Bukti Index

Paper

The Influence of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Returns

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Arfianti, R. I., & Anggreini, M. (2023). Moderasi Good Corporate Governance pada Pengaruh Kinerja Keuangan dan Kebijakan Dividen terhadap Nilai Perusahaan. Jurnal Akuntansi, 12(1), 10-22.

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Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>

Submit Article

6 pesan

Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>
Kepada: Sean Institute. <editorjournal@seaninstitute.or.id>

12 Mei 2024 10.44

Dear Editor
Jurnal Ekonomi

I read and use scientific articles published in Jurnal Ekonomi

The performance of the Jurnal Ekonomi was excellent and the published article
helped me conduct research and write scientific article.

I Am Gilbert Rely, Lecturer at Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

I have completed a scientific article entitled "The Influence of Economic Value Added (EVA) and Market
Value Added (MVA) on Stock Returns"

I hope this article can be published in the Jurnal Ekonomi because there are interesting findings in
the scientific article that can become new treasures in science, especially in management
sciences.

I am willing to go through the review process following Jurnal Ekonomi Standarts

Best Regards,

Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

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Sean Institute <editorjournal@seaninstitute.or.id>
Kepada: Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>

17 Juni 2024 15.53

Dear
Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

The Jurnal Ekonomi Editorial Board has received your article. I appreciate your
interest in Jurnal Ekonomi.

Your article will be processed according to the publication standards at Jurnal
Ekonomi.

I beg you to be patient waiting for the notification from the Jurnal Ekonomi Editorial
Board.

Always check your email, because the correspondence is only via email.

Best Regards,

--
Sean Institute

Editorial Board Jurnal Ekonomi

[Kutipan teks disembunyikan]

Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>   18 Juni 2024 11.36
Kepada: Sean Institute. <editorjournal@seaninstitute.or.id>

Dear Editor

Jurnal Ekonomi

Thank you for your response.

I am happy to wait for the next stage.

Best Regards,

Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia
[Kutipan teks disembunyikan]

Sean Institute. <editorjournal@seaninstitute.or.id>   20 Juli 2024 17.41
Kepada: Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>

Dear
Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

Thank you submitting your manuscript to Jurnal Ekonomi.

We have completed our evaluation, and the reviewers recommend reconsideration of your manuscript following minor revision. We invite you to send back after addressing the comments bellow.

When revising your manuscript, please consider carefully all issues mentioned in the reviewers" comments: outline every change made in response to their comments and provide suitable explanations for any remaks not addressed.
Please alse note that the revised submission may need to be re-reviewed.

To submit your revised manuscript, please log in as an author at this email, and navigate to the "Revision" Folder.

Jurnal Ekonomi values your contribution, and I look forward to receiving your revised manuscript.

Editor and Reviewer comment:

#Reviewer 1
 1. Author must show why this research is important or urgent to do in relation to the current literature.
 2. Abstract is too long and wordy, the abstract must be concise and interesting in showing the problems, objectives, methods and novelty of the research results.
 3. The author must map similar studies beforehand to show the novelty of this research.
 4. The discussion is not in depth, so deepen the discussion with the findings of previous researchers
 5. References need to be added to the latest relevant journal articles in the last 5 years

I hope you can make improvements as soon as possible, and send the revised article again via this email.

Best Regards,

--
Sean Institute

Editorial Board Jurnal Ekonomi

[Kutipan teks disembunyikan]

Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>   21 Juli 2024 21.15
Kepada: Sean Institute. <editorjournal@seaninstitute.or.id>

Dear

Editor Jurnal Ekonomi

Thank you for the Editorial Board response to Jurnal

Ekonomi. I have read the revised instructions from

Reviewers.

I will immediately correct the article according to reviewers.

Best Regards,

Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia
[Kutipan teks disembunyikan]

Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>   24 Juli 2024 19.26
Kepada: Sean Institute. <editorjournal@seaninstitute.or.id>

Dear
Editor Jurnal Ekonomi

Thank you for the patience of the Jurnal Ekonomi Editorial Board, waiting for the revision of my

article.

I have made improvements according to the reviewer's instructions.

Revised article attached.

Best Regards,

Gilbert Rely

Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

📄 **Revision1_Article_ Gilbert Rely_2024.doc**
779K

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Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>

Acceptance Letter

1 pesan

Sean Institute <editorjournal@seaninstitute.or.id>
Kepada: Gilbert Rely <gilbert.rely@dsn.ubharajaya.ac.id>

15 Agustus 2024 15.25

Dear

Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

Warm Greetings!

It' a great pleasure to inform you that, after the peer review process, your article entitle **"The Influence of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Returns".** has been accepted for publication in Jurnal Ekonomi Volume 13 Number 3 of 2024, please make a payment for publication fee.

Thank you for submitting your work to this journal. We hope to receive it in the future too.

Best Regards,

--
Sean Institute

Editorial Board Jurnal Ekonomi

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54K

The Influence of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Returns

Gilbert Rely
Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

Article Info	ABSTRACT
	This study investigates the impact of Economic Value Added (EVA) and Market Value Added (MVA) on stock returns of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. Using a quantitative approach with multiple regression analysis, the research reveals that EVA positively and significantly influences stock returns, with an EVA value of 5.299 and a significance level of 0.011. Conversely, MVA shows a negative and significant impact, with a recorded value of -3.471 and a significance level of 0.048, indicating that the company is failing to generate the expected added value for shareholders. The F test also demonstrates that EVA and MVA jointly have a significant effect on stock returns, with a significance value of 0.039, underscoring the need for effective management to create added value, attract investors, and improve stock performance.
	Corresponding Author: Gilbert Rely Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia gilbert.rely@dsn.ubharajaya.ac.id

INTRODUCTION

Entering the era of globalization, the business world faces increasingly fierce competition, so that every company must strive to increase production efficiency in order to remain competitive (Pasigai, 2010). In this condition, companies not only focus on increasing maximum profits, but also strive to strengthen the company's value and improve the welfare of its owners and shareholders. As an economic entity, companies need to implement well-planned strategies to achieve these goals (Arfianti & Anggreini, 2023). Not only limited to achieving short-term profits, companies must also design strategic and tactical plans that can support sustainable growth and create added value for investors (Kholmi, 2019).

The capital market holds a crucial position in the economy by offering a platform where companies can issue shares to secure funding. This enables businesses to access the financial resources required for expansion, product development, or other operational needs (Fathori, 2023). Beyond merely facilitating financial transactions, the capital market serves as a vital link between those with surplus funds and those in need of capital. In this case, the capital market offers a variety of long-term financial instruments, including stocks, bonds, and derivatives, which allow investors to invest according to their risk profile and financial goals (Babatunde & Evuebie, 2017).

In addition, by investing in the capital market, people contribute to broader economic growth. Investments made by individuals and institutions not only provide financial benefits

for investors, but also support the development of companies, create jobs, and encourage innovation (Saputra, 2018). Thus, public participation in the capital market creates a positive cycle that contributes to economic stability and growth. Research by Nurwanah et al. (2021) shows that investors who invest in the capital market are not only looking for returns, but also play an active role in advancing the business sector and strengthening the foundation of the national economy. This makes the capital market a crucial component in a healthy and sustainable economic ecosystem.

Investors who commit their capital to a company naturally anticipate optimal returns on their investment (Oktavia & Fitria, 2019). In investment terms, these returns represent the key indicator of success. Investors seek not only regular income, such as dividends for shareholders, but also capital gains, which arise from an increase in the value of their assets (Pandaya et al., 2020). Capital gains are realized when a company's stock price rises in the market, resulting in higher profits when sold. Consequently, investors closely monitor the company's performance along with external factors like economic conditions, market trends, and management strategies (Tandelilin, 2010). Through careful investment management and selecting companies that demonstrate stability and growth, investors can effectively balance yield and capital gains, thereby maximizing the returns on their capital (Harun & Jeandry, 2018)..

Before making an investment in a company's shares, investors must thoroughly analyze the company's financial performance to ensure that the investment will yield the desired returns (Oktavia et al., 2021). A common method for assessing financial performance is financial ratio analysis, but this approach has certain limitations. One significant drawback is that it relies solely on historical financial data, without considering the market value of the company's assets (Hutabarat, 2021). Consequently, the results may not fully reflect the company's current or realistic situation. Additionally, financial ratio analysis often overlooks the costs associated with capital use, which can impact the accuracy of the evaluation. To address these limitations, Stern and Stewart introduced the concepts of Economic Value Added (EVA) and Market Value Added (MVA) in 1989 through the consulting firm Stern Stewart & Company (Utami & Hermiyetti, 2023).

EVA serves as a financial management tool that measures a company's economic profit and asserts that value is only created when a company covers both its capital and operating costs (Angelica & Latifah, 2022). EVA represents the profit remaining after deducting the cost of capital, with a positive EVA indicating that the company's returns exceed its cost of capital. If the company opts not to retain profits as earnings, those profits are distributed as dividends to shareholders (Dewi, 2017). The greater the company's profit, the higher the dividends for shareholders, and thus, the higher the stock returns (Iswandira et al., 2015).

Another method for evaluating company performance based on market value is Market Value Added (MVA). MVA serves as a financial performance indicator by measuring the difference between the market value of a company's shares and the amount of equity capital invested by shareholders (Brigham & Houston, 2006). It indicates how effectively management has generated value for shareholders. A higher MVA suggests that the

company has created value beyond the invested capital, reflecting successful management in enhancing shareholder wealth (Sillahi & Manullang, 2021). Therefore, maximizing MVA is a primary corporate objective, as it demonstrates greater returns for investors and showcases management's efficiency in handling capital.

Given these points, this study was chosen because Economic Value Added (EVA) and Market Value Added (MVA) are gaining recognition as more effective measures of financial performance, especially concerning stock returns—what investors ultimately seek. Unlike traditional financial ratios, EVA and MVA offer a more comprehensive perspective by highlighting how a company generates both economic and market value for its shareholders. However, previous research has produced mixed findings regarding the relationship between EVA, MVA, and stock returns, making this a compelling topic for further investigation. This study seeks to analyze the impact of EVA and MVA on stock returns, specifically focusing on pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023.

METHOD

This research adopts a descriptive quantitative method, concentrating on events that have occurred or are currently unfolding. The goal is to examine real-world issues without manipulating the collected data. The study emphasizes phenomena that are genuine and relevant to existing conditions. The research population includes manufacturing companies in the pharmaceutical subsector from 2019 to 2023, comprising 30 companies. A purposive sampling technique was applied, selecting samples based on specific criteria or considerations (Sujarweni, 2016). Using these criteria, 10 companies were chosen as samples, resulting in 50 observation data points over the course of the study period.

This study employs multiple regression analysis to examine the relationships between variables. Prior to applying the regression model for hypothesis testing, data normality and classical assumption tests are conducted. These tests ensure that the regression model satisfies essential conditions, such as the absence of autocorrelation, multicollinearity, and heteroscedasticity. These checks are crucial for ensuring that the model is both reliable and accurate. The influence of the independent variables on stock returns is assessed both individually and collectively using the F test and t test. Additionally, the coefficient of determination is used to evaluate how much these variables account for the variability in stock returns. The following is the research framework.
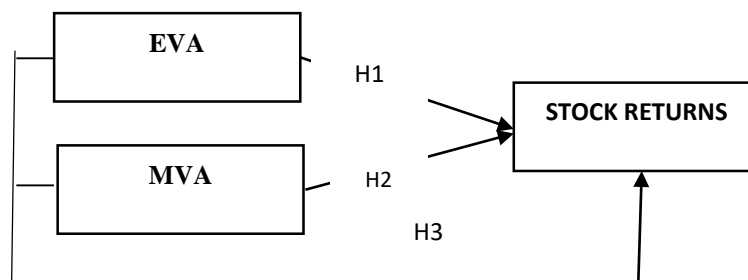

Figure 1 Conceptual Framework

RESULT AND DISCUSSION

Classical Assumption Test

Before a multiple regression model can be applied and yield representative results, it must meet several classical assumptions. These include the absence of multicollinearity, heteroscedasticity, and autocorrelation in the data. Ensuring that these assumptions are met is crucial for the model to function properly and produce accurate, reliable outcomes:

Normality Test

The test results are presented in the following table:

Table 1 Normality Test Results

		Unstandardized Residual
N		50
Normal Parameters [a,b]	Mean	0.0000000
	Std. Deviation	26.0102500
Most Extreme Differences	Absolute	.085
	Positive	.085
	Negative	-0.48
Test Statistics		.085
Asymp. Sig. (2-tailed)		.197 [c,d]

As shown in Table 1, the normality test results indicate an Asymp. Sig value of 0.197. Since this value exceeds the threshold of 0.05 (0.197 > 0.05), it can be concluded that the data in this study follow a normal distribution. Ensuring normal data distribution is a key requirement in regression analysis, as it allows for valid interpretation of the results.

Multicollinearity Test

The test results are presented in the following table:

Table 2 Multicollinearity test results

Variables	Tolerance	VIF
EVA	0.587	1.693
MVA	0.587	1.693

The multicollinearity test results presented in Table 4 reveal that all independent variables have a Tolerance value of 0.587, which is above the standard threshold of 0.1. Additionally, the Variance Inflation Factor (VIF) is 1.693, well within the acceptable range of less than 10. Therefore, it can be concluded that the regression model used in this study satisfies the multicollinearity criteria and is free from multicollinearity issues.

Autocorrelation Test

To assess the presence of autocorrelation in regression models, the Durbin-Watson (DW) test value is utilized.

Table 3 Autocorrelation Test Results

Model	R	R Square	Adj E Square	Std Error of Estimate	Durbin Watson
1	0.278	0.078	0.072	26.55886	1.850

The autocorrelation test results presented in Table 3 indicate a DW value of 1.850. The corresponding du and dl values from the Durbin-Watson table are 1.628 and 2.3713, respectively. To make a decision regarding the autocorrelation test, we apply the condition du < dw < 4 - du. Comparing these values sequentially, we find 1.628 < 1.850 < 2.3713. This analysis leads to the conclusion that the regression model employed does not exhibit autocorrelation issues.

Heteroscedasticity Test

The results of the Heteroscedasticity Test can be seen in table 4 below:

Table 4 Heteroscedasticity Test Results

Variables	Sig	Information
EVA	0.662	free from heteroscedasticity
MVA	0.511	free from heteroscedasticity

The heteroscedasticity test results shown in Table 4 reveal that the Economic Value Added (EVA) variable has a significance value of 0.662, which exceeds 0.05. Similarly, the Market Value Added (MVA) variable has a significance value of 0.511, also greater than 0.05. Based on these findings, it can be concluded that the independent variables (EVA and MVA) meet the criteria for heteroscedasticity testing.

Multiple Linear Regression Analysis

This study involves two independent variables and one dependent variable. As a result, the suitable statistical model is multiple linear regression, with Economic Value Added (EVA) and Market Value Added (MVA) serving as the independent variables and Stock Return as the dependent variable.

Table 5 Results of Multiple Linear Regression Analysis

Coefficients [a]

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	b	Std. error	Beta		
1. Constant	-3.701	26.015		-0.139	0.885
EVA	5.299	2.049	0.457	2.581	0.011
MVA	-3.471	2.797	0.441	-2.128	0.048
a. Dependent Variable: Stock Return					

Multiple linear regression analysis is shown in table 5 above. The test results are used to compile a multiple linear formula, namely:

$$\text{Stock Return} = -3{,}701 + 5{,}299\text{EVA} - 3{,}471\text{MVA} + e$$

Hypothesis Testing
Coefficient of Determination Test (R2)

The R square value of the regression test results can be seen in Table 6 below :

Table 6 Results of Determination Coefficient Test

Model	R	R Square	Adj E Square	Std Error of Estimate
1	0.278	0.078	0.072	26.55886

The data analysis results obtained from SPSS 25 in 2022, as shown in Table 6, indicate a determination coefficient (R^2) of 0.078, which translates to 7.8% when expressed as a percentage. This implies that the Economic Value Added (EVA) and Market Value Added (MVA) variables account for 7.8% of the variation in stock returns. Consequently, 92.2% of the influence on stock returns is attributed to other variables that were not considered in this study.

t-Test (Partial)

The T test is used to see the partial influence of independent variables on dependent variables in multiple linear regression.

Table 7 Results of t-Test (Partial)

Coefficients [a]

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	b	Std. error	Beta		
2. Constant	-3.701	26.015		-0.139	0.885
EVA	5.299	2.049	0.457	2.581	0.011
MVA	-3.471	2.797	0.441	-2.128	0.048
b. Dependent Variable: Stock Return					

Table 7 presents the results of the t-test. The analysis reveals that the Economic Value Added (EVA) value is 5.299, with a significance level of 0.011, which is below the threshold of 0.05. This indicates that the EVA variable has a significant and positive impact on stock returns, thereby supporting the researcher's hypothesis. Furthermore, Table 7 indicates that the Market Value Added (MVA) value is -3.471, with a significance level of 0.048, also below 0.05. This suggests that the MVA variable has a negative and significant effect on stock returns.

F Test (Simultaneous)

The results of data processing with the SPSS 25 program, obtained the following results :

Table 8 F Test Results (simultaneous)

ANOVA [a]

Model	Sum of Square	df	Mean Square	F	Square
Regression	2842.031	2	1423.012	3.400	0.039 [b]
Residual	19653.715	47	418.165		
Total	22501.758	49			

The F statistic test results, presented in Table 8, indicate a significance value of 0.039, which is below the standard threshold of 0.05. This signifies that 0.039 < 0.05, demonstrating a simultaneous impact of the EVA and MVA variables on stock returns in this study. Such findings reinforce the hypothesis put forward in this research.

Discussion

The effect of Economic Value Added (EVA) on stock returns

The test results reveal that Economic Value Added (EVA) has a value of 5.299, with a significance level of 0.011, which is significantly lower than the 0.05 threshold. This

demonstrates that the EVA variable has a substantial and positive effect on the stock returns of companies listed in the pharmaceutical sub-sector on the Indonesia Stock Exchange from 2019 to 2023. In essence, companies that generate high EVA tend to attract more interest from investors. This indicates that effective management in producing value exceeding the cost of capital is recognized by the market, positively influencing investor perception.

When a company exhibits a high EVA, investors often interpret this as a sign of financial health and promising growth potential. This increase in company value typically leads to a rise in demand for the company's shares, consequently driving up the stock price. The increase in stock price directly contributes to higher stock returns for investors. Therefore, companies that prioritize creating value by enhancing EVA not only attract more investors but also deliver greater returns to shareholders, making it a crucial strategy in corporate financial management. This finding aligns with the research conducted by Rahman (2022).

The effect of Market Value Added (MVA) on stock returns

The test results indicate that Market Value Added (MVA) has a value of -3.471, with a significance level of 0.048, which is below the significance threshold of 0.05. This suggests that the MVA variable has a significant negative effect on the stock returns of companies in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange from 2019 to 2023. Generally, a negative MVA value implies that the company has failed to generate the anticipated added value for its shareholders. In this context, while a high MVA may signal strong company performance and a positive market response, a negative MVA indicates that investors may be dissatisfied with the company's results, leading to a decrease in investment interest.

A company's failure to optimize its stock market value can undermine investor confidence and cause stock prices to decline. This is particularly significant, as the MVA value represents the gap between the company's market value and the total equity invested by shareholders. Consequently, companies with high MVA values are expected to enhance shareholder wealth by delivering improved performance, which would, in turn, attract more investors. If a company can boost its performance and create added value, it will not only raise its MVA but also positively impact the stock returns experienced by investors, fostering a beneficial cycle for all stakeholders. This finding aligns with the research conducted by Rachdian & Achadiyah (2023).

The effect of EVA and MVA on stock returns

The F test results indicate a significance value of 0.039, which is below the general threshold of 0.05. This finding demonstrates a significant simultaneous impact of the Economic Value Added (EVA) and Market Value Added (MVA) variables on the stock returns of manufacturing companies in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange from 2019 to 2023. Consequently, both EVA and MVA together contribute to stock performance, highlighting that companies capable of generating both economic and market added value simultaneously can enhance their standing in the capital

market. This underscores the importance of integrating these two approaches when evaluating a company's financial performance.

Additionally, employing these two methods in conjunction creates a synergy that optimizes analytical outcomes and investment decision-making. A positive EVA signifies a company's ability to generate profits exceeding its cost of capital, while MVA reflects the creation of value for shareholders. Therefore, the combination of these metrics offers a more comprehensive view of a company's performance. When a company can demonstrate strong results in both areas, investor confidence tends to increase, leading to higher demand for shares and, ultimately, better returns for investors. Thus, the integration of these two concepts is both relevant and strategic for companies aiming to grow and compete effectively in the market. This aligns with the findings of research conducted by Aulya & Agustin (2023).

CONCLUSION

The following conclusions can be drawn: Impact of EVA on Stock Returns: The test results indicate that the Economic Value Added (EVA) is 5.299 with a significance level of 0.011, signifying that EVA has a positive and significant impact on stock returns. This suggests that companies capable of generating high EVA are generally more appealing to investors, potentially leading to increases in stock prices and returns for shareholders. Impact of MVA on Stock Returns: The Market Value Added (MVA) was found to be -3.471, with a significance level of 0.048, demonstrating that MVA has a negative and significant influence on stock returns. A negative MVA indicates that the company has not been able to deliver the anticipated added value to shareholders, which may diminish investor confidence and reduce interest in investment. Simultaneous Impact of EVA and MVA: The results of the F test reveal a significance value of 0.039, which falls below the 0.05 threshold, indicating a significant simultaneous effect of the EVA and MVA variables on stock returns. This implies that using both metrics together offers a more holistic view of the company's financial performance.

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The Influence of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Returns

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The Influence of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Returns

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Article Info	ABSTRACT
Keywords: Economic Value Added (EVA), Market Value Added (MVA), Stock Return, Stock Market, Manufacturing Companies.	This study investigates the impact of Economic Value Added (EVA) and Market Value Added (MVA) on stock returns of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. Using a quantitative approach with multiple regression analysis, the research reveals that EVA positively and significantly influences stock returns, with an EVA value of 5.299 and a significance level of 0.011. Conversely, MVA shows a negative and significant impact, with a recorded value of -3.471 and a significance level of 0.048, indicating that the company is failing to generate the expected added value for shareholders. The F test also demonstrates that EVA and MVA jointly have a significant effect on stock returns, with a significance value of 0.039, underscoring the need for effective management to create added value, attract investors, and improve stock performance.
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INTRODUCTION

Entering the era of globalization, the business world faces increasingly fierce competition, so that every company must strive to increase production efficiency in order to remain competitive (Pasigai, 2010). In this condition, companies not only focus on increasing maximum profits, but also strive to strengthen the company's value and improve the welfare of its owners and shareholders. As an economic entity, companies need to implement well-planned strategies to achieve these goals (Arfianti & Anggreini, 2023). Not only limited to achieving short-term profits, companies must also design strategic and tactical plans that can support sustainable growth and create added value for investors (Kholmi, 2019).

The capital market holds a crucial position in the economy by offering a platform where companies can issue shares to secure funding. This enables businesses to access the financial resources required for expansion, product development, or other operational needs (Fathori, 2023). Beyond merely facilitating financial transactions, the capital market serves as a vital link between those with surplus funds and those in need of capital. In this case, the capital market offers a variety of long-term financial instruments, including stocks, bonds, and derivatives, which allow investors to invest according to their risk profile and financial goals (Babatunde & Evuebie, 2017).

In addition, by investing in the capital market, people contribute to broader economic growth. Investments made by individuals and institutions not only provide financial benefits

for investors, but also support the development of companies, create jobs, and encourage innovation (Saputra, 2018). Thus, public participation in the capital market creates a positive cycle that contributes to economic stability and growth. Research by Nurwanah et al. (2021) shows that investors who invest in the capital market are not only looking for returns, but also play an active role in advancing the business sector and strengthening the foundation of the national economy. This makes the capital market a crucial component in a healthy and sustainable economic ecosystem.

Investors who commit their capital to a company naturally anticipate optimal returns on their investment (Oktavia & Fitria, 2019). In investment terms, these returns represent the key indicator of success. Investors seek not only regular income, such as dividends for shareholders, but also capital gains, which arise from an increase in the value of their assets (Pandaya et al., 2020). Capital gains are realized when a company's stock price rises in the market, resulting in higher profits when sold. Consequently, investors closely monitor the company's performance along with external factors like economic conditions, market trends, and management strategies (Tandelilin, 2010). Through careful investment management and selecting companies that demonstrate stability and growth, investors can effectively balance yield and capital gains, thereby maximizing the returns on their capital (Harun & Jeandry, 2018)..

Before making an investment in a company's shares, investors must thoroughly analyze the company's financial performance to ensure that the investment will yield the desired returns (Oktavia et al., 2021). A common method for assessing financial performance is financial ratio analysis, but this approach has certain limitations. One significant drawback is that it relies solely on historical financial data, without considering the market value of the company's assets (Hutabarat, 2021). Consequently, the results may not fully reflect the company's current or realistic situation. Additionally, financial ratio analysis often overlooks the costs associated with capital use, which can impact the accuracy of the evaluation. To address these limitations, Stern and Stewart introduced the concepts of Economic Value Added (EVA) and Market Value Added (MVA) in 1989 through the consulting firm Stern Stewart & Company (Utami & Hermiyetti, 2023).

EVA serves as a financial management tool that measures a company's economic profit and asserts that value is only created when a company covers both its capital and operating costs (Angelica & Latifah, 2022). EVA represents the profit remaining after deducting the cost of capital, with a positive EVA indicating that the company's returns exceed its cost of capital. If the company opts not to retain profits as earnings, those profits are distributed as dividends to shareholders (Dewi, 2017). The greater the company's profit, the higher the dividends for shareholders, and thus, the higher the stock returns (Iswandira et al., 2015).

Another method for evaluating company performance based on market value is Market Value Added (MVA). MVA serves as a financial performance indicator by measuring the difference between the market value of a company's shares and the amount of equity capital invested by shareholders (Brigham & Houston, 2006). It indicates how effectively management has generated value for shareholders. A higher MVA suggests that the

company has created value beyond the invested capital, reflecting successful management in enhancing shareholder wealth (Sillahi & Manullang, 2021). Therefore, maximizing MVA is a primary corporate objective, as it demonstrates greater returns for investors and showcases management's efficiency in handling capital.

Given these points, this study was chosen because Economic Value Added (EVA) and Market Value Added (MVA) are gaining recognition as more effective measures of financial performance, especially concerning stock returns—what investors ultimately seek. Unlike traditional financial ratios, EVA and MVA offer a more comprehensive perspective by highlighting how a company generates both economic and market value for its shareholders. However, previous research has produced mixed findings regarding the relationship between EVA, MVA, and stock returns, making this a compelling topic for further investigation. This study seeks to analyze the impact of EVA and MVA on stock returns, specifically focusing on pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023.

METHOD

This research adopts a descriptive quantitative method, concentrating on events that have occurred or are currently unfolding. The goal is to examine real-world issues without manipulating the collected data. The study emphasizes phenomena that are genuine and relevant to existing conditions. The research population includes manufacturing companies in the pharmaceutical subsector from 2019 to 2023, comprising 30 companies. A purposive sampling technique was applied, selecting samples based on specific criteria or considerations (Sujarweni, 2016). Using these criteria, 10 companies were chosen as samples, resulting in 50 observation data points over the course of the study period.

This study employs multiple regression analysis to examine the relationships between variables. Prior to applying the regression model for hypothesis testing, data normality and classical assumption tests are conducted. These tests ensure that the regression model satisfies essential conditions, such as the absence of autocorrelation, multicollinearity, and heteroscedasticity. These checks are crucial for ensuring that the model is both reliable and accurate. The influence of the independent variables on stock returns is assessed both individually and collectively using the F test and t test. Additionally, the coefficient of determination is used to evaluate how much these variables account for the variability in stock returns. The following is the research framework.
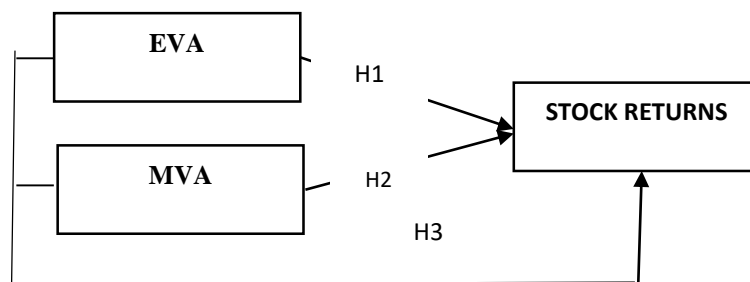

Figure 1 Conceptual Framework

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RESULT AND DISCUSSION

Classical Assumption Test

Before a multiple regression model can be applied and yield representative results, it must meet several classical assumptions. These include the absence of multicollinearity, heteroscedasticity, and autocorrelation in the data. Ensuring that these assumptions are met is crucial for the model to function properly and produce accurate, reliable outcomes:

Normality Test

The test results are presented in the following table:

Table 1 Normality Test Results

		Unstandardized Residual
N		50
Normal Parameters [a,b]	Mean	0.0000000
	Std. Deviation	26.0102500
Most Extreme Differences	Absolute	.085
	Positive	.085
	Negative	-0.48
Test Statistics		.085
Asymp. Sig. (2-tailed)		.197 [c,d]

As shown in Table 1, the normality test results indicate an Asymp. Sig value of 0.197. Since this value exceeds the threshold of 0.05 (0.197 > 0.05), it can be concluded that the data in this study follow a normal distribution. Ensuring normal data distribution is a key requirement in regression analysis, as it allows for valid interpretation of the results.

Multicollinearity Test

The test results are presented in the following table:

Table 2 Multicollinearity test results

Variables	Tolerance	VIF
EVA	0.587	1.693
MVA	0.587	1.693

The multicollinearity test results presented in Table 4 reveal that all independent variables have a Tolerance value of 0.587, which is above the standard threshold of 0.1. Additionally, the Variance Inflation Factor (VIF) is 1.693, well within the acceptable range of less than 10. Therefore, it can be concluded that the regression model used in this study satisfies the multicollinearity criteria and is free from multicollinearity issues.

Autocorrelation Test

To assess the presence of autocorrelation in regression models, the Durbin-Watson (DW) test value is utilized.

Table 3 Autocorrelation Test Results

Model	R	R Square	Adj E Square	Std Error of Estimate	Durbin Watson
1	0.278	0.078	0.072	26.55886	1.850

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The autocorrelation test results presented in Table 3 indicate a DW value of 1.850. The corresponding du and dl values from the Durbin-Watson table are 1.628 and 2.3713, respectively. To make a decision regarding the autocorrelation test, we apply the condition du < dw < 4 - du. Comparing these values sequentially, we find 1.628 < 1.850 < 2.3713. This analysis leads to the conclusion that the regression model employed does not exhibit autocorrelation issues.

Heteroscedasticity Test

The results of the Heteroscedasticity Test can be seen in table 4 below:

Table 4 Heteroscedasticity Test Results

Variables	Sig	Information
EVA	0.662	free from heteroscedasticity
MVA	0.511	free from heteroscedasticity

The heteroscedasticity test results shown in Table 4 reveal that the Economic Value Added (EVA) variable has a significance value of 0.662, which exceeds 0.05. Similarly, the Market Value Added (MVA) variable has a significance value of 0.511, also greater than 0.05. Based on these findings, it can be concluded that the independent variables (EVA and MVA) meet the criteria for heteroscedasticity testing.

Multiple Linear Regression Analysis

This study involves two independent variables and one dependent variable. As a result, the suitable statistical model is multiple linear regression, with Economic Value Added (EVA) and Market Value Added (MVA) serving as the independent variables and Stock Return as the dependent variable.

Table 5 Results of Multiple Linear Regression Analysis

Coefficients [a]

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	b	Std. error	Beta		
1. Constant	-3.701	26.015		-0.139	0.885
EVA	5.299	2.049	0.457	2.581	0.011
MVA	-3.471	2.797	0.441	-2.128	0.048

a. Dependent Variable: Stock Return

Multiple linear regression analysis is shown in table 5 above. The test results are used to compile a multiple linear formula, namely:

$$\text{Stock Return} = -3{,}701 + 5{,}299\,EVA - 3{,}471\,MVA + e$$

Hypothesis Testing

Coefficient of Determination Test (R2)

The R square value of the regression test results can be seen in Table 6 below :

Table 6 Results of Determination Coefficient Test

Model	R	R Square	Adj E Square	Std Error of Estimate
1	0.278	0.078	0.072	26.55886

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The data analysis results obtained from SPSS 25 in 2022, as shown in Table 6, indicate a determination coefficient (R^2) of 0.078, which translates to 7.8% when expressed as a percentage. This implies that the Economic Value Added (EVA) and Market Value Added (MVA) variables account for 7.8% of the variation in stock returns. Consequently, 92.2% of the influence on stock returns is attributed to other variables that were not considered in this study.

t-Test (Partial)

The T test is used to see the partial influence of independent variables on dependent variables in multiple linear regression.

Table 7 Results of t-Test (Partial)

Coefficients [a]

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	b	Std. error	Beta		
2. Constant	-3.701	26.015		-0.139	0.885
EVA	5.299	2.049	0.457	2.581	0.011
MVA	-3.471	2.797	0.441	-2.128	0.048
b. Dependent Variable: Stock Return					

Table 7 presents the results of the t-test. The analysis reveals that the Economic Value Added (EVA) value is 5.299, with a significance level of 0.011, which is below the threshold of 0.05. This indicates that the EVA variable has a significant and positive impact on stock returns, thereby supporting the researcher's hypothesis. Furthermore, Table 7 indicates that the Market Value Added (MVA) value is -3.471, with a significance level of 0.048, also below 0.05. This suggests that the MVA variable has a negative and significant effect on stock returns.

F Test (Simultaneous)

The results of data processing with the SPSS 25 program, obtained the following results :

Table 8 F Test Results (simultaneous)

ANOVA [a]

Model	Sum of Square	df	Mean Square	F	Square
Regression	2842.031	2	1423.012	3.400	0.039 [b]
Residual	19653.715	47	418.165		
Total	22501.758	49			

The F statistic test results, presented in Table 8, indicate a significance value of 0.039, which is below the standard threshold of 0.05. This signifies that 0.039 < 0.05, demonstrating a simultaneous impact of the EVA and MVA variables on stock returns in this study. Such findings reinforce the hypothesis put forward in this research.

Discussion

The effect of Economic Value Added (EVA) on stock returns

The test results reveal that Economic Value Added (EVA) has a value of 5.299, with a significance level of 0.011, which is significantly lower than the 0.05 threshold. This

demonstrates that the EVA variable has a substantial and positive effect on the stock returns of companies listed in the pharmaceutical sub-sector on the Indonesia Stock Exchange from 2019 to 2023. In essence, companies that generate high EVA tend to attract more interest from investors. This indicates that effective management in producing value exceeding the cost of capital is recognized by the market, positively influencing investor perception.

When a company exhibits a high EVA, investors often interpret this as a sign of financial health and promising growth potential. This increase in company value typically leads to a rise in demand for the company's shares, consequently driving up the stock price. The increase in stock price directly contributes to higher stock returns for investors. Therefore, companies that prioritize creating value by enhancing EVA not only attract more investors but also deliver greater returns to shareholders, making it a crucial strategy in corporate financial management. This finding aligns with the research conducted by Rahman (2022).

The effect of Market Value Added (MVA) on stock returns

The test results indicate that Market Value Added (MVA) has a value of -3.471, with a significance level of 0.048, which is below the significance threshold of 0.05. This suggests that the MVA variable has a significant negative effect on the stock returns of companies in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange from 2019 to 2023. Generally, a negative MVA value implies that the company has failed to generate the anticipated added value for its shareholders. In this context, while a high MVA may signal strong company performance and a positive market response, a negative MVA indicates that investors may be dissatisfied with the company's results, leading to a decrease in investment interest.

A company's failure to optimize its stock market value can undermine investor confidence and cause stock prices to decline. This is particularly significant, as the MVA value represents the gap between the company's market value and the total equity invested by shareholders. Consequently, companies with high MVA values are expected to enhance shareholder wealth by delivering improved performance, which would, in turn, attract more investors. If a company can boost its performance and create added value, it will not only raise its MVA but also positively impact the stock returns experienced by investors, fostering a beneficial cycle for all stakeholders. This finding aligns with the research conducted by Rachdian & Achadiyah (2023).

The effect of EVA and MVA on stock returns

The F test results indicate a significance value of 0.039, which is below the general threshold of 0.05. This finding demonstrates a significant simultaneous impact of the Economic Value Added (EVA) and Market Value Added (MVA) variables on the stock returns of manufacturing companies in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange from 2019 to 2023. Consequently, both EVA and MVA together contribute to stock performance, highlighting that companies capable of generating both economic and market added value simultaneously can enhance their standing in the capital

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market. This underscores the importance of integrating these two approaches when evaluating a company's financial performance.

Additionally, employing these two methods in conjunction creates a synergy that optimizes analytical outcomes and investment decision-making. A positive EVA signifies a company's ability to generate profits exceeding its cost of capital, while MVA reflects the creation of value for shareholders. Therefore, the combination of these metrics offers a more comprehensive view of a company's performance. When a company can demonstrate strong results in both areas, investor confidence tends to increase, leading to higher demand for shares and, ultimately, better returns for investors. Thus, the integration of these two concepts is both relevant and strategic for companies aiming to grow and compete effectively in the market. This aligns with the findings of research conducted by Aulya & Agustin (2023).

CONCLUSION

The following conclusions can be drawn: Impact of EVA on Stock Returns: The test results indicate that the Economic Value Added (EVA) is 5.299 with a significance level of 0.011, signifying that EVA has a positive and significant impact on stock returns. This suggests that companies capable of generating high EVA are generally more appealing to investors, potentially leading to increases in stock prices and returns for shareholders. Impact of MVA on Stock Returns: The Market Value Added (MVA) was found to be -3.471, with a significance level of 0.048, demonstrating that MVA has a negative and significant influence on stock returns. A negative MVA indicates that the company has not been able to deliver the anticipated added value to shareholders, which may diminish investor confidence and reduce interest in investment. Simultaneous Impact of EVA and MVA: The results of the F test reveal a significance value of 0.039, which falls below the 0.05 threshold, indicating a significant simultaneous effect of the EVA and MVA variables on stock returns. This implies that using both metrics together offers a more holistic view of the company's financial performance.

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