

5.0 CONCLUSION AND DISCUSSION

The results of this research show that the relationship between EVA and stock returns is positive. It appears that Malaysian shareholders do take into wealth creation when investing. EVA was also found to be superior to traditional accounting performance measures in explaining stock returns for Malaysian companies. This also indicates that Malaysian investors and shareholders do evaluate company performance using EVA. Therefore Malaysian managers should begin to develop internal project evaluation and compensation based on EVA. This is necessary to ensure better alignment with shareholder objectives.

This research was based on sample from only the plantation sector. It could be further extended using the KLCI stocks to derive a more comprehensive and definitive conclusion.

Another possible research would be to conduct an event study to ascertain the ability of EVA to detect financial distress earlier compared with other performance measures. It would be useful to know whether EVA can actual provide an early indicator of financial deterioration. This could help advert the situation that arose in 1997.

The results of this study have provided us with a useful insight on the relationship between EVA and stock returns and how it compares with the current and popularly used performance measures. Further research in this area would help provide additional insights on the usefulness of EVA as a measure of performance.