

# **IMPACT OF ECONOMIC VALUE ADDED ON STOCK PERFORMANCE OF COMMERCIAL BANKS: A PAKISTAN PERSPECTIVE**

**BY**

**MAHAM ZEESHAN**

**35003**

A thesis presented to the Department of Management Sciences, Bahria University  
Karachi Campus, in partial fulfillment of the requirements  
of the MBA degree



**SPRING, 2015**

**Bahria University Karachi Campus**

# MBA Thesis

## 2<sup>nd</sup> Half-semester Progress Report & Thesis Approval

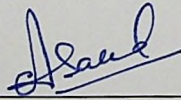
### Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	19/5/2015	Bahria University	Literature Review	Maham
6	27/5/2015	Bahria University	Calculation of EVA	Maham
7	4/6/2015	Bahria University	Data Integration & Analysis	Maham

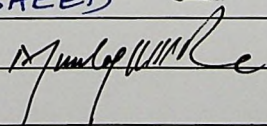
### APPROVAL FOR EXAMINATION

Candidate's Name: MAHAM ZEESHAN Registration No. 35003  
Thesis Title: IMPACT OF EVA ON STOCK PERFORMANCE OF COMMERCIAL BANKS: A PAKISTANI PERSPECTIVE

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at ----- that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature:  Date: 4/10/2015

Name: M. AKBAR SAEED

Head Of Department Signature:  Date: \_\_\_\_\_

## Abstract

**Purpose:** The purpose of this study is to examine the impact of economic value added on the share prices of commercial banks listed on KSE-100 index in Pakistan.

**Methodology/Sample-** The study involved use of a sample of 10 banks taken out of 14 banks listed at KSE-100. Data was collected on annual basis for the period 2010-2014.

**Findings-** The analysis of this research substantiate the impact of EVA on share prices in commercial banking sector. The share prices are seen to be acting independently of the EVA of the banks in the sample for the five year time period in the study.

**Practical Implications-** The research aims to add to the limited literature available on the relationship between EVA and stock performance in Pakistan. The outcome of the research might be useful for corporate banks and banking regulatory bodies to understand the significance of EVA in explaining the stock returns of banks. The banks might find EVA as a better predictor of managerial performance. EVA can also be helpful in assessing the workforce productivity by directly linking their decision making to shareholders worth.

**Keywords:** EVA, Stock returns, traditional financial metrics,

## Table of Contents

### The Preliminary Part

Title Page.....	
Thesis Submission Approval Statement.....	i
Declaration of Authentication.....	ii
List of Tables.....	iii
Plagiarism Test Report.....	v
Acknowledgement.....	vi
Abstract.....	vii
<b>Chapter 1: Introduction.....</b>	<b>1</b>
1.1 The Problem Background.....	1
1.2 Research Hypothesis.....	2
1.3 Thesis Time Horizon.....	2
1.4 Limitations of the Study.....	2
1.5 Organization of the Thesis.....	3
1.6 Introduction to the Banking Industry.....	3
<b>Chapter 2: Literature Review.....</b>	<b>5</b>
<b>Chapter 3: Research Methodology.....</b>	<b>8</b>
3.1 Research Purpose & Design.....	8
3.2 Sampling Technique & Sample Size.....	8
3.3 Data Collection Method.....	8
3.4 Data Integration Method.....	8
3.5 Description of Variables.....	9
<b>Chapter 4: Data Integration &amp; Analysis.....</b>	<b>11</b>
4.1 Descriptive Statistics.....	11
4.2 Correlation Analysis.....	11
4.3 Regression Analysis.....	12
4.4 Hypothesis Result.....	13
<b>Chapter 5: Critical Debate/Discussion.....</b>	<b>14</b>
<b>Chapter 6: Conclusion &amp; Recommendations.....</b>	<b>17</b>

6.1 Conclusion.....	17
6.2 Recommendations .....	18
<b>References/Bibliography.....</b>	<b>19</b>
<b>Appendix .....</b>	<b>21</b>
1.1 The Sample of selected commercial banks listed on KSE-100 .....	22
1.2 Model Developed for Calculation of EVA.....	23
1.3 Data Set of EVA and Share Prices .....	24