPR, EPS, ROE, ROA, ROCE, CR, QR, ITR, DTR, WCTR and ATR. The results revealed insignificant influence of certain select independent variables on Economic Value Added of SAIL except Solvency Ratios. Most of the select traditional accounting ratios are weak predictor of future EVA, which were not worth creation for the shareholders of SAIL. Based on the analysis of present study, the traditional measures did not influence the real value of shareholders of the select industry (Gopinath, 2017).

EVA can improve performance measurement of SAIL and create real worth to its shareholders and investors, The management of SAIL must be looking towards achieving added value, because most of the years the industry had negative EVA. Hence, management of SAIL has to first consider the optimal capital structure to run the industry effectively and efficiently and should improve the financial performance to increase its shareholders wealth (Kavitha & Gopinath, 2020). In this venture, SAIL will also continue to work towards keeping its position as a lead in steel industry, with an array of innovative products, add value to the shareholders and being a significant partner in the development and growth of the nation (Gopinath, 2016b).

Limitation in this study are; Researchers can only prove that Solvency Ratios has a significant impact on Economic Value Added of SAIL (Gopinath *et al.*, 2019). Meanwhile, Profitability Ratio, Liquidity Ratio and Management Efficiency Ratio have no significant impact on Economic Value Added. Hence, it is important to re-examine with variations of other indicator variables to measure SAIL's profitability, liquidity and management efficiency position (Gopinath, 2019 b). The research results are still specific for SAIL. Further research is expected to carry out more in-depth research related to Non-Banking Financial Companies, Indian Banks, and other related sectors with the highest potential for increased financial performance with relates to Economic Value Added and Financial Ratios, so that the investor attention can be more specific.

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