Research Article

A Study on Exploring the Nexus between Economic Value Added (EVA) and Equity Capital

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ARTICLE INFO	ABSTRACT
	This paper investigates the intricate relationship between Economic Value Added and equity capital, aimed to determine their synergies in evaluating a company's financial performance. It is a metric designed to measure the company's economic profit by considering the cost of capital, serves as a pivotal indicator of its wealth creation capabilities. Conversely, equity capital constitutes the primary funding source from shareholders, representing a fundamental aspect of a firm's financial structure and ownership. The primary objective of this study is to analyse the relationship between Economic Value Added and equity capital in select companies listed in BSE Sensex, observing the underlying dynamics that govern a company's efficacy in utilizing shareholder funds to generate sustainable profits. The present study also focused on the impact of equity capital on Economic Value Added and to forecast the Economic Value-Added trajectory for these entities in forthcoming years. The findings of the study reveals that there is relation between equity capital and economic value added for various companies in both positive and negative ways, as well as the significance of autocorrelation in decision-making. Additionally, the impact of equity capital on economic value added was established in Reliance, ICICI, ITC, HCL, Dr Reddy's, and Axis Bank. Lastly, the ARIMA model provided insights into the significant growth in from 2023 to 2031 in ITC, L&T, SBI, Mauritius, Nestle, and Wipro including a notable turnaround for HDFC Bank in the later years. **Keywords:** Economic Value Added (EVA), Equity Capital, Financial Performance, Capital Utilization Efficiency, Shareholders Wealth

INTRODUCTION

In the current business landscape, assessing a company's financial performance goes beyond traditional metrics (Moujib Bahri, 2011), surpassing the surface level profitability ratios to delve into its ability to generate true economic value. Economic Value Added stands out as a pivotal measure (Brewer et al, 1999) that evaluates a firm's capacity to produce returns above its cost of capital, reshaping conventional perspectives on profitability. Concurrently, equity capital holds a significant position within a company's financial structure, representing a crucial source of funding. As a measure of company's financial performance, its primary purpose is to determine the actual value of shareholders' wealth by considering the capital charge in the business. Economic Value Added differs from traditional measures (Reeta Bharat Singh et al.,2014) as it helps to ascertain the genuine value of shareholders' wealth and measures the actual economic profit earned above the cost employed, indicating the company's financial performance. With the use of this analysis, it is easy to assess the way a company uses its

investments to produce profits for its owners. Understanding the association between equity capital and Economic Value Added is critical for understanding the financial success of a company and how efficiently it utilizes its equity and helps in determining the optimal mix of financing that minimizes the cost of capital while maximizing shareholder value. A company that maximizes its value is likely to maximize its share prices as well. A positive and higher Value indicates that the better utilization and efficiency in generating returns for shareholders. Conversely, a negative Value of this indicates the erosion of shareholder wealth (Stewart, 1991). Moreover, the research on the relationship between both variables can also shed light on the riskiness of the company's operations. Consistent positive EVA relative to equity capital suggests that the firm is managing its risks effectively and generating sustainable profits.

REVIEW OF LITERATURE

Reeta Bharat Singh et al., (2014) showed that there is a positive relationship between both when investigating that Economic Value Added exceeds traditional metrics in estimating contemporaneous market value added. Yet, investors can get additional data from it. Meena Subed & Ali (2020) study found that executives in government may boost overall organizational performance by using the economic value added as their work evaluation metric while making operating and investment decisions. Salaga Jakub et al. (2015) offered possible methods for computing economic value added with the goal of estimating economic profit. Chitra Gunshekhar Gounder & Dr. M. Venkateshwarlu (2017) In their study, highlighted the significance of Economic value added in enhancing shareholder value and identified that there is relationship between shareholders value maximisation and Economic Value added. They also emphasized on selecting appropriate internal measures to build shareholder value, which would ultimately contribute to enhance the competitive position of banks and fostering improvement and strength in the sector. Addnan M.Abdeen & Timothy Haight (2011) shed light on the uses, limitations and benefits of EVA as a value craetion measure and opined that it has limited usage as an instrument of control and performancve evaluation and users of this tool are outperformed than non-users in comparing profits as a percentage of revenues, assets, and stockholders' equity. Shagufta Khan et al. (2012) carried out on the Measurement of Value Creation in Select Bombay Stock Exchange (BSE) Companies. The analysis revealed that among the measured factors such as MVA, EVA, Turnover, Net worth, and Profitability, only EVA and Profitability demonstrated significant relationship. The findings indicated a positive direction, highlighting the importance of profitability as a crucial factor in creating value within the BSE-30 companies. V.Anandavel and Dr. A.Selvarasu (2012) A study was undertaken to examine the performance of BSE-SENSEX companies in terms of EVA relative to their equity capital. The findings revealed, EVA provides a more exact indicator of profitability associated to the profits reported in the companies' financial statements. Mathangi Aravind & K.Ramya (2015) focused to examine the relation between EVA and share prices of specific companies in BSE Sensex and observed the presence of speculation in stock markets have a greater influence on share prices, eventually undermining the impact of performance metrics on them and revealed that it does not have a considerable explanatory power on share prices. Dr. Izhar Ahmad et al. (2019) expressed that the ratio of gross profit to total profit, net earnings ratio, equity to debt, and interest coverage ratio all had a statistically considerable impact on EVA. The MVA was seen as inefficient during the investigation period. Nufazil Altaf (2016), study revealed that the operating income has a sharp correlation with MVA in both manufacturing and service sectors. In both the sectors, the economic value-added shows weak position but positive relationship with the market value added. Mr. K.Kiran Kumar & Dr Subramanyam (2017), examined the companies with economic profit and market value and also tries to identify the important metric for creating shareholder wealth. Eahambaram, D.(2021) teted the effectiveness of EVA over other measures to know the shareholders value and also to identify the significant differences between it and other profitability measures. He found that ratio of Inventory Turnover, ratio of Total Assets Turnover, Percentage of Net Profit Margin, percentage of Return on Net worth have influence on EVA. Dr Kiran Kumar &Dr Raj Kamal (2022), focused at how MVA affect the stock market returns of India's NSE 50 (NIFTY) listed companies and analyzed that MVA (14%) had a greater impact on stock market returns than other independent variables. by considering the Market Returns. Sujata Behera (2020) investigated the application of the EVA valuation model under changing conditions with the present value of required earnings for the book value of equity and constant required return. According to the findings, the EVA -based valuation model with a variable normal market return performed better than the model with a constant necessary return.

Ramya, M.A.(2015) investigated the relationship between EVA and share prices of select companiess of BSE Sensex and fond that volatile nature of the capital markets characterized by various speculative activities have a greater influence on share prices, eventually undermining the effect of performance metrics on them and enumerated that EVA does not have a considerable explanatory power on share prices. Dr Shyamsundar Premanand Das (2018) studied the EVA and MVA relation by treating EVA as independent variable and MVA as dependent variable. He found that there is no correlation between both variables in BSE S&P Sensex Companies during 2016. Fayez Salim Haddad (2012) investigated the relationship between capital adequacy ratio, return on equity, return on assets, and EVA as explanatory factor for stock returns. The research uncovered a weak correlation with the return on equity, return on assets, and capital adequacy ratio, but a strong and favorable link with stock returns and EVA. Chen, Shimin, and James L. Dodd (1997) opined that EVA performance is related to return on equity and has more analytical competence than traditional accounting profit measures—even when earnings are significant. In essence, EVA is akin to residual income.

Research gap

Economic value added offers a comprehensive and shareholder-focused perspective on a company's financial performance. It provides insights that go beyond traditional accounting metrics, helping businesses to take decisions, efficient resource allocation and align the interests of management with those of shareholders. Though there are many studies on economic value-added performance compared with stock returns and other profitability ratios, very few studies only concentrated on relation between equity capital and economic value added. Research on these lines is necessary to understand its impact on shareholder wealth and exploring its effectiveness across different industries. As a result, the current study was done to assess the economic value added of select companies.

Need & Scope of the Study

Economic value added has been receiving a lot of attention as a financial performance measure to assess a company's performance and value creation. It is as an indicator for how effectively an entity uses equity capital to make a profit. A positive EVA denotes that the firm provides benefits to its shareholders by exceeding the cost of equity in returns. This may be especially helpful in evaluating the way the management is using the resources at their disposal in creating value for shareholders. Therefore, the aim of this study is to look at the relationship between equity capital and economic value added in chosen BSE Sensex companies that have been in active trading during the period from 2011 to 2022. The present study will create awareness to investors on the performance of the selected BSE-SENSEX companies. By understanding the relationship between equity capital and   Economic value-added policymakers can make better policies that encourage a conducive environment for value creation in the market. Finally, this study will provide valuable insights to stakeholders which contribute to the overall growth and development of the Indian stock market.

RESEARCH METHODOLOGY

The BSE-SENSEX contains a selection of 30 companies from important industries that accurately reflect India's growth in economy. Within those 30 companies 19 companies which are constantly listed in BSE 30 since 2011 are identified for the present study. The study was done by collecting financial information of selected companies in BSE-SENSEX, Money control and screener websites.

The data is collected for a period of 10 years from 2011-2022. Statistical techniques such as correlation, Regression and ARIMA model are used to analyze the collected data and calculation of EVA involves the following steps:

(1) EVA = NOPAT - WACC * Capital Employed

Objectives

- To assess the Economic value added for the selected companies and to know whether it is generating value for stockholders.
- To analyze the relationship between the Economic value added and equity capital of the chosen companies in BSE-SENSEX.
- To examine the impact of equity capital on the Economic value added of the selected BSE companies.
- To forecast the Economic value added of the selected companies for future years.

Hypothesis

Ho$_1$: There is no relationship between EVA and equity capital.

Ha$_1$: There is a relationship between EVA and equity capital.

Ho$_2$: There is no impact of Equity capital on EVA.

Ha$_2$: There is a s impact of Equity capital on EVA.

DATA ANALYSIS

Table 1: Calculated EVA of the Selected BSE Companies

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Reliance	69439	-30325	-5117	-46842	52845	31628	-161363	-3400	-58093	-10664615	-15358807	-7144873
HDFC	14257	-11774	-98	-13476	9762	7269	-29885	2904	-1557	4435	8883	26700
ICICI	49202	-35431	-2515	-47231	26169	7704	-42252	-2180	-28608	-27150	-129558	-479766
TCS	77171	-567053	-442400	-1552353	263041	-140475	-1350271	-238876	-932985	1235	-8297	13537
ITC	2021	2864	3571	4304	4090	8372	3347	8735	12330	20707	5269	7380
L&T	5646	-13358	-2597	-20905	8059	3291	-30243	-3323	-5688	-4788	5405	3725
Sbi	660049	-571992	-153504	-778626	237142	-1033	-1025542	-173393	-533263	-76777275	-181480001	-281
Airtel	121300	-178604	-46762	-61767	20761	13770	-84430	-4561	-32237	-55181	-80366	12357
Maruthi	4180	-1830	1614	130	3136	4638	-14262	2667	3475	3200	3809	4268
Mahindra	5001	-2440	548	-2266	1497	485	-1718	2440	1799	-3957	-1723	22100
HCL	3456	-1051	1924	-848	7668	4615	-4846	5662	-4148	-11783	-19998	-2731
Bajaj Fin	4352	-1645	780	-4586	3541	3144	-13772	2125	-4904	-8158	-118510	-15177
Tata steel	23632	-16150	-17184	-23812	-113	5393	-51751	12894	-16915	-33503	-50688	23000
NTPC	21921	969	2583	1534	3283	3561	479	-1145	12230	2046	-5190	30359
Nestle	758	362	540	100	505	533	180	816	1170	1262	1308	1552
Tech	2051	-845	387	-1901	3885	2655	-5071	2457	-	-9994	-20729	-6424

Mahi									5269			
Wipro	3622	2968	3705	4126	5241	4947	4442	4220	3193	3895	5994	7884
Dr Reddy	16303	-6641	-3257	-16330	8871	-1482	-82977	-2888	-24724	-386140	-167263	-127932
Axis Bank	39555	-33228	-9596	-58710	16950	2507	-47226	-7938	-52986	-94681	-203141	-141956

Table no 1 shows the Economic value added for the companies chosen for study. It shows negative value in Reliance company during the entire study period except 2011 which indicates that cost of capital has not been adequately covered by net operating profit and company has not consistently generated economic value for stockholders over the years.

HDFC Bank had positive value in 2015, 2016, 2018, and 2020-2022, while it was negative in 2012-2014 and 2017-2019 which shows mixed results in terms of Economic value-added indicating variability in its ability to create value for stockholders. ICICI has faced challenges in generating positive Economic value added as it has negative values in many years i.e 2012-2014 and 2017-2022. The company needs to assess its operational efficiency and capital allocation strategies to create value for stockholders. TCS shows periodic fluctuations in generating wealth for its shareholders as it had recorded positive values in 2011, 2020, and 2022 and negative in 2012-2019. ITC shows positive Economic value added during the entire study period indicating the firm has been successful in generating value for stockholders. This could be attributed to effective capital allocation and profitable operations.

Larsen Turbo had positive value in 2011, 2015, 2016, 2021, and 2022, but negative in 2012-2014 and 2017-2020 which reveals that the company need to rethink over its capital allocation strategies to increase the value for shareholders. State Bank of India (SBI) has shown a mix of positive and negative values during study period which suggests the need for thorough valuation of the bank's operations and capital management. Airtel has shown positive values in 2011, 2015-2016, and 2022, but negative in 2012-2014 and 2017-2021 which needs to concentrate on creating value for stockholders. Maruthi had positive Economic value added during the entire study period except in 2012 and 2017, indicating the creation of economic value for stockholders. This may be attributed to effective management and operational efficiency. Positive values in 2011, 2013, 2015-2016, 2018-2021 and negative in 2012, 2014, 2017, and 2022 of Mahindra revealed that the company must concentrate on strategies that consistently create value for stockholders. HCL had positive values in 2011, 2013, 2015-2016, and 2018, but negative in 2012, 2014, 2017, and 2019-2022, showing mixed results in terms of Economic value-added forces the management to assess its operational efficiency and capital allocation strategies to consistently create value for stockholders.

Bajaj Financial Services had negative Values in many years of the study period i.e 2012, 2014, 2017, and 2020-2022. Hence the company need to reassess its business strategies to enhance value creation for stockholders. Tata Steel had positive values in 2011, 2016, 2018, and 2022, but negative in 2012, 2014, 2015, 2019, and 2020-2021 which compels the company to reassess its business strategies to enhance value creation for stockholders. NTPC has demonstrated positive Economic value-added values in many years, indicating successful value creation for stockholders. Nestle had positive values in all years of the study, indicating the creation of economic value for stockholders. Tech Mahindra has faced challenges in generating positive economic value added with several years showing negative values indicating that the company needs to address these issues to create value for stockholders. Wipro had positive values in all years reflecting the creation of economic value for stockholders. Dr Reddy Labs had negative economic value added in 2012-2014 and 2016-2022 except 2011 and 2015 explaining that the company failed to create consistent value for shareholders. Axis bank also falls in the same line which failed to create continuous value for shareholders as it has negative economic value added in 2012-2014 and 2017-2022.

In brief, it can be said that companies namely ITC, Maruti, Nestle, Wipro have generated consistent economic value for stockholders while other companies such as Reliance, Larsen Turbo, Airtel, Bajaj Fin Serv, Tata Steel, Tech Mahindra, Dr Reddy Lab, Axis Bank have faced challenges and need to reassess their strategies to enhance value creation.

Table 2: Categorised Companies based on Equity Capital & EVA

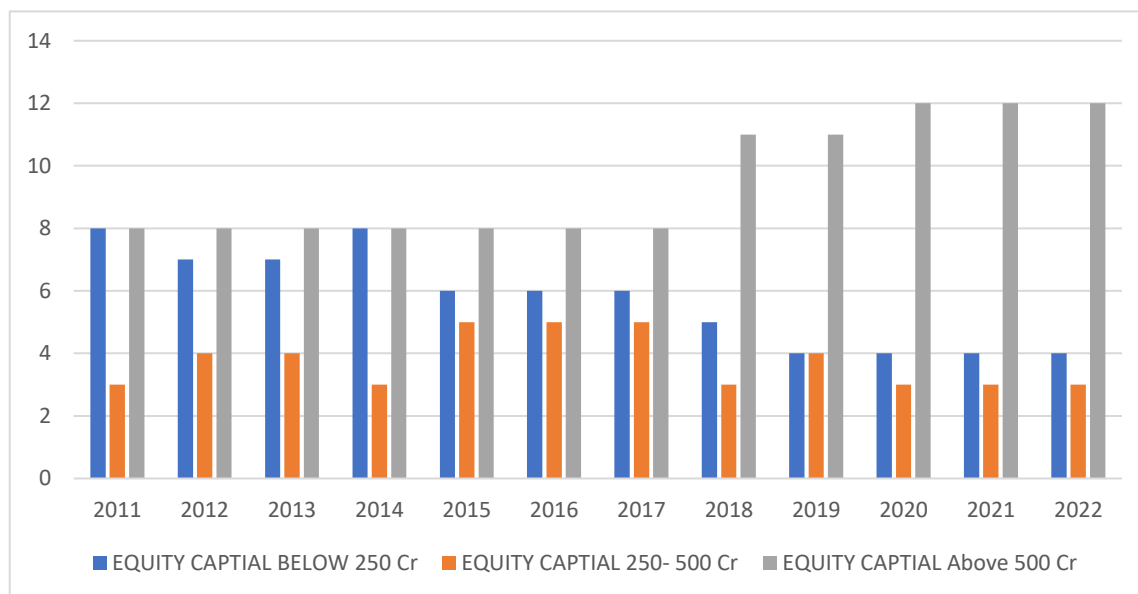|			EQUITY CAPTIAL			
			BELOW 250 Cr	250- 500 Cr	Above 500 Cr	ROW TOTAL
Economic Value Added	2011	BELOW 1000 Cr	1			1
		1000-5000 Cr	4		1	5
		ABOVE 5000 Cr	4	3	6	13
		NEGTIVE				0
		ROW TOTAL	9	3	7	19
	2012	BELOW 1000 Cr	1		1	2
		1000-5000 Cr			1	1
		ABOVE 5000 Cr				0
		NEGTIVE	7	4	5	16
		ROW TOTAL	8	4	7	19
	2013	BELOW 1000 Cr	4			4
		1000-5000 Cr	2		2	4
		ABOVE 5000 Cr				0
		NEGTIVE	2	4	5	11
		ROW TOTAL	8	4	7	19
	2014	BELOW 1000 Cr	2			2
		1000-5000 Cr			2	2
		ABOVE 5000 Cr				0
		NEGTIVE	6	4	5	15
		ROW TOTAL	8	4	7	19
	2015	BELOW 1000 Cr	1			1
		1000-5000 Cr	3	1	2	6
		ABOVE 5000 Cr	2	3	5	10
		NEGTIVE		1	1	2
		ROW TOTAL	6	5	8	19
	2016	BELOW 1000 Cr	1	1		2
		1000-5000 Cr	3	3	1	7
		ABOVE 5000 Cr		1	5	6
		NEGTIVE	2		2	4
		ROW TOTAL	6	5	8	19
	2017	BELOW 1000 Cr	1		1	2
		1000-5000 Cr			1	1
		ABOVE 5000 Cr				0
		NEGTIVE	5	5	6	16
		ROW TOTAL	6	5	8	19
	2018	BELOW 1000 Cr	1			1
		1000-5000 Cr	2		3	5
		ABOVE 5000 Cr		1	3	4
		NEGTIVE	2	2	5	9
		ROW TOTAL	5	3	11	19
	2019	BELOW 1000 Cr				0
		1000-5000 Cr	2		1	3
		ABOVE 5000 Cr			2	2
		NEGTIVE	2	4	8	14
		ROW TOTAL	4	4	11	19
	2020	BELOW 1000 Cr				0
		1000-5000 Cr	2	1	2	5
		ABOVE 5000 Cr			1	1
		NEGTIVE	2	2	9	13
		ROW TOTAL	4	3	12	19
	2021	BELOW 1000 Cr				0
		1000-5000 Cr	2			2
		ABOVE 5000 Cr		1	2	3
		NEGTIVE	2	2	10	14
		ROW TOTAL	4	3	12	19
	2022	BELOW 1000 Cr				0
		1000-5000 Cr	2	1		3
		ABOVE 5000 Cr		1	6	7
		NEGTIVE	2	1	6	9
		ROW TOTAL	4	3	12	ROW TOTAL

Figure 1: Equity Captial of Selected BSE Companies

It can be observed from the above graph 1 and Table No 2 that most of the companies have above 500 Cr equity capital during 2011-2017 and this number has been increased drastically during 2018-2022 and the number of companies with below 250 Cr also decreased while compared to that of previous years. But, during 2015 -2017, the number of companies with equity capital below 250 Cr, 250-500 Cr, and above 500 Crores remains the same.

From the above graph 2 and Table no 2 it can observed that select companies are having negative value during the study period except in 2011 which recorded positive value. There is downtrend in negative values 2015, 2016 and 2022 compared to the previous consecutive years.
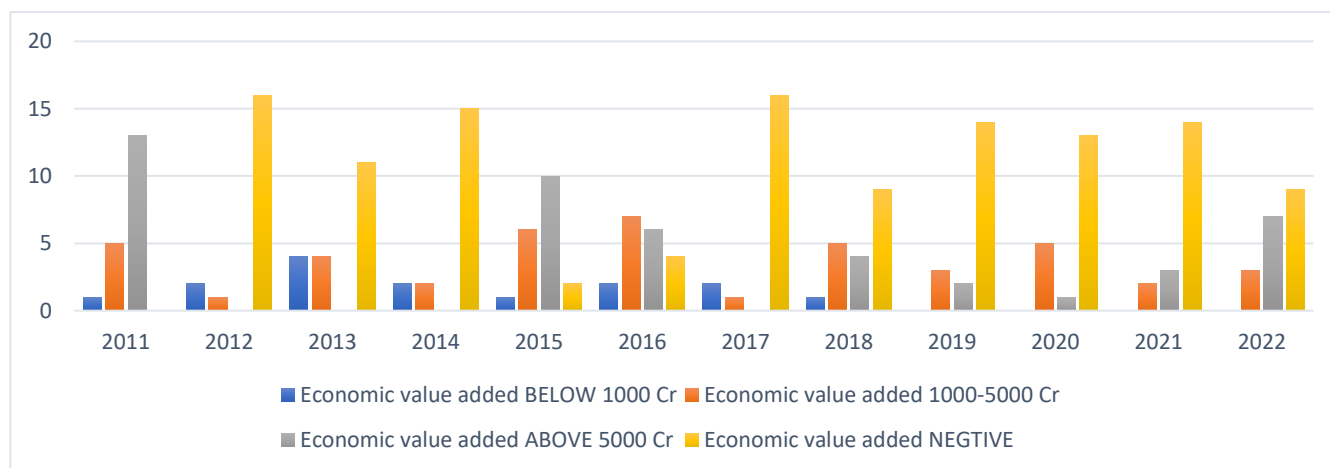

Figure 2: EVA of BSE Selected companies

A positive economic value added means the companies are creating value for the shareholders, more value was created in the year 2011 and 2016. When the economic value added is negative it shows that companies had generated negative value for the shareholders and this negative trend is observed in the years 2012,2014,2017,2019-21.

Objective 2: To analyze the relationship between the economic value added and equity capital of the chosen companies in BSE-SENSEX.

Table 3: Correlation and cross-correlation p-values of companies

Companies	Correlation	P-value	Cross-correlation (at lag 0)	Auto correlation
Reliance	-0.706072	0.01028	-0.706	exists
HDFC	0.3219295	0.3075	0.322	not exist
ICICI	-0.67966	0.01504	-0.681	exists
TCS	0.2844095	0.3703	0.284	not exist
ITC	0.5494237	0.05426	0.549	exists
L&T	0.1721839	0.5926	0.172	not exist
SBI	-0.433418	0.1593	-0.433	not exist
Airtel	-0.062768	0.8463	-0.063	not exist
Martuthi	0.006857	0.9831	0.007	exists
Mahindra	0.3075531	0.3308	0.308	not exist
HCL	-0.661148	0.01923	-0.661	not exist
Bajaj financial services	-0.193817	0.5461	-0.194	not exists
Tata steel	-0.020067	0.9506	-0.021	not exist
NTPC	0.2585989	0.417	0.259	not exist
Nestle	0.234857	0.3164	0.235	exist
Tech Mahindra	-0.321048	0.3089	-0.321	not exist
Wipro	0.3326458	0.2907	0.333	not exist
Reddy laboratory	0.5903002	0.04332	0.591	exist
Axis bank	-0.854054	0.000406	-0.865	exist

Table 3 Shows that there is a strong negative correlation (-0.706) between Economic value added and Equity Capital, which is statistically significant (p = 0.01028) in Reliance, whereas ICICI, ITC, Nestle, Reddy Laboratory, Axis Bank show correlations with varying strengths between Economic value added and Equity Capital, and these correlations are statistically significant ($p < 0.05$). HDFC, TCS, L&T, SBI, Airtel, Maruti, Mahindra, Bajaj Financial Services, Tata Steel, Tech Mahindra, Wipro companies don't exhibit a significant correlation between both variables as their p-values are higher than the conventional significance level (usually 0.05 or 0.01). The cross-correlation function at lag zero represents the correlation without any time delay. Interestingly, the correlation values match those of the correlations between Economic value added and Equity Capital for each company, indicating consistency in their relationship at the given point in time.

Objective 3: To examine the impact of equity capital on the Economic value added of the selected BSE companies.

H0$_2$: There is no impact of Equity capital on Economic value added.

Ha$_2$: There is impact of Equity capital on Economic value added.

Table 4: Impact of equity capital on the Economic value added

Companies	Regression(P-value)
Reliance	0.01028
HDFC	0.3075
ICICI	0.01504
TCS	0.3703
ITC	0.06427
Larsen Turbo	0.5926
SBI	0.1593
Airtel	0.8463

Maruthi	0.9831
Mahindra	0.3308
HCL	0.01923
Bajaj financial services	0.5461
Tata steel	0.9506
NTPC	0.4171
Nestle	0.5684
Tech Mahindra	0.3089
Wipro	0.2907
Dr Reddy lab	0.04332
Axis bank	0.000406

From the table no 4, it is observed that the impact of equity capital on Economic value added by using ordinal least square regression. Reliance (p = 0.01028), ICICI (p = 0.01504), HCL (p = 0.01923), Dr. Reddy Lab (p = 0.04332), Axis Bank (p = 0.000406) companies exhibit statistically significant relationships between Equity Capital and EVA. For these companies, changes in Equity Capital are likely to have an impact on their Economic value added. Companies such as HDFC, TCS, Larsen Turbo, SBI, Airtel, Maruti, Mahindra, Bajaj Financial Services, Tata Steel, NTPC, Nestle, Tech Mahindra, and Wipro did not demonstrate statistically significant relationships (p > 0.05) between Equity Capital and Economic value added. This suggests that, within the observed period, changes in Equity Capital may not significantly influence the Economic value added for these entities.

Objective 4: To forecast the Economic value added of the selected companies for future years.

Table: 5 Forecasted Economic value added of the selected companies

Company	2024	2025	2026	2027	2028	2029	2030	2031
Reliance	-6399513	-6391047	-6391835	-6392425	-6393410	-6395575	-6978909	-6979697
HDFC	-4422.57	-3435.78	-2871.32	89.23	794.22	1780.11	2626.34	6291.01
ICICI	-1015881	-1012993	-1011344	-1002682	-1000620	-997733	-995258	-984534
TCS	-59130.6	-42798.6	-33466	15529.94	27195.65	43527.64	57526.49	118188.2
ITC	503.4524	619.7043	686.134	1034.89	1117.927	1234.179	1333.823	1765.616
Larsen Turbo	3149.741	3357.901	3476.848	4101.322	4250.007	4458.165	4636.586	5409.744
SBI	57134021	55430899	54457686	49348319	48131803	46428681	44968861	38642978
Airtel	-41020.4	-41067.1	-41093.7	-41233.7	-41267	-41313.6	-41353.6	-41526.9
Maruthi	26001.6	26484.96	26761.17	28211.27	28556.53	29039.89	29454.2	31249.56
Mahindra	-9179.65	-9420.38	-9557.93	-10280.1	-10452	-10692.8	-10899.1	-11793.2
HCL	-9179.65	-9420.38	-9557.93	-10280.1	-10452	-10692.8	-10899.1	-11793.2
Bajaj financial services	-237222	-239848	-241348	-249226	-251102	-253728	-255979	-265733
Tata steel	-2555.45	-2912.87	-3117.12	-4189.4	-4444.7	-4802.13	-5108.5	-6436.08
NTPC	-22618.8	-22605.6	-22598.1	-22558.7	-22549.3	-22536.1	-22524.9	-22476
Nestle	4436.713	4491.924	4523.473	4689.105	4728.542	4783.752	4831.076	5036.144
Tech Mahindra	-9833.72	-9791.9	-9768	-9642.52	-9612.65	-9570.83	-9534.98	-9379.63
Wipro	6232.624	6237.772	6240.713	6256.155	6259.831	6264.979	6269.391	6288.509
Dr. Reddy lab	24940049	25384717	25644213	27007619	27332239	27786708	28176252	29864278
Axis bank	-21026.9	-27223	-30763.6	-49351.7	-53777.5	-59973.5	-65284.4	-88298.4

In the table no 5, the selected BSE Sensex companies Economic value added for a nine-year period from 2023 to 2031 are predicted by using ARIMA model. Projections for Reliance show a consistent negative trend in Economic

value added across the forecasted years indicating potential challenges in value generation. HDFC, ICICI, TCS, SBI, Dr Reddy Lab, Axis Bank companies demonstrate varying trends, including both positive and negative projections reflects potential shifts in value creation over the forecasted period. Other companies such as ITC, Larsen Turbo, Airtel, Maruti, Mahindra, HCL, Bajaj Financial Services, Tata Steel, NTPC, Nestle, Tech Mahindra, Wipro projected relatively fluctuating or marginal changes over the forecasted years demonstrates less volatile performance.

FINDINGS

The analysis reveals that there is relationship between equity capital and economic value added. Correlation was performed to understand this relationship, leading to several noteworthy observations. Firstly, companies such as ITC and Reddy's Lab exhibited a positive correlation whereas, Reliance, ICICI, HCL, and Axis Bank displayed a negative correlation. Considering other companies, including HDFC, TCS, L&T, SBI, Airtel, Mahindra, HCL, Bajaj Financial Services, Tata Steel, NTPC, Tech Mahindra, and Wipro, it was found that they do not possess auto-correlation. This implies that these companies can make present decisions without relying on past references. In contrast, companies like Reliance, ICICI, ITC, Mauritius, Nestle, Reddy's Labs, and Axis Bank exhibited auto-correlation. Consequently, these companies should consider past data when making decisions.

Furthermore, Impact of equity capital on economic value added was identified in Reliance, ICICI, ITC, HCL, Dr Reddy's, and Axis Bank. The presence of a relationship between equity capital and economic value added was evident in these companies.

To forecast the economic value added of selected BSE companies, an ARIMA model was employed. Notably, companies such as ITC, L&T, SBI, Mauritius, Nestle, and Wipro showed significant growth in Economic value added from the year 2023 to 2031. However, HDFC displayed negative values from 2023 to 2026, only to experience a substantial increase from 2027 to 2031.

CONCLUSION

Economic value added has emerged as a popular tool among corporate entities. It is a metric that calculates a company's economic profit by subtracting the cost of capital from its net operating profit after tax. It is considered an important tool for evaluating the financial performance of a company, particularly from the viewpoint of shareholders. By analysing Economic value added, potential investors can assess whether a company provides value to its shareholders. By raising equity capital, companies can generate higher returns and create more worth for their shareholders. It helps investors to understand how much value a company is creating and how it is utilizing its capital. However, present study indicates that some companies are showing a significant relationship between equity capital and Economic value added and also Equity capital has an impact on it. Hence, improving a company's Economic value added can contribute positively to shareholder wealth. Many BSE companies and other corporate entities have started to adopt Economic value added as a performance measurement tool as it helps companies to identify areas where they can improve their operations and increase the value to shareholders. By increasing its economic profit, a company can generate more cash flows, which can be used to pay dividends or invest in growth opportunities. This can lead to higher returns for investors and can ultimately contribute to long-term shareholder value. Hence, it is essential to consider Economic value added with other performance measures and qualitative analysis to obtain a more comprehensive understanding of a company's value creation and financial performance.

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