

THE APPLICATION OF ECONOMIC VALUE ADDED ON PERFORMANCE EVALUATION OF LISTED BANKS IN CHINA

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Abstract

The five-year protection period after China's banking industry entering the world has come to an end. With China's financial market integrating into international financial market in 2006, uncertain risks have increased. Also, the external environment that China's banking industry relied on has become more complex. Facing the current situation, China's banking industry urgently needs a set of scientific and comprehensive performance evaluation methods to increase its efficiency, sustainability and competency. Interestingly, Economic Value Added (EVA) as a popular performance evaluation method has not been widely used on the banking industry. This article evaluates the performance, reliability and influential factors of EVA on China's commercial banks based on annual reports (2006-2011) of 12 public listed banks. The EVA model is amended based on the unique features of China's banking industry. By using the CAMEL analytic method and designing a regression model, the current situation of the banking industry is critically analyzed and discussed. At the end of the paper conclusions are made and some relevant suggestions are formed including implementing a comprehensive capital management, improving asset quality and adjusting earning structure in order to further develop the banking industry in China.

Keywords: EVA, performance evaluation, bank, influential factors, China.

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