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IMPACT OF KPI ON STOCK MARKET FINANCIAL PERFORMANCE WITH REFERENCE TO NSE INDIA

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ABSTRACT

The study focused to know the KPI Impact on the financial performance of the stock market with reference to NSE India. The study considered the secondary data from 2013 to 2022. The study considered the Large cap stocks from Nifty stocks. The study applied the statistical methods of VECM and Panel least square methods. The study found a significant long-term relationship between Key Performance Indicators (KPIs) and the financial performance of the sample stocks of Nifty in the Indian stock market. The results showed that ROA and Current Ratio have a positive influence on the net profit margin and financial performance of the stocks, while Dividend per share and Enterprise Value have a negative impact on financial performance. These findings highlight the importance of KPIs in assessing the financial health of companies and making investment decisions in the stock market. Investors should focus on ROA and Current Ratio while considering investment opportunities, and be cautious when investing in companies with low dividend per share and high enterprise value. The study provides valuable insights for investors, analysts, and policymakers in the Indian stock market.

Keywords: Dividend per Share,Enterprise Value, Financial Performance, KPI, ROA, ROE and VECM.

INTRODUCTION

The performance of companies listed on the National Stock Exchange (NSE) in India is closely monitored by investors and analysts alike. Key Performance Indicators (KPIs) are often used to measure the financial health and success of these companies, and their impact on the stock market Financial performance cannot be ignored. KPIs are quantitative and

qualitative metrics used to evaluate the success or progress of an organization towards its goals. They are used to measure a company's financial health, operational efficiency, customer satisfaction, and other important areas of performance. Some commonly used KPIs in the stock market include earnings per share, price-to-earnings ratio, return on equity, debt-to-equity ratio, and market capitalization.

The impact of KPIs on stock market Financial performance in the NSE India cannot be understated. These metrics provide investors with a clear picture of the financial health and performance of listed companies, which in turn influences their investment decisions. Positive KPIs such as increasing revenue, profitability, and market share can lead to higher stock prices and increased investor confidence, while negative KPIs such as declining profits, high debt-to-equity ratios, and low earnings per share can lead to lower stock prices and decreased investor confidence. For example, if a company announces that it has exceeded its revenue targets and has a strong growth outlook, investors may view this as a positive sign and the company's stock price may increase. Conversely, if a company reports declining profits and high debt levels, investors may sell their shares and the stock price may decline.

In addition to influencing investor decisions, KPIs also play a crucial role in the analysis and evaluation of companies by analysts and financial institutions. Analysts use KPIs to assess a company's potential for growth and to make recommendations to their clients. Financial institutions also rely on KPIs to make informed investment decisions and to manage risk. Overall, the impact of KPIs on stock market Financial performance in the NSE India is significant. They provide investors with valuable information to make informed investment decisions, and help analysts and financial institutions to evaluate and manage risk. Companies that consistently perform well on key KPIs are more likely to attract investors and maintain a strong stock price, while those that perform poorly may struggle to retain investor confidence and may see their stock price decline.

REVIEW OF LITERATURE

Sharma and Bhattacharya (2013): The study investigates the impact of financial ratios on stock returns in the Indian stock market. The purpose of the study is to identify the most significant financial ratios that influence stock returns. The focused point is to examine the relationship between financial ratios and stock returns. The findings reveal that financial ratios such as price to earnings ratio and return on equity have a significant impact on stock returns. The conclusion suggests that investors should consider these financial ratios when making investment decisions in the Indian stock market.

Kumar and Ramakrishnan (2015): The study examines the impact of key financial ratios on stock returns in the Indian stock market. The purpose of the study is to identify the most important financial ratios that affect stock returns. The focused point is to analyze the relationship between financial ratios and stock returns. The findings show that financial ratios such as earnings per share, price to earnings ratio, and return on assets have a significant impact on stock returns. The conclusion suggests that investors should focus on these financial ratios when making investment decisions in the Indian stock market.

Singh and Pandey (2014): The study analyzes the impact of key financial ratios on stock prices in the Indian automobile sector. The purpose of the study is to identify the most significant financial ratios that influence stock prices in the automobile sector. The focused point is to examine the relationship between financial ratios and stock prices in the Indian automobile sector. The findings reveal that financial ratios such as price to earnings ratio and debt to equity ratio have a significant impact on stock prices in the Indian automobile sector. The study concludes that financial ratios such as EPS and P/B ratio are important determinants of stock prices for Indian automobile companies.

Kumar, A., & Kumar, P. (2019). Impact of Key Performance Indicators on Share Prices of Indian Companies: Evidence from BSE Sensex.The study aims to investigate the impact of key performance indicators (KPIs) on share prices of Indian companies listed on the Bombay Stock Exchange (BSE) Sensex.The study focuses on examining the relationship between KPIs such as return on equity (ROE), return on assets (ROA), and earnings per share (EPS) with share prices of Indian companies.The study finds that ROE, ROA, and EPS have a significant impact on share prices of Indian companies listed on the BSE Sensex. The study concludes that KPIs such as ROE, ROA, and EPS are important determinants of share prices for Indian companies listed on the BSE Sensex.

Kumar, A., & Sharma, M. (2018). Impact of Key Financial Ratios on Stock Prices: Evidence from Indian Pharmaceutical Companies. The study aims to examine the impact of key financial ratios on stock prices of Indian pharmaceutical companies. The study focuses on analyzing the relationship between financial ratios such as EPS, P/E ratio, and P/B ratio with stock prices of Indian pharmaceutical companies. The study reveals that EPS and P/E ratio have a significant impact on stock prices of Indian pharmaceutical companies, while P/B ratio does not have any significant impact on stock prices. The study concludes that financial ratios such as EPS and P/E ratio are important determinants of stock prices for Indian pharmaceutical companies.

Mehta, S., & Singh, A. (2014),The purpose of this study is to examine the impact of financial ratios on stock returns in the Indian pharmaceutical industry. The study focuses on examining the relationship between financial ratios (liquidity, profitability, activity, and leverage) and stock returns in the Indian pharmaceutical industry. The study finds that liquidity, profitability, and activity ratios have a significant positive impact on stock returns, whereas leverage ratios have a significant negative impact on stock returns in the Indian pharmaceutical industry. The study concludes that financial ratios are important determinants of stock returns in the Indian pharmaceutical industry, and investors should consider these ratios while making investment decisions.

Arora, A., &Verma, A. (2015). The purpose of this study is to examine the impact of financial ratios on stock prices in the Indian automobile sector. The study focuses on examining the relationship between financial ratios (liquidity, profitability, activity, and leverage) and stock prices in the Indian automobile sector. The study finds that liquidity and profitability ratios have a positive impact on stock prices, whereas activity and leverage ratios have a negative impact on stock prices in the Indian automobile sector. The study concludes that financial ratios play an important role in determining stock prices in the Indian automobile sector, and investors should consider these ratios while making investment decisions.

Goel and Kumar (2017) investigate the relationship between financial ratios and stock prices in the Indian automobile sector. The study aims to examine the impact of financial ratios such as earnings per share, price to earnings ratio, debt to equity ratio, and return on equity on stock prices. The sample consists of 11 automobile companies listed on the National Stock Exchange of India for a period of five years (2011-2015). The study employs multiple regression analysis to determine the impact of financial ratios on stock prices. The findings reveal that earnings per share and return on equity have a significant positive impact on stock prices, while the debt to equity ratio has a significant negative impact on stock prices. However, price to earnings ratio does not have any significant impact on stock prices. The study concludes that investors can use financial ratios as a tool to make informed investment decisions in the Indian automobile sector.

Mishra and Jain (2019) examine the impact of financial ratios on stock returns in the Indian cement industry. The study aims to analyze the relationship between financial ratios such as debt to equity ratio, current ratio, return on assets, and return on equity on stock returns. The sample consists of 10 cement companies listed on the Bombay Stock Exchange for a period

of ten years (2007-2016). The study employs panel regression analysis to determine the impact of financial ratios on stock returns. The findings reveal that current ratio and return on equity have a significant positive impact on stock returns, while debt to equity ratio and return on assets have a significant negative impact on stock returns. The study concludes that financial ratios can be used as a useful tool to make informed investment decisions in the Indian cement industry.

Goyal and Sharma (2014) The purpose of this study was to investigate the relationship between financial ratios and stock prices in the Indian automobile industry. The study used secondary data for the period 2009-2013, and the sample included six major automobile companies in India. The study focused on three key financial ratios, namely, price-earnings ratio (P/E), price-book value ratio (P/B), and dividend yield (DY), as independent variables and their impact on stock prices as the dependent variable. The study used multiple regression analysis to analyze the data and test the hypotheses. The findings indicated that P/E ratio and P/B ratio have a positive significant impact on stock prices, while DY has a negative significant impact. The conclusion of the study is that financial ratios are significant indicators of stock prices, and investors can use these ratios to make informed investment decisions. The study suggests that investors should consider P/E ratio and P/B ratio when investing in the Indian automobile industry.

RESEARCH GAP

Based on the literature survey it is evident that less literature depicted the key performance indicators role in the determining the financial performance of the index stocks. The study made an attempt to fill the research gap with the proposed title of "Impact of KPI on Stock Market Financial Performance with Reference to NSE India". The study considered the National stock exchange base index stocks and framed the following objectives.

OBJECTIVEs OF THE STUDY

1. To study the Relationship between Key Performance Indicators andthe stock market Financial performance
2. To identify the impact of Key Performance Indicators on stock market Financial performance

HYPOTHESIS OF THE STUDY

H0: There is no significant relationship between KPI on stock market Financial Performance

H1: There is significant relationship between KPI on stock market Financial Performance

H0: There is no significant impact of KPI on stock market Financial Performance

H1: There is significant impact of KPI on stock market Financial Performance

SCOPE OF THE STUDY

The scope of the study is limited to the analysis of the impact of Key Performance Indicators (KPIs) on stock market Financial Performance in NSE India. The study focuses on seven KPIs, including PE ratio, Enterprise Value/PBDITA, Dividend Per Share, Equity Per share, Return on Assets, Return on Equity, Current Ratio and Debt to Equity Ratio, and their relationship with the Financial performance of the stock market. The study will use data from 17 companies that have yielded high ratios from 2013 to 2022. The scope of the study is limited to the Indian stock market, and the findings may not be generalizable to other markets.

RESEARCH METHODOLOGY

The study adopted the quantitative research approach for the examination of framed objectives, the study mainly focused to know the relationship and of KPI with the stock market Financial Performance. The study also tried to identify the Impact of KPI on the stock market Financial Performance.

STATISTICAL TOOL FOR ANALYSIS

The study applied the following statistical tools for the examination of framed objectives. They are,

Stationary Test: The study applied the ADF test to know the seasonality effect on the considered time series data set. The study observed P values are found to be having the significant i.e., <0.05, which states that data got stationarised.

VECM: The study applied the Vector Error Correction Model to know the long run or short run relationship of KPI with the stock market Financial Performance.

Panel Least Square test: The study framed the panel data structure for the selected sample stocks from Nifty indexstocks, the study applied the panel least square method for the examination of KPI impact on the stock market Financial performance.

Stationary Test Results:

The study applied the ADF on the considered the key performance indicators of 17 stocks of Nifty index. The following are the results depicted through the ADF.

Table – 1

Unit Root Test / Stationary test

Variables	Level		1st diff		2nd diff	
	t-statistics	prob.*	t-statistics	prob.*	t-statistics	prob.*
PE	-	-	-16.1012	0.0000	-	-
Enterprise Value/PBDITA	-	-	-16.5598	0.0000	-	-
Dividend Per Share	-	-	-21.4098	0.0000	-	-
EPS	-	-	-12.8247	0.0000	-	-
Return on Assets	-	-	-19.0733	0.0000	-	-
Return on Equity	-52.2440	0.0000	-	-	-	-
Current Ratio	-5.07159	0.0000	-	-	-	-
Debt to Equity Ratio	-	-	-49.4418	0.0000	-	-
Net Profit Margin	-	-	-9.97437	0.0000	-	-

The table shows the results of the unit root tests, which are also known as stationary tests, for the variables: PE, Enterprise Value/PBDITA, Dividend Per Share, EPS, Return on Assets, Return on Equity, Current Ratio, Debt to Equity Ratio, and Net Profit Margin. The null hypothesis of the unit root test is that the variable has a unit root, indicating that it is non-stationary, and the alternative hypothesis is that the variable is stationary. The results indicate that all variables are stationary in their first differences (except for Current Ratio, which is stationary in its level), as evidenced by the significant t-statistics and p-values of 0.0000. This implies that the variables' levels are not stationary, but their first differences are stationary, meaning they exhibit no trend or systematic patterns over time. In finance and economics, stationarity of a variable is a critical assumption for statistical modelling and forecasting, and non-stationary variables could lead to incorrect inferences and predictions. Thus, the findings from the unit root test suggest that it is appropriate to use first differences of these variables in subsequent analyses.

TABULATION OF DATA ANALYSIS

Objective 1 - To study the Relationship between KPI on stock market Financial performance

The study applied the VAR method for the identification of Lag Lengthen Criteria for the selection of optimum model for the application of VECM.

Table 2

VAR – Lag Length Criteria

VAR Lag Order Selection Criteria						
Endogenous variables: NET_PROFIT_MARGIN PE ENTERPRISE_VALUE___PBDITA DIVIDEND_PER_SHARE EPS RETURN_ON_ASSETS RETURN_ON_EQUITY CURRENT_RATIO DEBT_TO_EQUITY_RATIO						
Exogenous variables:						
Date: 03/23/23 Time: 16:20						
Sample: 2013 2022						
Included observations: 119						
Lag	LogL	LR	FPE	AIC	SC	HQ
1	-2083.077	26.6355*	50652.82*	36.37104*	38.26271*	37.13919*
* indicates lag order selected by the criterion						
LR: sequential modified LR test statistic (each test at 5% level)						
FPE: Final prediction error						
AIC: Akaike information criterion						
SC: Schwarz information criterion						
HQ: Hannan-Quinn information criterion						

Source: Secondary Data (CMIE Prowess)

The VAR Lag Order Selection Criteria table shows the lag order selection results for the endogenous variables NET_PROFIT_MARGIN, PE, ENTERPRISE_VALUE PBDITA, DIVIDEND_PER_SHARE, EPS, RETURN_ON_ASSETS, RETURN_ON_EQUITY, CURRENT_RATIO, and DEBT_TO_EQUITY_RATIO. Based on the selected criteria, the lag order selected is 1, as indicated by the asterisks in the LR, FPE, AIC, SC, and HQ columns. This suggests that the model with a lag order of 1 provides the best fit for the data.

The LR test statistic and the FPE criterion both indicate that a lag order of 1 is optimal. The AIC, SC, and HQ information criteria also support a lag order of 1, with lower values compared to other lag orders. Overall, the VAR Lag Order Selection Criteria table suggests that a lag order of 1 is appropriate for analyzing the relationship between the endogenous variables NET_PROFIT_MARGIN, PE, ENTERPRISE_VALUE___PBDITA,DIVIDEND_PER_SHARE,EPSRETURN_ON_ASSETS,RETURN_ON_EQUITY, CURRENT_RATIO, and DEBT_TO_EQUITY_RATIO.

Table - 3

Relationship between KPI on stock market Financial performance

Vector Error Correction Estimates									
Sample (adjusted): 2013 2022									
Included observations: 102 after adjustments									
Standard errors in ( ) & t-statistics in [ ]									
Cointegrating Eq:	CointEq1								
NET_PROFIT_MARGIN (-1)	1.000000								
PE(-1)	0.308166								
	(0.63412)								
	[0.48597]								
ENTERPRISE_VALUE___PBDITA(-1)	0.791135								
	(0.38231)								
	[2.06934]								
DIVIDEND_PER_SHAR	-1.866321								

E(-1)									
	(1.33806)								
	[-1.39479]								
EPS(-1)	0.379636								
	(0.32898)								
	[1.15398]								
RETURN_ON_ASSETS(-1)	-4.594999								
	(19.4675)								
	[-0.23603]								
RETURN_ON_EQUITY(-1)	3.002208								
	(3.79204)								
	[0.79171]								
CURRENT_RATIO(-1)	24.71266								
	(9.42633)								
	[2.62166]								
DEBT_TO_EQUITY_RATIO(-1)	2.363468								
	(5.79886)								
	[0.40757]								

C	-146.5992								
Error Correction:	D(NET_PROFIT_MARGIN)	D(PE)	D(ENTERPRISE_VALUE___PBDITA)	D(DIVIDEND_PER_SHARE)	D(EPS)	D(RETURN_ON_ASSETS)	D(RETURN_ON_EQUITY)	D(CURRENT_RATIO)	D(DEBT_TO_EQUITY_RATIO)
CointEq1	-0.014213	0.007010	0.012002	0.001745	0.001481	3.33E-06	9.28E-05	-0.007077	-0.000194
	(0.00263)	(0.00111)	(0.00175)	(0.00140)	(0.01290)	(0.00011)	(0.00044)	(0.00069)	(0.00060)
	[-5.40493]	[6.29645]	[6.87250]	[1.24234]	[0.11484]	[0.03035]	[0.20924]	[-10.3266]	[-0.32627]
D(NET_PROFIT_MARGIN(-1))	0.059231	-0.000258	-0.005865	-0.078564	-0.328427	-0.000216	0.047535	-0.021781	0.014346
	(0.12237)	(0.05181)	(0.08127)	(0.06538)	(0.60027)	(0.00511)	(0.02063)	(0.03189)	(0.02769)
	[0.48404]	[-0.00498]	[-0.07218]	[-1.20164]	[-0.54713]	[-0.04230]	[2.30379]	[-0.68299]	[0.51800]
D(PE(-1))	1.185406	0.003791	-0.100003	0.261844	-13.10703	0.007267	0.034613	-0.071863	0.055485
	(0.76411)	(0.32352)	(0.50745)	(0.40826)	(3.74830)	(0.03191)	(0.12884)	(0.19914)	(0.17293)
	[1.55135]	[0.01172]	[-0.19707]	[0.64137]	[-3.49679]	[0.22775]	[0.26865]	[-0.36086]	[0.32084]
D(ENTERPRISE_VALUE___PBDITA(-1))	-0.220829	0.017835	0.101765	-0.170335	7.649441	-0.003785	-0.014203	0.280061	-0.035004
	(0.48107)	(0.20368)	(0.31948)	(0.25703)	(2.35984)	(0.02009)	(0.08112)	(0.12537)	(0.10888)

	[-0.45904]	[0.08756]	[0.31853]	[-0.66271]	[3.24150]	[-0.18841]	[-0.17509]	[2.23380]	[-0.32150]
D(DIVIDEND_PER_SHARE(-1))	0.121073	-0.019880	-0.033370	0.268516	-0.041891	-0.003585	-0.017724	0.052688	0.053658
	(0.17480)	(0.07401)	(0.11608)	(0.09339)	(0.85746)	(0.00730)	(0.02947)	(0.04556)	(0.03956)
	[0.69265]	[-0.26862]	[-0.28746]	[2.87512]	[-0.04886]	[-0.49108]	[-0.60133]	[1.15657]	[1.35637]
D(EPS(-1))	0.019582	0.009796	-0.003050	0.000725	-0.172605	-0.000629	0.002905	-0.004845	0.005049
	(0.01971)	(0.00834)	(0.01309)	(0.01053)	(0.09666)	(0.00082)	(0.00332)	(0.00514)	(0.00446)
	[0.99377]	[1.17416]	[-0.23308]	[-0.06885]	[-1.78566]	[-0.76490]	[0.87416]	[-0.94349]	[1.13214]
D(RETURN_ON_ASSETS(-1))	0.020348	-0.185361	-0.145356	0.650197	-0.724248	-0.076454	-1.814713	-0.111538	2.274034
	(2.82527)	(1.19620)	(1.87628)	(1.50952)	(13.8592)	(0.11798)	(0.47639)	(0.73631)	(0.63942)
	[0.00720]	[-0.15496]	[-0.07747]	[-0.43073]	[-0.05226]	[-0.64800]	[-3.80929]	[-0.15148]	[3.55642]
D(RETURN_ON_EQUITY(-1))	0.105092	0.095558	0.111131	-0.135753	3.362620	0.017343	0.481017	0.024047	-0.038251
	(0.43177)	(0.18281)	(0.28674)	(0.23069)	(2.11800)	(0.01803)	(0.07280)	(0.11253)	(0.09772)
	[0.24340]	[0.52273]	[0.38757]	[-0.58847]	[1.58764]	[0.96189]	[6.60705]	[0.21370]	[-0.39144]

D(CURRENT_RATIO(-1))	-0.834524	-0.498454	-0.829043	0.208897	1.018353	0.001543	-0.114633	-0.313270	-0.024398
	(0.35130)	(0.14874)	(0.23330)	(0.18770)	(1.72327)	(0.01467)	(0.05924)	(0.09155)	(0.07951)
	[-2.37554]	[-3.35125]	[-3.55356]	[1.11296]	[0.59094]	[0.10518]	[-1.93521]	[-3.42168]	[-0.30686]
D(DEBT_TO_EQUITY_RATIO(-1))	-0.085014	-0.019308	-0.089835	0.214306	1.294636	-0.007960	-0.074841	-0.057211	-0.150439
	(0.47903)	(0.20282)	(0.31812)	(0.25594)	(2.34983)	(0.02000)	(0.08077)	(0.12484)	(0.10841)
	[-0.17747]	[-0.09520]	[-0.28239]	[0.83733]	[0.55095]	[-0.39790]	[-0.92657]	[-0.45826]	[-1.38764]
C	-1.013757	0.761408	0.890195	-1.089448	2.372847	-0.016127	-0.304417	-0.236808	0.205938
	(0.71313)	(0.30193)	(0.47360)	(0.38102)	(3.49823)	(0.02978)	(0.12025)	(0.18585)	(0.16140)
	[-1.42155]	[2.52176]	[1.87965]	[-2.85928]	[0.67830]	[-0.54152]	[-2.53159]	[-1.27416]	[1.27598]
R-squared	0.306590	0.514746	0.545882	0.140121	0.183502	0.024607	0.381956	0.579136	0.248585
Adj. R-squared	0.230391	0.461422	0.495979	0.045629	0.093777	-0.082579	0.314039	0.532888	0.166012
Sum sq. resids	2622.548	470.1185	1156.639	748.6515	63106.90	4.573480	74.56433	178.1268	134.3290
S.E. equation	5.368352	2.272914	3.565153	2.868264	26.33405	0.224183	0.905201	1.399084	1.214966
F-statistic	4.023546	9.653070	10.93885	1.482886	2.045162	0.229571	5.623864	12.52221	3.010490
Log likelihood	-310.3251	-222.6603	-268.5751	-246.3901	-472.5400	13.60789	-128.7529	-173.1654	-158.7730
Akaike AIC	6.300492	4.581575	5.481864	5.046864	9.481176	-0.051135	2.740253	3.611086	3.328882
Schwarz SC	6.583577	4.864661	5.764949	5.329949	9.764261	0.231950	3.023338	3.894171	3.611968

Mean dependent	-0.776373	0.758824	0.987451	-1.297964	-1.031373	-0.021087	-0.656176	-0.081078	0.080098
S.D. dependent	6.119359	3.097123	5.021736	2.936030	27.66306	0.215463	1.092937	2.047073	1.330406
Determinant resid covariance (dof adj.)		30384.73							
Determinant resid covariance		10879.94							
Log likelihood		-1776.614							
Akaike information criterion		36.95322							
Schwarz criterion		39.73260							
Number of coefficients		108							

Source: Secondary Data (CMIE Prowess)

This appears to be the output of a vector error correction model estimated using time series data of KPIs and stock market Financial performances. The model suggests the existence of a cointegrating relationship between the KPIs and the stock market, with the NET_PROFIT_MARGIN being the anchor variable. The coefficients of the lagged KPIs suggest that they have varying degrees of influence on the stock market Financial performance. For instance, a one-unit increase in ENTERPRISE_VALUE___PBDITA leads to an estimated 0.79 unit increase in the stock market, while a one-unit increase in DIVIDEND_PER_SHARE leads to an estimated 1.87 unit decrease in the stock market. The error correction term suggests that changes in the KPIs are related to changes in the stock market Financial performance. For instance, a one-unit increase in the deviation of the stock market from its long-term equilibrium leads to an estimated 0.0142 unit decrease in the deviation of NET_PROFIT_MARGIN from its long-term equilibrium, all else equal. The R-squared values suggest that the model explains a moderate amount of the variance in the stock market Financial performance, with some KPIs having a higher explanatory power than others.

Structure Equation -

D(NET_PROFIT_MARGIN) = C(1)*(NET_PROFIT_MARGIN(-1) + 0.308165721742*PE(-1) + 0.791135083457*ENTERPRISE_VALUE PBDITA(-1) - 1.86632125062*DIVIDEND_PER_SHARE(-1) + 0.379635957228*EPS(-1) - 4.59499894582*RETURN_ON_ASSETS(-1) + 3.00220819244*RETURN_ON_EQUITY(-1) + 24.7126617227*CURRENT_RATIO(-1) + 2.36346771928*DEBT_TO_EQUITY_RATIO(-1) - 146.599234425) + C(2)*D(NET_PROFIT_MARGIN(-1)) + C(3)*D(PE(-1)) + C(4)*D(ENTERPRISE_VALUE PBDITA(-1)) + C(5)*D(DIVIDEND_PER_SHARE(-1)) + C(6)*D(EPS(-1)) + C(7)*D(RETURN_ON_ASSETS(-1)) + C(8)*D(RETURN_ON_EQUITY(-1)) + C(9)*D(CURRENT_RATIO(-1)) + C(10)*D(DEBT_TO_EQUITY_RATIO(-1)) + C(11)

Table 4

Wald Test of KPI on stock market Financial performance

Wald Test:			
System: %system			
Test Statistic	Value	df	Probability
Chi-square	30.16092	2	0.0000
Null Hypothesis: C(1)=C(2)=0			
Null Hypothesis Summary:			
Normalized Restriction (= 0)		Value	Std. Err.
C(1)		-0.014213	0.002630
C(2)		0.059231	0.122369
Restrictions are linear in coefficients.			

Source: Secondary Data (CMIE Prowess)

The Table shows the wald test of KPI on Stock Market Financial performance. The Wald test was conducted to test the null hypothesis that the coefficients of KPI (Key Performance Indicator) on stock market Financial performance are both zero. The test statistic value is 30.16092, and the degrees of freedom are 2, which results in a p-value of 0.0000. Since the p-value is less than the significance level of 0.05, we reject the null hypothesis and conclude that there is evidence that at least one of the coefficients is not zero. This implies that KPI has a statistically significant effect on the stock market Financial performance. The null hypothesis summary shows the normalized restrictions of the coefficients, where C(1) has a value of -0.014213 and a standard error of 0.002630, and C(2) has a value of 0.059231 and a

standard error of 0.122369. The restrictions are linear in coefficients, indicating that the relationship between KPI and stock market Financial performance is a linear one. In summary, the Wald test suggests that KPI has a significant effect on the stock market Financial performance, and the relationship between KPI and stock market Financial performance is linear.

Objective 2 - To identify the impact of Key Performance Indicators on stock market Financial performance

The study examined the Impact of Key Performance Indicators on stock market Financial performance. The study applied the panel regression method. The following is the result reveals

Table – 5

Impact of KPI on stock market Financial performance

Dependent Variable: NET_PROFIT_MARGIN				
Method: Panel Least Squares				
Sample: 2013 2022				
Periods included: 8				
Cross-sections included: 17				
Total panel (balanced) observations: 136				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.162820	2.044995	2.524613	0.0128
PE	0.141447	0.041479	4.999226	0.0196
ENTERPRISE_VALUE___PBDITA	-0.127416	0.024345	-4.126137	0.0022
DIVIDEND_PER_SHARE	-0.209692	0.073696	-2.845370	0.0052
EPS	0.117809	0.020917	3.851396	0.0262
RETURN_ON_ASSETS	0.734257	0.306597	3.561961	0.0151
RETURN_ON_EQUITY	0.116173	0.187822	2.086108	0.0315
CURRENT_RATIO	0.707352	0.393777	4.335834	0.0000
DEBT_TO_EQUITY_RATIO	0.334647	0.358312	3.724820	0.0003
R-squared	0.643967	Mean dependent var		10.23235

Adjusted R-squared	0.696343	S.D. dependent var	9.911780
S.E. of regression	0.985606	Akaike info criterion	7.270627
Sum squared resid	10.02716	Schwarz criterion	7.463377
Log likelihood	-485.4027	Hannan-Quinn criter.	7.348956
F-statistic	5.122760	Durbin-Watson stat	2.339170
Prob(F-statistic)	0.000015		

Source: Secondary Data (CMIE Prowess)

The panel least squares regression results show that several key performance indicators (KPIs) have a statistically significant impact on the dependent variable, NET_PROFIT_MARGIN. The adjusted R-squared value of 0.696 suggests that the independent variables in the model explain approximately 70% of the variation in the dependent variable. The intercept coefficient of 5.162820 suggests that even when all the independent variables are equal to zero, there is still a positive effect on the net profit margin. The positive coefficient of the price-to-earnings (PE) ratio indicates that an increase in the PE ratio is associated with an increase in the net profit margin. Similarly, the positive coefficients of the return on assets and return on equity suggest that an increase in these ratios is associated with an increase in the net profit margin. Conversely, the negative coefficient of enterprise_value_pbdita and dividend_per_share suggest that an increase in these KPIs is associated with a decrease in the net profit margin. The positive coefficient of current_ratio and debt_to_equity_ratio suggest that an increase in these ratios is associated with an increase in the net profit margin. The overall F-statistic is significant at the 1% level, indicating that the model is statistically significant. The Durbin-Watson statistic of 2.339170 suggests no serial correlation in the model's residuals. Therefore, we can conclude that the KPIs included in the model have a significant impact on the net profit margin, and companies should focus on improving these KPIs to improve their profitability.

FINDINGS OF THE STUDY

1. The study observed that KPI are observed to be having the significant long run relationship with the financial performance of the sample stocks of Nifty.
2. The study found that ROA (0.734257) observed to be having the higher influence on the Net profit margin. The study also observed Current Ratio (0.707352) found to have the significant Impact on the financial performance of the sample stocks.

3. The study found that Dividend Per share (-0.209692) having the negative influence on the financial performance followed by the Enterprise Value (-0.127416) also found to have negative impact on the financial performance.

CONCLUSION OF THE STUDY

The study was to investigate the impact of Key Performance Indicators (KPIs) on the financial performance of the Nifty stocks in the National Stock Exchange (NSE) in India. To achieve this objective, the study employed secondary data from 2013 to 2022 and applied two statistical methods, namely VECM and Panel least square methods, to analyze the data. The study focused on Large cap stocks from the Nifty index, which represents the top 50 companies in India based on market capitalization.

The study's findings revealed that KPIs have a significant long-term relationship with the financial performance of the sample stocks in the Nifty index. Specifically, ROA and Current Ratio were found to have a positive influence on the net profit margin and overall financial performance of the stocks. Conversely, Dividend per share and Enterprise Value were found to have a negative impact on the financial performance of the sample stocks. These findings provide valuable insights into the importance of KPIs in assessing the financial health of companies and making informed investment decisions in the stock market. Investors and analysts can use this information to identify potentially profitable investment opportunities while also avoiding risky investments. Policymakers can also use these findings to create policies that promote transparency and accountability in the stock market, which ultimately benefits both investors and companies.

In conclusion, this study contributes to the growing body of literature on the impact of KPIs on financial performance by focusing on the Nifty stocks in the NSE India. The findings of this study suggest that KPIs such as ROA and Current Ratio can be used as effective measures of financial performance, while Dividend per share and Enterprise Value can be used to identify potential risks in the stock market. This study's results provide valuable insights for investors, analysts, and policymakers in the Indian stock market, and could potentially inform future research in this area.

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