

## **Economic Value Added as a Performance Measurement Tool: A Study on Selected Banks in India**

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Banks has significant role in the economy as it constitutes an important aspects of Indian Financial System. But in recent year its profitability was adversely affected because of stressed assets. The assets stress has hampered credit growth of the economy. Five banks were selected to evaluate its performance both in terms of financial performance measures as well as value based measures. The main objective of the study was to evaluate the financial efficiency of the banks and also the contribution of the banks in value creation towards its shareholders. The period of the study was 2014-2018. The EVA and MVA were the two value based measures and the dependent variable of the study. The independent variables are Net Profit, Operating Profit, ROA, ROCE, PAT, CAR, EPS and EVA. From the two regression models, the stronger one was the Economic value Added as it was found that 67% of the variation of the dependent variable was due to the independent variables. It is observed that the MVA of all the four private sector banks has steadily improved over the years. The same cannot be said of SBI where the MVA has eroded significantly. The study help to identify whether the banks are properly utilizing the capital invested and creating value for its shareholders. However, study shows that Operating Profit and ROCE is highly correlated to the value performance measures of the banks.

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