Abstract

Shareholder Value Creation has become the universal standard for measuring the corporate performance. A firm has to focus on a framing of optimal capital structure with the objective of shareholders’ wealth maximization because they are the ultimate owner of the enterprise. Fixed cost funds play an essential role in designing the capital structure. The focal gain of the insertion of fixed cost funds in the capital structure has a domino effect on higher profits, which helps to give maximum return to the shareholders. Manufacturing sector is a capital intensive sector, where greater prominence has been given in framing the capital structure. In this background, the study makes an attempt to examine the impact of leverage on shareholder value creation of Indian Manufacturing sector for the period 1995-96 to 2009-10. In this study, the Shareholder Value Creation has been measured in terms of Economic Value Added. Summary statistics, growth measures and a panel data approach have been applied to analyse the data. The study reveals that the leverage has a significant influence on shareholder value creation.