





# Financial Performance Evaluation Using Various Economic Value Added Measures in the Consumer Sector of the Iraq Stock Exchange

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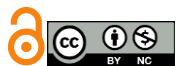
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## ABSTRACT

**Objective:** This study aims to evaluate the impact of three contemporary economic performance metrics on the financial performance of consumer sector companies listed on the Iraq Stock Exchange.

**Methodology:** A dynamic panel data approach using the Arellano and Bond method was employed to analyze data from 16 companies over 7 years. Variables including EVA, REVA, ENEVA, Return on Investment (ROI), financial ratios, sales growth rate, financial risk, market indicators, and advertising expenditures were evaluated for their influence on return on assets (ROA).

**Findings:** All three EVA metrics showed significant positive effects on financial performance, with REVA identified as the most effective measure. ROI, financial ratios, sales growth rate, and advertising expenditures also positively influenced ROA, while financial risk negatively impacted performance. The Sargan and serial correlation tests confirmed the validity of the instruments and model.

**Conclusion:** The results emphasize the utility of EVA-based metrics, particularly REVA, as robust tools for financial performance evaluation and improvement in the consumer sector. These metrics provide a comprehensive perspective by incorporating capital costs, enabling firms to identify improvement opportunities and enhance long-term shareholder value.

**Keywords:** *Economic Value Added, Economic Value Added Momentum, Financial Performance, Consumer Industries.*

## 1 Introduction

Finding a superior tool for evaluating corporate financial performance has been considered one of the most important principles in recent financial research. However, accounting performance metrics such as net profit (NP), net operating profit after tax (NOPAT), return on investment (ROI), earnings per share (EPS), and so forth, have been criticized for their inability to reflect the full cost of organizational capital (Alrawashedh, 2024; Faryadras et al., 2024; Hashemi, 2024). Therefore, accounting income cannot be used to measure corporate performance and cannot be considered a consistent interpretation of corporate value (Yousefi Ghaleh-Roudkhani et al., 2023; Yousefi Qaleh Roudkhani et al., 2023). For this reason, in order to overcome this deficiency by finding a true measure of corporate financial performance, many researchers and consultants have made extensive efforts to discover the best tool for measuring corporate financial performance. Consequently, in 1991, Stewart introduced Economic Value Added (EVA) as a superior measure of economic profit and the best driver of shareholder value. After EVA, Bacidore et al. (1997) proposed Refined Economic Value Added (REVA) as an alternative to EVA. Finally, in 2009, Stewart introduced Economic Value Added Momentum (EVA Momentum) as the newest economic value added measure, which was registered as a trademark by EVA Dimensions under Stern Stewart (Qian, 2023; Sundari et al., 2023).

Evaluating financial performance using Economic Value Added (EVA) in the consumer sector provides a comprehensive measure of corporate profitability and the creation of shareholder value. Economic Value Added considers the opportunity cost of capital and compares it with net operating profit after tax. This enables a more accurate assessment of the firm's financial performance and serves as a key measure used by investors and analysts to evaluate a company's true economic profitability. By deducting the cost of capital from net operating profit after tax, EVA offers a more precise reflection of the firm's economic value added. EVA helps identify areas where a company may be underperforming and where improvements can be made to increase shareholder value (King & Henry, 2016; Omneya et al., 2021). In addition, it considers the firm's cost of capital, provides a more accurate measure of profitability, and focuses on creating long-term shareholder value. By taking into account the cost of capital, EVA offers a more comprehensive view of a firm's financial performance. This assists investors in making more

informed investment decisions and aids management in identifying areas for improvement (Biddle et al., 2001; Chen & Dodd, 2005; Fahrian & Nasution, 2023). It can be a useful tool in evaluating the financial performance of consumer sector firms listed on the stock market. It can also be used to compare the economic value added of different companies in the industry, identify potential investment opportunities, and serve as a performance measurement tool for setting goals and assessing their financial performance in comparison to industry peers. It can be a key factor in determining the true economic profitability of consumer sector companies, aiding strategic decision-making, and it can be employed as a metric to encourage management to concentrate on creating long-term value rather than short-term financial gains (Indriakati, 2023; Khan & Bradbury, 2005; King & Henry, 2016; Milbourn et al., 2010). It provides a comprehensive view of corporate financial performance by highlighting the importance of efficient resource utilization and generating returns that exceed the cost of capital. This encourages firms to focus on creating long-term value and sustainable growth. It can also be utilized as a tool for internal performance evaluation and compensation decisions. By aligning incentives with value creation, EVA can motivate management to make decisions that maximize shareholder wealth. It provides a clear framework for assessing corporate performance and making strategic decisions based on long-term value creation, and it also plays a vital role in guiding investment decisions and capital allocation in the consumer sector by helping companies prioritize projects and investments that generate the greatest economic value added (Bayrakdaroglu & Yalcin, 2012; Omneya et al., 2021).

In summary, EVA is a powerful tool for evaluating financial performance and making strategic decisions aimed at creating sustainable value and growth in the stock market. It also provides a clear understanding of a company's cost of capital and the efficiency of its investment decisions in the consumer industry and the stock market, ultimately leading to increased profitability and shareholder value in the stock market. Moreover, it helps align executive compensation with the company's true economic value creation, ensuring that management's incentives align with the firm's long-term success and value creation in the stock market (Fahrian & Nasution, 2023; Indriakati, 2023; Khan & Bradbury, 2005). This can enhance accountability and performance-based decision-making, reinforcing the company's focus on sustainable value creation and growth for shareholders. Encouraging a long-term perspective in decision-making

and resource allocation, as well as prudent financial management and responsible resource utilization, leads to more sustainable and resilient financial performance, reduces volatility, and improves overall financial health while offering a clear roadmap for corporate performance and growth. It can serve as a basis for strategic planning and resource allocation, ensuring that the company remains focused on creating sustainable value and growth for its shareholders (Qian, 2023).

The present research mainly focuses on evaluating the impact of economic value added measures on corporate financial performance, given that very few previous studies have examined this research area. This article also reviews the existing literature on assessing REVA and EVA Momentum as value-based economic techniques specifically employed in measuring financial performance. In this study, financial performance will be represented by an accounting metric, namely return on assets (ROA). ROA is one of the preferred and perhaps the most widely used methods of measuring corporate financial performance. In other words, by analyzing the value added of consumer sector firms, a better market position can be achieved through a deeper understanding of consumer behavior, which can lead to competitive advantage and result in the development of targeted marketing strategies and product innovation that increase market share and help business growth.

## 2 Methods and Materials

These variables are generally utilized as key indicators from various aspects of a firm's financial and strategic performance to evaluate and improve performance.

### Financial Performance Variable:

The financial performance variable of companies is typically used as one of the important factors in determining stock returns. This variable includes factors such as profitability, sales growth rate, financial ratios (e.g., profit-to-investment ratio), and other financial indicators. Effective financial performance of companies can have a direct impact on stock returns; for example, companies with high profitability and stable growth may appear more attractive to investors and offer desirable returns. Risk analysis in practice means identifying and assessing various types of risks—financial, operational, and market—that may affect companies. Financial risks can include factors such as exchange rate fluctuations, changes in interest rates, and issues related to debts and credits. These quantitative and qualitative data are collected from reliable sources,

analyzed, and used by companies to identify and assess existing risks and to make decisions for better risk management. In this research, the financial risk variable is employed.

### Market Variables:

Market variables are also examined as other influential factors on stock returns. These variables include elements such as market indices like the price-to-earnings ratio (P/E) and the economic productivity rate. Market variables can have a significant effect on stock returns; for example, with changes in market indices and economic conditions, stock prices and their returns are also influenced, which is of importance to investors.

### Using Financial Ratios and Other Financial Data:

These variables, which include information related to financial ratios such as P/E (price-to-earnings ratio) and P/B (price-to-book ratio), costs, profits, and other financial data, are derived from the companies' financial reports and financial databases. This information is usually obtained from public sources such as annual and quarterly reports of companies, financial websites, and financial data repositories. These variables serve as key informational indicators that help investors evaluate the financial and operational performance of companies and make investment decisions accordingly. For instance, financial ratios like P/E and P/B can indicate the relative value of stocks and a company's financial health, while financial information such as profits and costs can reflect a company's actual financial and operational performance. Using this information enables researchers and investors to conduct more accurate analyses of companies' performance and true value and to make better-informed investment decisions.

### Advertising and Marketing Expenditures:

This variable represents the total amount of spending on advertising and marketing a company's products or services, which can increase sales and boost market share. Value-added analysis can help identify more effective marketing strategies.

### Return on Investment (ROI):

This variable indicates the ratio of net profit to total investments made, expressed as a percentage. The importance of ROI reflects the firm's efficiency in using its capital to generate profit. Value-added analysis can help improve the efficiency of investments.

### Economic Value Added (EVA):

As one of the modern metrics for measuring corporate financial performance, EVA has attracted the attention of many researchers and financial analysts. Due to its emphasis

on capital costs and its ability to assess the creation of real value for shareholders—especially in stock exchanges—this index has been widely used. In this regard, Refined Economic Value Added (Refined EVA) and Enhanced Economic Value Added (Enhanced EVA) have also been introduced as improved and more accurate versions.

#### **Economic Value Added (EVA):**

EVA was introduced by Stern Stewart & Co. in the 1990s and quickly became recognized as a key metric for evaluating financial and operational performance (Sundari et al., 2023). This index subtracts capital costs from net operating profit after tax (NOPAT), thereby assessing the firm's actual economic profit. Various studies, including the research by Chen and Dodd (2005), have shown that EVA operates effectively as a metric for evaluating the financial performance and resource management of firms.

#### **Refined Economic Value Added (Refined EVA):**

Refined EVA is introduced as a modified version of EVA that takes various financial and non-financial factors into account to conduct a more refined and improved analysis of corporate financial performance (Biddle et al., 2001). By incorporating precise adjustments and modifications in its calculations, this version of EVA attempts to reduce the impact of short-term fluctuations and non-stable factors on firms' financial performance. Multiple studies, including the works of Omneya et al. (2021) and Milburn et al. (2010), have confirmed the positive and significant effects of Refined EVA on evaluating corporate financial performance (Milbourn et al., 2010; Omneya et al., 2021).

#### **Enhanced Economic Value Added (Enhanced EVA or Momentum):**

Enhanced EVA or Momentum is introduced as a more advanced version of EVA, which, in addition to EVA's primary metrics, also encompasses continuous trends and shifts in firms' financial performance (Khan & Bradbury, 2005). By combining EVA and Momentum, this metric provides a more accurate assessment of companies' financial performance and enables a more precise forecast of their financial future. Research conducted by King and Henry (2016) has shown that Enhanced EVA can be used as an advanced tool for analyzing and forecasting corporate financial performance (King & Henry, 2016).

#### **Calculation of Variables:**

In this section, the formulas and algebraic relationships for calculating each of the following variables are presented: Economic Value Added (EVA), Refined Economic Value Added (Refined EVA), and Enhanced Economic Value Added (Enhanced EVA) or Momentum.

#### **1. Economic Value Added (EVA):**

EVA is calculated as follows:

$$EVA = NOPAT - (WACC \times \text{Capital Employed})$$

#### **Net Operating Profit After Tax (NOPAT):**

This is the company's operating profit after taxes, calculated as follows:

$$NOPAT = EBIT \times (1 - \text{Tax Rate})$$

- EBIT: Earnings Before Interest and Taxes
- Tax Rate: Income tax rate

#### **Weighted Average Cost of Capital (WACC):**

This is the average cost of the company's financing from various sources, including debt and equity, calculated as follows:

$$WACC = (E + D) \times R_e + (D + D) \times R_d \times (1 - \text{Tax Rate})$$

- E: Market value of equity
- D: Market value of debt
- $R_e$ : Cost of equity
- $R_d$ : Cost of debt

#### **Capital Employed:**

The total of shareholders' equity and the company's long-term liabilities.

#### **2. Refined Economic Value Added (Refined EVA):**

In order to calculate Refined EVA, in addition to calculating EVA, further adjustments are made to increase the accuracy of the calculations. Such adjustments may include:

$$\text{Refined EVA} = \text{Adjusted NOPAT} - (\text{Adjusted WACC} \times \text{Adjusted Capital Employed})$$

- Adjusted NOPAT: Adjustments to NOPAT for specific financial or operational items
- Adjusted WACC: Adjustments to WACC for specific financial items
- Adjusted Capital Employed: Adjustments to capital employed for specific items

#### **3. Enhanced Economic Value Added (Enhanced EVA):**

Momentum is calculated using EVA and adding the continuous changes in financial performance:

Enhanced EVA=EVA+Momentum

### **Momentum:**

The difference between the current period's EVA and the previous period's EVA, calculated as follows:

Momentum=EVA<sub>t</sub>-EVA<sub>t-1</sub>

EVA<sub>t</sub>: EVA in the current period

EVA<sub>t-1</sub>: EVA in the previous period

Each of the economic value added variables (EVA), Refined Economic Value Added (Refined EVA), and Enhanced Economic Value Added (Enhanced EVA or Momentum) influences corporate financial performance in different ways. The following describes how each of these variables affects firms' financial performance.

1. **Economic Value Added (EVA):**
2. EVA represents the firm's real economic profit after deducting capital costs. Because it considers capital costs, this metric is deemed an accurate measure for evaluating the true value created by companies.
  - **Enhancing Financial Productivity:** By measuring profit after capital costs, EVA aids companies in evaluating their financial productivity and making managerial decisions based on value creation for shareholders.
  - **Encouraging Optimal Resource Use:** By accounting for capital costs, EVA incentivizes firms to use their financial and capital resources more efficiently.
  - **Managerial Performance Measure:** EVA, as a managerial performance measure, indicates whether managerial decisions have led to increased shareholder value.
3. **Refined Economic Value Added (Refined EVA):**
4. Refined EVA is an improved version of EVA that, through more precise adjustments, provides a more detailed analysis of the firm's financial performance.
  - **More Detailed Analysis:** By refining the calculation of EVA, this metric offers a more accurate assessment of companies' financial performance and can measure the impact of various financial and non-financial factors more precisely.

- **Reducing Volatility:** Adjustments made in Refined EVA can lessen the impact of short-term fluctuations and non-stable factors on financial performance, leading to greater stability in performance evaluations.
- **Increasing Decision-Making Accuracy:** Enhanced precision in calculations makes Refined EVA a more reliable tool for evaluating managerial and strategic decisions.

5. **Enhanced Economic Value Added (Enhanced EVA or Momentum):**
6. Enhanced EVA or Momentum is a combination of EVA and Momentum that helps provide a more precise evaluation and prediction of firms' future financial performance.
  - **Better Forecasting:** By merging EVA with Momentum (continuous changes in financial performance), it enables a more accurate prediction of companies' future performance.
  - **Trend Evaluation:** The Momentum metric allows managers to identify trends in financial performance and make better decisions accordingly.
  - **Emphasis on Sustainability:** By adding Momentum to EVA, Enhanced EVA underscores sustainability and continuous improvement in firms' financial performance.

### **Overall Impact on Corporate Financial Performance:**

- **Improved Managerial Decision-Making:** These variables help managers make better decisions by providing more precise and stable evaluations of financial performance.
- **Increased Transparency:** Calculating and reporting these metrics lead to greater transparency in corporate financial performance and build shareholder and investor trust.
- **Value Creation for Shareholders:** By focusing on actual value creation and accounting for capital costs, these variables help increase shareholder value and improve financial performance.
- **Encouraging Optimal Resource Use:** These metrics encourage companies to use financial and capital resources optimally, leading to better productivity and efficiency.

- Overall, by emphasizing different aspects of financial performance, each of these variables contributes to better managerial decision-making, enhanced transparency, and value creation for shareholders. Through calculating and analyzing these metrics, companies can improve their financial productivity and achieve more favorable financial outcomes.

#### **Iraq Stock Exchange (ISX):**

The ISX includes a diverse range of companies in various sectors. As of October 2023, 103 companies are listed on this exchange. These companies are distributed across the following sectors:

Banking: 42 companies,  
 Industry: 20 companies,  
 Services: 11 companies,  
 Hotels and Tourism: 9 companies,  
 Agriculture: 8 companies,  
 Investment: 6 companies,  
 Insurance: 5 companies.

#### **Consumer Sector Companies Listed on the ISX (Iraq Stock Exchange):**

These include some prominent companies engaged in the production and distribution of consumer goods. Below is an example of one of these companies:

##### **Ticker: IMCI**

These firms are part of the ISX consumer sector and play a crucial role in supplying the goods required by consumers.

#### **Other Consumer Sector Companies Listed on the ISX:**

- Iraqi Date Processing and Marketing Company
- Iraqi Food Production Company
- Baghdad Soft Drinks Company
- Iraqi Milk Company
- Iraqi Pharmaceutical Industries Company
- Leather Industries Company
- Baghdad Glass Company
- Plastic Industries Company
- Paper Industries Company
- Food Industries Company
- Iraqi Detergents Company
- Electrical Industries Company
- Textile Industries Company
- Iraqi Carton Company
- Printing and Publishing Company
- Chemical Industries Company

These companies are registered on the Iraq Stock Exchange (ISX) and operate in various segments of the consumer sector. They play a significant role in providing essential goods and services to Iraqi consumers, and their performance on the exchange reflects the general state of the country's economy.

A regression relationship is considered to examine the impact of independent variables on corporate financial performance. In this model, the dependent variable is corporate financial performance, measured by return on assets (ROA), and the independent variables include EVA, Refined EVA, and Enhanced EVA (or EVA Momentum). Additional variables such as financial ratios, sales growth rate, market indicators, financial risk, advertising and marketing expenditures, and return rate can also be added to the model.

#### **Analyzing the Effect of Independent Variables:**

- **EVA (Economic Value Added):** Due to its emphasis on economic profit and the reduction of capital costs, EVA may have a positive effect on ROA. Companies with high EVA are effectively creating value for their shareholders and typically exhibit better financial performance.
- **Refined EVA:** By incorporating more precise adjustments and minimizing the effects of short-term fluctuations, Refined EVA can improve the accuracy of evaluating firms' financial performance. Therefore, this variable is also expected to have a positive impact on ROA.
- **Enhanced EVA or Momentum:** As an advanced indicator for analyzing financial performance that includes trends and continuous changes, this variable can provide better predictive power regarding a firm's future financial standing and likely exerts a positive effect on ROA.
- **ROI (Return on Investment):** This metric reflects how effectively a company uses its capital to generate profit. A higher ROI typically denotes better financial performance and is expected to positively influence ROA.
- **Sales Growth Rate:** A high sales growth rate indicates a company's ability to boost revenue and expand its market, which may lead to improved financial performance and increased ROA.
- **P/E Ratio:** In this study, the price-to-earnings ratio is considered a market variable. It reflects positive investor expectations about the firm's future. Although it can sometimes indicate overvaluation

of the stock, it is generally considered a positive indicator.

- **Advertising and Marketing Expenditures:** Higher expenditures on advertising and marketing can lead to increased sales and market share, which in turn may improve financial performance.

Choosing whether to include value-added metrics in separate or combined models depends on the research objectives and the expected complexity of the model. If the goal is to conduct a separate, detailed analysis of each value-added index, separate models are more suitable. However, to compare the effects of all three indices and address potential multicollinearity, principal component analysis (PCA) is utilized.

By employing PCA, multicollinearity among independent variables is reduced, yielding a more stable regression model and more reliable results.

#### Steps to Implement PCA and Use It in the Regression Model:

1. **Data Standardization:**
2. Before running PCA, the data are standardized (i.e., they have a mean of 0 and a variance of 1). This step is taken due to differences in the scale of the variables.
3. **PCA Execution:**
4. Using statistical software such as Python, PCA is performed on the different value-added measures.
5. **Selecting Principal Components:**
6. After running PCA, the number of principal components that explain the most variance is chosen (using criteria such as Scree plot or the explained variance ratio).

#### 7. Creating New Variables:

8. The selected principal components are introduced as new variables (PCA1, PCA2, etc.) in place of the original variables (EVA, Refined EVA, and Enhanced EVA) in the regression model.

#### Research Model:

$$ROA = \alpha_0 + \alpha_1 ROA_{it-1} + \alpha_2 EVA_{it} + \alpha_3 REVA_{it} + \alpha_4 ENEVA_{it} + \alpha_5 ROI_{it} + \alpha_6 FR_{it} + \alpha_7 SGR_{it} + \alpha_8 RIS_{it} + \alpha_9 PER_{it} + \alpha_{10} AME_{it} + U_{it}$$

Where:

- ROA: Financial performance
- EVA: Economic Value Added
- REVA: Refined Economic Value Added
- ENEVA: Momentum Value Added
- ROI: Return on Investment
- SGR: Sales Growth Rate
- RIS: Financial Risk
- PER: Market variable
- AME: Advertising and Marketing Expenditures
- U: Error term
- i: Cross-sectional units (16 companies)
- t: Time (7 years)

### 3 Findings and Results

Since the number of companies analyzed in this study exceeds the number of years considered, and to address the issue of endogeneity of explanatory variables, the dynamic panel data method of Arellano and Bond was employed. The results of the estimation are presented in [Table 1](#).

**Table 1**

*Estimation Results of Model (1)*

Explanatory Variables	Coefficient	Z-Statistic	P-Value (P> Z )
ROA(-1)	0.23	4.06	0
EVA	0.32	4.36	0
REVA	0.28	3.65	0
ENEVA	0.91	8.42	0
ROI	0.12	2.93	0.003
FR	0.33	8.18	0
SGR	0.37	2.44	0.015
RIS	0.13	2.37	0.018
PER	0.74	3.76	0
AME	0.12	2.31	0.021
FR	0.32	8.18	0
SGR	0.37	2.44	0.015
RIS	-0.11	-2.37	0.018
PER	0.71	3.76	0
AME	0.13	2.31	0.021

As shown in Table 1, all coefficients are statistically significant at the 95% confidence level. The positive coefficient of financial performance with a one-period lag indicates that past financial performance positively influences current financial performance, consistent with theoretical expectations.

The positive coefficient for Economic Value Added (EVA) aligns with theoretical expectations, suggesting that a 1% improvement in EVA results in a 0.32% increase in financial performance. Similarly, the positive coefficient for Refined EVA (REVA) indicates a 0.28% improvement in financial performance for every 1% increase in this metric. The positive coefficient for Enhanced EVA (ENEVA or Momentum) highlights its constructive role in financial performance, suggesting that firms with better Momentum perform better financially.

The positive coefficient for Return on Investment (ROI) aligns with theoretical expectations, indicating that a 1% increase in ROI leads to a 0.12% improvement in financial performance.

The positive coefficient for financial ratios (FR) suggests that a 1% improvement in financial ratios results in a 0.33%

increase in financial performance. Similarly, a 1% increase in the sales growth rate (SGR) is associated with a 0.37% improvement in financial performance.

The positive coefficient for market indicators (PER) underscores their significance in influencing financial performance, while the positive coefficient for advertising and marketing expenditures (AME) suggests that a 1% increase in such expenditures improves financial performance by 0.13%.

Conversely, the negative coefficient for financial risk (RIS) indicates that a 1% increase in financial risk reduces financial performance by 0.11%.

After estimating the research models using the Arellano and Bond method, it is necessary to verify the validity of the instrumental variables used. For this purpose, the Sargan test (1958) was employed. In this test, the null hypothesis posits that the instrumental variables are valid, while the alternative hypothesis indicates their invalidity. If the test statistic's probability exceeds 0.05 at a 95% confidence level, the null hypothesis of valid instrumental variables is not rejected. The results of the Sargan test are presented in Table 2.

**Table 2**

*Sargan Test Results*

Test Statistic	Degrees of Freedom	Probability Level
17.0937	21	0.7054

The results in Table 2 confirm the validity of the instrumental variables used in this study.

Following model estimation, the presence of first-order serial correlation in the error terms was examined using the Arellano and Bond (1991) serial correlation test. The null

hypothesis states the absence of first-order serial correlation. If the test statistic's probability is less than 0.05 at the 95% confidence level, the null hypothesis is rejected, indicating the presence of first-order serial correlation. The results are presented in Table 3.

**Table 3**

*Arellano and Bond Serial Correlation Test Results*

Serial Correlation	Statistic	Probability Level
First Order	-2.3762	0.0175
Second Order	-0.47972	0.6314

The results confirm the presence of first-order serial correlation in the error terms.

## 4 Discussion and Conclusion

This study examined the financial performance evaluation of consumer sector companies using various Economic Value Added (EVA) metrics in the Iraq Stock

Exchange. The primary objective was to assess the impact of three contemporary economic measures—EVA, Refined EVA (REVA), and EVA Momentum—on firms' financial performance. The results indicated that all EVA metrics significantly impact financial performance, with REVA identified as the most effective measure for improving and explaining financial performance.

The findings highlight that EVA metrics, particularly REVA, can be effective tools for evaluating and enhancing corporate financial performance in the consumer sector. These metrics, by accounting for capital costs, provide a more comprehensive view of profitability and value creation for shareholders. Overall, utilizing these metrics helps companies identify weak performance areas and improvement opportunities, ultimately increasing shareholder value.

The findings of this study suggest that companies should adopt Refined Economic Value Added (REVA) as a primary tool for evaluating financial performance. REVA's significant positive impact on financial outcomes demonstrates its effectiveness in providing a detailed and accurate analysis. Companies can leverage this metric to assess their profitability more comprehensively and identify areas where operational efficiency and resource utilization can be enhanced. This will not only improve their financial performance but also create sustainable value for shareholders.

To broaden the understanding and applicability of Economic Value Added (EVA) metrics, there is a need for further research across diverse industries and geographical regions. Conducting studies in different contexts can help establish the generalizability of these metrics and provide valuable insights into their impact on financial performance. This could also support cross-industry benchmarking, enabling companies to adopt best practices tailored to their specific needs.

Training and development programs should be implemented to empower financial managers with the knowledge and skills necessary for the optimal application of EVA metrics. Organizing workshops and educational courses focused on these tools can enhance managers' understanding and enable them to make data-driven decisions that align with long-term value creation. Such initiatives can ensure that EVA metrics are utilized effectively within organizations, contributing to more strategic financial planning.

Companies should actively use the insights from this study to implement performance improvement strategies. These strategies might include optimizing capital structures, reducing unnecessary costs, improving decision-making processes, and investing in areas with high potential for value creation. By aligning operations with financial goals derived from EVA metrics, organizations can achieve a stronger financial position and a competitive edge in the market.

An emphasis on long-term decision-making is crucial for sustainable growth. Companies are encouraged to prioritize investments and strategies that create enduring value rather than focusing solely on short-term gains. EVA metrics facilitate this by considering the cost of capital, ensuring that decisions contribute to long-term profitability and shareholder value.

Finally, companies should use EVA metrics for benchmarking and comparative analysis against industry peers. This approach can help firms identify their relative strengths and weaknesses, uncover investment opportunities, and develop competitive strategies. Through comparative performance evaluation, companies can better position themselves in the market and achieve sustained growth.

By integrating these recommendations into their operational and strategic frameworks, consumer sector companies in the Iraq Stock Exchange can significantly enhance their financial performance and create long-term value for their stakeholders.

### Authors' Contributions

All authors have contributed significantly to the research process and the development of the manuscript.

### Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

### Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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### Declaration of Interest

The authors report no conflict of interest.

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## Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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