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FINANCIAL PERFORMANCE EVALUATION BASED ON ECONOMIC VALUE ADDED AND FINANCIAL RATIOS: AN EMPIRICAL STUDY

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ABSTRACT

Purpose *–The purpose of this study was to measure the shareholder's value based on Economic Value Added and to analyse the impact of select financial ratios on Economic Value Added of Power Finance Corporation Limited listed in Bombay Stock Exchange.*

Design/methodology/approach *– For analysis, Power Finance Corporation 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 solvency ratios did not influence the real value of the shareholders and investors.*

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 financial institutions, 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 solvency 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 the impact of select financial ratios on Economic Value Added of Power Finance Corporation Limited, and also highlighted the traditional and modern financial performance measures.*

JEL classifications: *C12, C30, C80, G23*

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

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1. INTRODUCTION

Power Finance Corporation Limited is an Indian financial institution under the ownership of Ministry of Power, Government of India established in 1986, it is the financial backbone of Indian Power Sector. India is the world's third-largest producer of electricity and its second-largest user (Gopinath, 2016a).Rapid growth and urbanisation have driven up the demand for electricity multi fold, which requires a healthy and efficient power sector. The development of adequate infrastructure relating to power generation and distribution is essential for sustained growth of the Indian economy. Unfortunately the Power sector finds is crippled with financial crisis with the State Electricity Boards facing severe liquidity crunch and consequent operational inefficiencies. The power sector in India has gone through many changes so as to minimize its losses and achieve financial sustainability by through new strategies, enactments and reforms (Gopinath, 2019a). Among many measures that were being taken for the power sector by Government of India, the most comprehensive and constructive was the Electricity Act of 2003. The sector after the enactment of Act moved from regulated business to competitive one. In the initial phase of electrification in India, Central and State Governments depended on their own budgetary resources, various other sources of financing the plans (Gopinath, 2017). As the sources proved inadequate, it was decided to establish a development financial institution dedicated exclusively to the power sector. In 1986, Power Finance Corporation (PFC) came into being as a Financial Institution, dedicated to providing finance to the power sector. In 1990 under the Companies Act 1956, the Power Finance Corporation Limited (PFC)was notified as a Public Financial Institution and registered as a Non-banking Financial Company (NBFC) by the Reserve Bank of India. In 2007, PFC has been conferred with the status of NavRatnaPublisSector Unit by the Government of India. It has been providing financial assistance to State Governments for power projects throughout India facilitating in their reforms and restructuring process and improve their financial health. Recently it has started financing projects with backward linkages to power like coal mine development, transportation of oil, and gas (Saminathan et al., 2020a).

Main objectives of the PFC are; to encourage flow of investments and provide financial resources to the power sector and its associated sectors, to work as a catalyst to bring about institutional improvements in streamlining the activities of its clients in financial services, to ensure optimal utilization of available resources in the technical and managerial areas, to strive for up-gradation of skills in the power sector for effective and efficient growth and to maximize the rate of return by way of efficient operations and instigation of innovative financial instruments and services for the power sector (Saminathna et al., 2020b)). PFC is one of the non-banking financial institution which has highest market capitalization. Financial health and shareholders' wealth of such a development finance company is of great national significance (Gopinath, 2016b). 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 Power Finance Corporation Limited. The present study is analysed the financial performance of Power Finance Corporation Limited

through the EVA and impact of select financial ratios on EVA. Evaluation of financial performance of one of the largest Non-Banking Financial Company in India is highly significant (Gopinath, 2019b).

2. LITERATURE REVIEW

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, 2012). The study of financial sustainability found that the dependency of the power sector on vagaries of economy, government regulation and its own colossal background of ailing state electricity boards can regrettably drive down performance and profitability of PFC which only has the power sector as its investment portfolio (Agarwaf Vinti and Samiksha Ojha, 2011). VibhutiGarg (2016) has studied about the evaluation of the financial performance and sustainability of power sector in Rajasthan. The result revealed that PFC had biggest challenge for the sector to obtain the financial viability by allowing distribution companies to cover their cost through sales. CUTS (2013) has studied about a comparative analysis of the distribution companies of the four states namely Gujarat, Maharashtra, Tamil Nadu and Bihar. The study revealed that Gujarat had consistent profitable operations.

EVA as a corporate performance measurement tool and EVA was a better measures than ROA and ROE (You Lee, 1995) . EVA as modern performance measure and signal for tactical swap. They found that both the measures positively correlated with stock returns with traditional performance measures like Return on Assets (ROA), Return on Equity (ROE) and Return on Sales (ROS) (Lehn and Makhija,1996; Gopinath, 2019 c).Various authors said that there is an impact of EVA on financial performance. 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, J. S. 1997). Shareholders will place a high value on companies that generate strong EVA momentum(Dierks & Patel, 1997; Kavitha & Gopinath, 2020).

Based on the empirical studies, the following conceptual model was formulated to analyse whether the EVA is influenced by the financial performance measurement with respect to financial ratios of PFC or not.

3. HYPOTHESES OF THE STUDY

H_{01}: There is no significant impact of Profitability Ratios on Economic Value Added of Power Finance Corporation Limited listed in Bombay Stock Exchange.

H_{02}: There is no significant impact of Liquidity Ratios on Economic Value Added of Power Finance Corporation Limited listed in Bombay Stock Exchange.

H_{03}: There is no significant impact of Management Efficiency Ratios on Economic Value Added of Power Finance Corporation Limited listed in Bombay Stock Exchange.

H_{04}: There is no significant impact of Solvency Ratios on Economic Value Added of Power Finance Corporation Limited listed in Bombay Stock Exchange.

4. RESEARCH METHODOLOGY OF THE STUDY

The present study is used analytical research design. The available facts and information have been used to analyse and to make critical evaluation of financial position of PFC. Data that pertaining to the present study were collected from the secondary sources only. Three types of

data were used in the present study: financial data of PFC, share price and historical data related to PFC. Financial data of PFC was extracted from the official website of the company and share price was collected from the official websites of Bombay Stock Exchange. The present study covers a period of ten years from 2010-2011 to 2019-2020. The variables incorporated in the present study are: the traditional techniques of financial ratio analysis and advanced value addition techniques in the form of Economic Value added (EVA). It has been used to analyse the financial performance of PFC and to examine the impact of select financial ratios on EVA of PFC 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. Hypotheses have been tested at 95% of confidence level.

4. DATA ANALYSIS & INTERPRETATION

Table 1 Result of Net Operating Profit After Tax (NOPAT), Capital Invested(CI), Risk, Return on Invested Capital% (ROIC%), EVA in ₹ and EVA% of Power Finance Corporation Limited

Years	NOPAT ₹(Crs)	Invested capital	Risk	ROIC%	EVA%	EVA ₹(Crs)
2010-2011	7,025.11	1,01,484.60	0.53	6.92	1.63	1,651.38
2011-2012	9,023.63	1,31,426.05	1.31	6.87	1.34	1,767.52
2012-2013	11,988.75	1,64,229.15	1.99	7.30	1.80	2,955.97
2013-2014	14,767.53	1,87,410.33	2.20	7.88	2.11	3,955.97
2014-2015	17,257.41	2,21,289.77	2.65	7.80	2.10	4,656.55
2015-2016	17,814.99	2,38,028.50	1.37	7.48	1.77	4,206.41
2016-2017	15,005.90	2,47,863.67	0.57	6.05	0.61	1,502.08
2017-2018	15,962.11	2,73,853.44	1.05	5.83	0.82	2,235.45
2018-2019	20,154.37	3,38,526.87	-0.09	5.95	1.43	4,837.83
2019-2020	21,032.67	3,55,438.81	0.76	5.92	0.96	3,428.03

Source: Computed from Annual Report of PFC

As per the analysis from Table-01, Net Operating Profit After Tax had rather shown a mixed performance of PFC 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 increasing in trend. PFC had a highest NOPAT in the year 2019-2020 which was ₹ 21,032.67(crs). Invested Capital of the PFC had a high 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 PFC had more than one in the years 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016 and 2017-2018 which indicates that it was not possible for investment, that the investment is tends to go down when the market goes up and rest of the years the risk value was less than one which indicates that it was possible for investment in PFC. Return on Invested Capital of PFC had fluctuating in trend over the study period which indicates that the PFC was moderately performed with regard to making returns to the capital invested. PFC had highest value of EVA in the year 2018-2019 which was ₹4,837.83(crs). Positive values of EVA indicates, during study period that the industry has been a value creator than a value destroyer for its shareholders. PFC had the moderate percentage change in term to EVA during the year 2010-2011 to 2019-2020. The study shows that all the years Power Finance Corporation Limited was able to earn a return, quite sufficient to meet their cost of capital and have been able to add the values to its shareholders.

Table 2 Result of General Profitability Position of Power Finance Corporation Limited

Years	Operating Profit Ratio	Net Profit Ratio	Earnings Per Share	Return on Equity	Return on Assets	Return on Capital Employed
2010-2011	89.71	25.86	22.87	17.25	2.5	3.04
2011-2012	97.63	23.29	23.01	14.64	2.23	2.58
2012-2013	96.86	25.6	33.52	18.37	2.6	2.83
2013-2014	88.54	25.17	41.08	19.79	2.79	3.16
2014-2015	99.08	23.97	45.19	18.49	2.6	2.99
2015-2016	92.62	22.25	46.36	17.09	2.47	2.9
2016-2017	79.67	7.9	8.08	5.83	0.82	9.77
2017-2018	87.78	16.88	16.64	11.87	1.56	8.31
2018-2019	100.15	24.18	26.36	16.06	2.01	11.14
2019-2020	90.06	16.95	21.45	12.52	1.56	10.85

Source: Computed from Annual Report of PFC

Table-02 depicts various general Profitability Ratios of PFC 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. ROA is used to analyse how efficiently a company can manage its assets to produce profits during the study period and its range from 0.82 to 2.79 which was quite good. ROE is used to find out how effective management is at using equity financing to fund operations and generating income to its shareholders and its range from 5.83 to 19.79 which was quite good in condition. Out of these, Return on Capital Employed is most important indicator of profitability and it ranges from 2.58 to 11.14 which can be considered as reasonable value for PFC. All the ratios related to the profitability performance shows a fluctuating in trend which had a positive impact on the overall performance.

Table 3 Result of Liquidity Position of Power Finance Corporation Limited

Years	Current Ratio	Quick Ratio
2010-2011	0.91	0.91
2011-2012	1.24	1.24
2012-2013	1.86	1.87
2013-2014	1.07	1.07
2014-2015	1.01	1.12
2015-2016	1.21	1.21
2016-2017	1.32	1.32
2017-2018	48.74	48.74
2018-2019	3.94	3.91
2019-2020	4.21	4.21

Source: Computed from Annual Report of PFC

Table-03, 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 2011-2012 to 2019-2020Power Finance Corporation Limited had good financial conditions. But financial condition of PFC was not up to scratch in the year 2010-2011. Liquidity Ratios are the measures of the company's short-term solvency position. The average Current Ratio of the industry was 6.55 and the average Quick Ratio is calculated as 6.56which indicates that liquidity position of PFC is much competent to pay its most immediate liabilities.

Table 4 Result of Management Efficiency Position of Power Finance Corporation Limited

Years	Working Capital Turnover Ratio	Total Asset Turnover Ratio
2010-2011	4.7	9.67
2011-2012	2.8	9.59
2012-2013	3.2	10.16
2013-2014	4.1	11.08
2014-2015	3.7	10.87
2015-2016	3.51	11.13
2016-2017	2.27	10.41
2017-2018	-2.4	9.28
2018-2019	-508.38	8.33
2019-2020	-268.39	9.22

Source: Computed from Annual Report of PFC

Table-04, depicts various ratios concerning to the Management Efficiency Position of Power Finance Corporation Limited. They are also known as Turnover Ratios. They indicates the efficiency with which the capital employed is rotated within the company. If the efficiency ratio is increase, it means a bank's expenses are maximizing or its revenues are minimizing. Working Capital Turnover Ratio was range from -508.38 to 4.7 which indicates that fluctuating trend and that can be inferred that the industry's efficiency in the utilization of working capital was not fixed or increased in all the years of the study period. Total Asset Turnover Ratio was range from 8.33 to 11.13 which indicates that fluctuating in trend over the study period that can be inferred that the industry's efficiency in utilization of fixed assets was not stable in all the years of the study period. The operational efficiency of management position of Power Finance Corporation Limited was quite moderate during the study period.

Table 5 Result of Solvency Position of Power Finance Corporation Limited

Years	Debt Equity Ratio	Interest Coverage Ratio
2010-2011	5.64	1.52
2011-2012	5.32	1.29
2012-2013	5.8	1.48
2013-2014	5.82	1.36
2014-2015	5.83	1.41
2015-2016	5.61	1.55
2016-2017	4.86	1.31
2017-2018	6.41	1.39
2018-2019	6.82	1.51
2019-2020	6.87	1.34

Source: Computed from Annual Report of PFC

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 meetings its obligations. The Debt Equity Ratio of the Power Finance Corporation Limited was ranges from 4.86 to 6.87during the study period which means the industry was significantly funded by debt and may not have difficulty meetings its obligations. A high Interest Coverage Ratio, above two, indicates that the company has sufficient amount of earnings to meet its outstanding debt. The Interest Coverage Ratio of PFC was less than two during the study which means the industry is not enough capable of paying its interest. From overall performance of the Solvency Ratio indicates that the PFC was significantly good in terms of meet its obligations and not significantly good in terms of capable of paying its interest in all the taken years.

Table 6 Result of Descriptive Statistics of Dependent and Independent variables

Variables	Mean	Median	Standard Deviation	Kurtosis	Skewness
EVA	3119.72	3192.00	1277.98	-1.75	0.002
OPR	92.21	91.34	6.35	0.08	-0.57
NPR	21.21	23.63	5.70	2.53	-1.65
EPS	28.46	24.69	12.71	-0.97	0.12
ROE	15.19	16.58	4.17	1.81	-1.33
ROA	2.11	2.35	0.63	0.45	-1.06
ROCE	5.76	3.10	3.74	-1.88	0.61
CR	6.55	1.28	14.87	9.82	3.12
QR	6.55	1.28	14.87	9.82	3.12
WCTR	-75.49	3.00	174.35	4.35	-2.21
TATR	9.97	9.92	0.92	-0.69	-0.28
DER	5.90	5.81	0.64	-0.38	0.26
ICR	1.42	1.40	0.09	-1.59	0.14

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), Working Capital Turnover Ratio (WCTR), Total Asset Turnover Ratio (TATR), Debt to Equity Ratio (DER) and Interest Coverage Ratio (ICR).

The Descriptive Statistics of dependant and independent variables of Power Finance Corporation Limited are given in Table-06. The mean of EVA was positive and it indicates that the dependant variable price series increased over the period. The mean of WCTR was negative and it indicates that the independent variable of WCTR price series were decreased over the period. All other independent 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 years 2010-2011 to 2019-2020. High standard deviation refers to high risk and high volatility of stocks in the market. Skewness is a measure of symmetry. In this study, it was found that skewness of distribution of OPR, NPR, ROE, ROA, WCTR and TATR were less than 0.00, and it indicates that the distribution was negatively skewed distribution. It implies that negative returns to the respective variables. The skewness of EVA, EPS, ROCE, CR, QR, DER and ICR were greater than 0.00, it indicates the distribution was positively skewed distribution. It implies that possibility of the positive returns to the respective variables. Kurtosis is a measure of the fat-tails that associate with less density in the middle. A normal distribution of kurtosis is equal to 3.0 or excess. Here kurtosis of EVA, OPR, NPR, EPS, ROE, ROA, ROCE, TATR, DER and ICR were less than 3.00; it shows that the distribution was platykurtic. And then kurtosis of CR, QR and WCTR were greater than 3.00; it shows that the distribution was leptokurtic.

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	-5968.6740	5446.2110	-1.0959	0.3532
OPR	32.2765	52.9882	0.6091	0.5855
NPR	-32.9562	237.9676	-0.1385	0.8986
EPS	111.3469	39.5876	2.8127	0.0671
ROE	-128.9315	457.0170	-0.2821	0.7962
ROA	1677.2380	4892.9950	0.3428	0.7544
ROCE	359.6405	202.1261	1.7793	0.1732
R-squared	0.9839			
Adjusted R-squared	0.9516			
F-statistic	30.4948			
P – value (F)	0.0088			
Durbin-Watson	2.7044			

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 was 0.9839, which reflects that about 98.3% of change in Economic Value Added can be explained jointly by the given Profitability Ratios while the remaining 1.7% was attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model was 95.16%. Coefficient of OPR (32.2765) indicates that for every one unit change in OPR, there was 32.2765unit change in EVA. Coefficient of NPR (-32.9562) indicates that for every one unit change in NPR, there was -32.9562unit negatively change in EVA. Coefficient of EPS(111.3469) indicates that for every one unit change in EPS, there was 111.3469unit change in EVA. Coefficient of ROE (-128.9315) indicates that for every one unit change in ROE there was -128.9315unit negatively change in EVA. Coefficient of ROA1677.2380) indicates that for every one unit change in ROA, there was 1677.2380unit change in EVA. Coefficient of ROCE (359.6405) indicates that for every one unit change in ROCE, there was 359.6405unit change in EVA. The Durbin-Watson value of 2.7044indicates that negative serial correlation in the residuals. 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	3150.4010	505.1057	6.2371	0.0004
CR	-7474.4340	12605.8600	-0.5929	0.5719
QR	7458.3660	12609.8400	0.5915	0.5728
R-squared	0.0915			
Adjusted R-squared	-0.1681			
F-statistic	0.3525			
P – value (F)	0.7148			
Durbin-Watson	1.4388			

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 was 0.0915, which reflects that about 9.15% of change in Economic Value Added can be explained jointly by the given Liquidity Ratios while the remaining 90.85% was attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model was -16.81%. Coefficient of CR (-7474.4340) indicates that for every one unit change in CR, there was -7474.4340unit negatively change in EVA. Coefficient of QR (7458.3660) indicates that for every one unit change in QR, there was 7458.3660unit change in EVA. The Durbin-Watson value of 1.4388indicates that positive serial correlation in the residuals. 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	-11672.6400	4260.6090	-2.7397	0.0289
WCTR	-8.9310	2.1805	-4.0958	0.0046
TATR	1415.4970	414.2637	3.4169	0.0112
R-squared	0.7104			
Adjusted R-squared	0.6276			
F-statistic	8.5840			
P – value (F)	0.0131			
Durbin-Watson	2.5066			

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 was 0.7104, which reflects that about 71.04% of change in Economic Value Added can be explained jointly by the given Management Efficiency Ratios while the remaining 28.96% was attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model was 62.76%. Coefficient of WCTR (-8.9310) indicates that for every one unit change in WCTR, there was -8.9310unit negatively change in EVA. Coefficient of TATR (1415.4970) indicates that for every one unit change in TATR there was 1415.4970unit change in EVA. The Durbin-Watson value of 2.5066indicates that negative serial correlation in the residuals. However, it can be observed that Regression coefficient of WCTR and TATR are statistically significant at 5% level of significance (Sig. < 0.05). Therefore, the Null Hypothesis H_{03} is rejected. A low significance value of less than 0.05 for Management Efficiency 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	-8118.3660	6348.1700	-1.2789	0.2417
DER	914.5726	623.8162	1.4661	0.1861
ICR	4127.0730	4248.5500	0.9714	0.3637
R-squared	0.3572			
Adjusted R-squared	0.1736			
F-statistic	1.9450			
P – value (F)	0.2129			
Durbin-Watson	1.1219			

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

The model regression Table-10, reports the coefficients for Explanatory variables along with the significance value. The explanatory power (R^2) of EVA model was 0.3572, which reflects that about 35.72% of change in Economic Value Added can be explained jointly by the given Solvency Ratios while the remaining 64.28% was attributed to other factors outside the model. The explanatory power (adjusted R^2) that penalizes the addition of extraneous predictors to the model was 17.36%. Coefficient of DER (914.5726) indicates that for every one unit change in DER, there was 914.5726 unit change in EVA. Coefficient of ICR (4127.0730) indicates that for every one unit change in ICR, there was 4127.0730unit change in EVA. The Durbin-Watson value of 1.1219 indicates that positive serial correlation in the residuals. However, it can be observed that Regression coefficient of DER and ICR are statistically insignificant at 5% level of significance (Sig. > 0.05). Therefore, the Null Hypothesis H_{04} is

accepted. A high significance value of more than 0.05 for Solvency Ratios indicates weak influence on EVA.

5. CONCLUSION, SUGGESTION, AND LIMITATIONS

The study found that PFC was high on financial indicators namely EVA, OPR, NPR, EPS, ROE, ROA, ROCE, CR, QR, WCTR, TATR, DER and ICR. The analysis of financial ratios of PFC indicates that quite well in condition during the study period. From the result of regression analysis, it was found that, EVA was influenced by Management Efficiency Ratios(WCTR and TATR)significantly (Gopinath & Kalpana, 2019). In contrast, other independent variables such as Profitability Ratios (OPR, NPR, EPS, ROE, ROA and ROCE), Liquidity Ratios (CR and QR) and Solvency Ratios (DER and ICR)were not influenced the EVA significantly. The results revealed that most of the financial ratios were not significantly influenced the Economic Value Added of PFC. Most of the select traditional accounting ratios are weak predictor of future EVA, which were not influence the EVA for creating the shareholder's wealth of PFC during the study period. The traditional measures with respect to select financial ratios did not influence the real value of shareholders of PFC. The results of this study imply that it might be necessary for a PFC management to take all the required decisions to enhance and enrich the financial positions of the PFC (Kavitha & Gopinath, 2020). The financial performance of the PFC is quite satisfactory and growing. PFC performance is consistently rated high by the rating agencies. But, it is difficult to apply a yardstick for comparison to judge its adequacy in the absence any peer organization of such nature of activities as are undertaken by PFC. Still, most of the financial parameters suggest a rising trend and prudent deployment of assets. Hence, PFC should give importance to the optimal capital structure and run the institution effectively and efficiently to improve its financial performance.

Finally, the study provides PFC administrative authorities with the understanding of activities that would enhance their PFC's financial performances. Technical and financial performance of the power sector, in particular of the power distribution companies needs to be improved in a big way. Power Finance Corporation Limited must remain vigilant against increase in its non-performing assets, which may be low today but there was every danger of their showing an increase. In addition, the key challenge of power sector is to improve the financial feasibility and sustainability. In future, the power sector financing lies in its ability to attract the retail investors both in equity as well as debt markets, institutional lenders, foreign investors and developers willing to take higher exposures. In this venture, PFC will also continue to work towards keeping its position as a leading lender to the power sector, with an array of innovative products, add value to the shareholders and being a significant partner in the development and growth of the nation.

Limitation in this study are; Researchers can only prove that Management Efficiency Ratios of WCTR and TATR have a significant impact on Economic Value Added of PFC. Meanwhile, Profitability Ratio, Liquidity Ratio and solvency Ratio have no significant impact of Management Efficiency Ratios on Economic Value Added. Hence, it is important to re-examine with variations of other indicator variables to measure PFC's profitability, liquidity and financial leverage. The research has not examined changes in other relevant NBFCs financial performance, so that the research results are still specific only for select Power Finance Corporation Limited. Further research is expected to carry out more in-depth research related to others Non-Banking Financial Companies, Indian Banks, and other related financial 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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