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An Analyzing Financial Indicators Affecting Market Value and Shareholder Wealth

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ABSTRACT

Financial indicators play a crucial role in determining the financial strength and performance of a company. These indicators help investors, managers, and stakeholders evaluate how effectively a company is operating and generating profits. Important financial indicators such as earnings per share, return on equity, return on assets, net profit margin, and debt–equity ratio provide valuable insights into a company’s financial condition. When these indicators show positive performance, they increase investor confidence and attract more investment in the company. As a result, the demand for the company’s shares increases, which can raise its market value or market capitalization. Market value represents the total worth of a company as determined by the stock market and reflects investors’ expectations about the company’s future growth and profitability. In addition, strong financial indicators contribute to increasing shareholder wealth through higher share prices and dividend returns. On the other hand, weak financial performance may reduce investor trust and lead to a decline in the company’s market value.