

Effect of shareholders' value on corporate financial performance

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Abstract

This paper aims to determine relationship between shareholders' value (share price) and return on assets. This research paper applied a quantitative method, the data for share price and return on assets were collected from the Identification of Requirement for Enterprise Social Software (IRESS) database and sustainability reports where the focus was only on listed Johannesburg Stock Exchange (JSE) firms and 68 firms were purposively selected from JSE firms for 10 years (2009 to 2019). The data was analysed using a single regression analysis, as it was one dependent variable (shareholders value) and one independent variable (return on assets). The findings showed a p-value of 0.195 that suggests an insignificant relationship between the shareholders' value and financial performance. Therefore, it alludes that regardless of how an organisation can improve the value of their shareholder, it will not translate into an improved corporate financial performance. However, businesses and investors should look into more variable that can influence the shareholders' value not necessarily the share price only as there are other variable like dividends, number of shares or earnings per share and others that might have an effect on the return on assets which is driver of financial performance.

Keywords: Shareholders, Stakeholders needs and corporate financial performance

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