THE RELATIONSHIP BETWEEN

PERFORMANCE MEASURES AND STOCK RETURN

Evidence from Beverage Food and Tobacco Sector of CSE

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ABSTRACT

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The aim of this study is to examine the explanatory ability and relationship between economic value added (EVA), return on Assets (ROA), return on equity (ROE), and earnings per share (EPS) as explanatory variables for stock returns. The study population consists of 20 companies listed in Colombo Stock Exchange (CSE) belongs to beverage food and tobacco sector during the period 2008-2012 and whole population is covered through this study. The study implemented regression model to test this relationship and explain ability. The results were indicated weak positive statistically significant relationship between ROE, EPS to the variation of stock returns, but insignificant relationship between ROA and EVA with stock returns. The highest explain ability was resulted from traditional performance measures of ROE and EPS. The results of this study are consistent with the empirical results of Kumar and Sharma (2011); Biddle (1998); Paliam (2006).

***Keywords:* EVA, ROA, ROE, EPS, Stock return, CSE, Sri Lanka**