

STOCK RETURN DETERMINANTS IN STOCK MARKET MOVEMENTS

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The purpose of this study was to examine the effect of Economic Value Added (EVA), Market Value Added (MVA), Residual Income (RI), Earnings Per Share (EPS), and Operating Cash Flow (OCF) on Stock Returns. Samples used in the study were 22 of the LQ-45 index companies listed on the Indonesia Stock Exchange. This study uses multiple linear regression analysis, with partial hypothesis test (t-test), simultaneous test (f test), and coefficient of determination (adjusted R). The results of this research indicate that there is an influence from the variable influence of Economic Value Added (EVA), Market Value Added (MVA), Residual Income (RI), Earnings Per Share (EPS), and Operating Cash Flow (OCF) towards Stock Return. This is because the company can create a good performance so that investors can invest in the company.

Keywords: Economic Value Added (EVA), Market Value Added (MVA), Residual Income (RI), Earnings Per Share (EPS) and Operating Cash Flow (OCF), Stock Return



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INTRODUCTION

The development of the capital market is very rapid at this time, so that investors want to invest their capital to earn profits in the short term and long term. It is not separated from companies located in the capital market that is always trying to improve their performance. The company's performance to get a major concern of investors is the profit and cash flow. When faced with two performance financial accounting, investors and creditors need to be sure that the size of the performance that became the focus of their attention is a performance measure that is capable of describing the economic conditions of the company's growth prospects in the future with the good. One of the indicators investors consider in assessing a company's performance is a fundamental aspect of assessing expectations for the results to be obtained. Therefore, the financial statements are important information for investors in making investment decisions (Harnovinsah and Sagala Bernad, 2015).

In investing, an investor will certainly invest in stocks of companies that have good performance. The good performance indicates that the company can increase wealth for shareholders. Therefore, the measurement of the company's performance is required to determine the company's success in maximizing the wealth of shareholders. The company managed to deliver a rate of return as expected by investors (Filiana, Diana, and Junaidi, 2018). Financial performance can be seen from the Economic value added (EVA), Market Value Added (MVA), residual income, earnings, and operating cash flow. The approach of the EVA measures the company's performance-based value, which describes the absolute amount of the value of the shareholders (shareholder value) created (created) or damaged (destroyed) in a given period, usually one year. Positive EVA indicates value creation (value creation), while the EVA is negative shows the destruction of the value (value destruction) (Cahyadi and Darmawan, 2016)

Economic value added (EVA) is an indicator of the presence of the creation of the added value of an investment activity (Ihsan et al., 2015). The EVA (Economic Value Added) approach explains that an effective and efficient company is a company that can generate stock return match or exceeds the return expected by the owners of capital (Widiati, 2013). According to the sa'diyah et al. (2015), Excess Economic Value Added (1) generally accepted accounting principles do not

restrict the method of approach to the Economic Value Added. (2) the Method of approach to the Economic Value Added supports any decision of the company. (3) the Method of approach to the Economic Value Added has a simple structure. In addition to the method of approach to Economic Value Added, other approaches can be used to assess the company's performance based on the market value. The calculation of the value of the market is known as Market Value Added (MVA). Market Value Added is a method of approach that assesses the company's competence in raising funds to shareholders. Market value-added has the same pressure as Economic Value Added, namely on the welfare of the company's shareholders, which is focused on the assessment of the influence of managerial actions since the establishment of the company (Moeljadi, 2006 in Bergitta et al., 2014).

Residual income can also be used to measure the operating performance of the company. Residual income that is a positive show of excess earnings than required by the creditors and owners of capital, which means a wealth bag residual claimants, namely the shareholders. On the contrary, residual negative income means a decrease in shareholders' wealth (Pradhono and Christiawan, 2004). According to Kartini (2011), EVA and MVA can help management determine the company's value. The value of the company that created this would affect the community's response, which is reflected through the rise or fall of stock prices. The stock market price is the market-clearing prices that are determined based on the forces of demand and supply. Stock prices indicate changes in expectations of financiers due to changes in the financial performance of the company concerned.

Earnings per Share (EPS) divides the total profit after Tax by the number of shares outstanding. EPS is a financial ratio used by investors to analyze the company's ability to earn profits from the selected shares (Hanafi, 1996 in Susilowati, 2011). Preparation of cash flow statement aims to give information historically associated with changes in cash and cash equivalents of a company, by classifying cash flows from operating, investing, and financing activities during a specific accounting period. Although much research has been conducted about the stock return of companies listed on the stock exchange, but there are still many differences in the results. The results of these studies varied due to differences like the independent variable and the dependent variable under study; the difference in the observation period is used. So the research about the factors that affect the stock return is still interesting to study. This research is expected to give information about the influence of Economic Value Added, Earnings, Market Value Added, and cash flow on stock returns. This information is important for external parties, particularly investors and prospective investors, to decide on the policy of investing.

Stock Return consisting of capital gains and dividends is the goal of the investors investing in stocks. Stock returns can be used as one indicator to maximize the prosperity of the shareholders. Economic Value Added (EVA) is one of the performance measurement tools, which shows a good measure of the extent to which the company has provided additional value to shareholders. The added value of this occurs when a company makes a profit greater than the cost of capital for the company. The higher the value of the EVA reflects the company's earnings are higher. This will attract investors to invest in 47 of these companies. With the increasing number of investors, the stock price will rise, which is then followed by a rising Stock Returns through capital gains. With increasing profit, then the profit is distributed to shareholders in the form of dividends will also increase. The higher the capital gains and dividends, the Stock Return will also be higher. It is pointed out that EVA affects the Stock Return.

H1: EVA has a positive effect on Stock Return

Market Value Added (MVA) is the sum of the total value of the companies that have appreciated greater than the amount of the value of the money invested into the company by shareholders. Companies with the good performance shown by the MVA are positive. While MVA is a negative value indicates decreasing the value of the shareholder capital. The higher the value, the MVA, then the stock price, so the Stock Returns will be higher. Thus it can be said that the

shareholders' wealth will increase if the value of the MVA also increases through increasing capital gains and stock prices. So the higher the capital gains and dividends, then the Stock Return will increase. It shows the influence of the Market value added (MVA) on Stock Returns.

H2: MVA positive effect on Stock Return.

Residual income that is a positive show of excess earnings than required by the creditors and owners of capital, which means it is wealth for residual claimants, i.e., the shareholders. On the contrary, residual income that negative means a decrease in the wealth of shareholders. The growth advantage can be seen through the increase in earnings per share. Earnings per share (EPS) is usually an indicator of earnings is considered by the investors (the role of capital), which is the figure base that is needed in determining the price of the Stock (Cahyadi and Dermawan 2016).

H3: Residual Income has a positive effect on Stock Return.

Earnings per share (EPS) is one of the northern markets is the result or revenue to be received by the holders of shares for each share owned on the participation in companies. Munawir (2001) mentions that the earnings per share (earnings per share) is usually an indicator of earnings is considered by the investors. The expected revenue that will be obtained is a determining factor in stock prices. Stocks with high returns generally have greater earnings than expected, while the Stock with the return of the low-have an income below the estimate. Stock prices tend to anticipate with a quick announcement of the income (earnings) with the move right before the announcement is made. EPS will greatly help investors because the information EPS can describe the prospect of earning a company in the future. After all, the EPS shows the company's net profit, which is ready to be distributed to all the shareholders of the company. The higher the EPS, the greater the profit provided to the shareholders (Wulandari, 2012). The greater the profit provided, the more and more investors who are interested in doing investment. This resulted in the demand for shares is increased, and the stock price will also increase. If the stock prices increase, then the stock return will increase as well. Thus, the EPS has a positive effect on stock return.

H4: Earnings per Share have a positive effect on Stock Return.

The main objective statement of cash flows is to provide relevant information about cash receipts and expenditures of a company in one period. Cash flow information will be beneficial for the investors, creditors, and other parties if shared use with related information and that there is in the other financial statements as a basis for evaluation against the company relating to the use of cash. Operating cash flow can also be used as an indicator, whether the company's operation can generate cash flow sufficient to repay the loan, maintain the company's operations, pay dividends, and new investments without relying on funding from outside.

H5: Operating Cash Flow has a positive effect on Stock Return

METHODS

The data collection method used is secondary data and the study of the decision. Secondary Data is data obtained research indirectly through an intermediary medium (obtained and recorded by the other party). Secondary Data is generally in the form of evidence, records, or history reports that have been arranged in the archive (data documentary) published. A literature study to obtain data relating to the discussion that is being studied like a book, journal, thesis, or blog from the internet. This study uses secondary data in the form of financial statements and annual reports of the company LQ-45 index, which are listed on IDX Indonesia in the year of 2015-2019 obtained through the official website of www.IDX.co.id and the official website of the company concerned. The population in this research is all companies LQ-45 index which are listed in Indonesia Stock Exchange during the period of 2019, as many as 22 companies. Sources of data in this research are

secondary data of the company LQ-45 index, which are listed in Indonesia Stock Exchange the period 2015 - 2017, and the method used is the technique of collecting data archive (documents/copy). The Data needed in the study are: Balance sheet, income statement, notes to the financial statements, stock prices. Audited annual report (annual report) published on the official website of the Indonesia stock exchange, namely www.IDX.co.id and the company's official website.

RESULT AND DISCUSSION

The results of the test of normality of the residuals show the value of *asympt.sig* (2-tailed) of 0,987, which is greater than α ($\alpha = 0.05$) which means that the data is normally distributed. All the independent variables in the calculation of the tolerance value showed no one has a value of less than 0.10, which means there is no correlation between the independent variable whose value is more than 95%. Whereas, the calculation results of the value of Variance Inflation. Factor (VIF) also show that there is no one independent variable with the value of VIF being more than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model. The value of DW by 1,832 will be compared with the table values. Earned value table $d_l = 1,4433$ and $d_u = 1,7675$, so that the obtained $4-d_u = 2,2325$. The decision whether autocorrelation is $d_u < d < 4-d_u$ or $1,7675 < 1,834 < 2,2325$, so it can be concluded that no autocorrelation is positive or negative no autocorrelation. Based on the glejser test, the variables of EVA, MVA, RI, EPS, and facility to customers have a significant value above 0.05, which means no heteroscedasticity. The value of the adjusted R square of 0,235. It means that 23.5% of the dependent variable is the independent variable explaining the Stock Return. While other variables outside the regression explain the rest. With the significance value of 0.006, which is less than 0.05, it can be concluded that the model in this study is appropriate and can be used to predict the variable Stock return. From the T-test result, it find that:

1. The results of the testing variable Economic value Added (EVA), have a value of regression coefficient of 1,219 (positive) with a significance value of 0,019, which means smaller than the probability value to 0.050 ($0,000 < 0.050$) so that H1 is accepted. The conclusion from these results is that Profitability has a positive effect in predicting Stock Returns.
2. The results of the testing variable Market Value Added (MVA), have a value of regression coefficient of 1,013 (positive) with a significance value of 0,021, which means smaller than the probability value to 0.050 ($0,000 < 0.050$), so H2 is accepted. The conclusion from these results is that Profitability has a positive effect in predicting Stock Returns.
3. The results of the testing variable Residual Income (RI) have the value of the regression coefficient of -1,008 (negative), and the significance value is 0,810 that means is greater than the value of the probability to 0.050 ($0,810 > 0.050$), so H3 is rejected. The conclusion from these results is that Intellectual Capital has no effect in predicting Stock Returns.
4. The results of the testing variable Earnings Per Share (EPS) and Operating Cash Flow (facility to customers based). Has a value of regression coefficient of -4,913 (negative) and a significance value of 0,480, which means it is greater than the value of the probability to 0.050 ($0,480 > 0.050$) so that H4 is rejected. The conclusion from these results is that Intellectual Capital has no effect in predicting Stock Returns.
5. The results of the testing variable Operating Cash Flow (facility to customers based) has a value of regression coefficient of -1,015 (negative) and a significance value of 0,660 that means is greater than the value of the probability to 0.050 ($0,660 > 0.050$) so H5 is rejected. The conclusion from these results is that Intellectual Capital has no effect in predicting Stock Returns.

In this research, the Economic Value-Added shows that Profitability has a positive effect on Stock Return. The results for this hypothesis are the results of the statistical test t Means that

Economic Value Added increased the profits obtained by the company will be increased, and it can close the cost of capital which expended by the company so that investors will receive a refund of the difference. If the Economic Value Added increased, then it can provide a rate of return is larger. This state indicates that the company's success is to create value for the owners of capital and maximize the company's value. The results of this study are in line with the results of the study done by (Alexander and Destriana 2013), which states that the Economic Value Added has a positive and significant impact on Stock Returns because of the Economic Value Added using the profit and the cost of capital in the calculation.

In this study, Market Value Added, shows that Profitability has a positive effect on Stock Return. The results for this hypothesis are the results of the statistical t Value of the MVA indicated the high performance of the good company. It can attract the interest of investors to invest in the company. The better the company's performance, the better the credibility of the company, so that investors entrust their capital to the company in the form of investment. MVA is positive value indicates that the company has increased the value of the capital that the funders have invested. Thus the return that para investors will receive also increased. The results of this study are in line with the results of research conducted by Husniwati (2008), which states that the Market Value Added and significant positive effect on stock Returns. Therefore, from the results of this study, it can be concluded that stating that the Market Value Added has a positive effect on stock Returns is proven, so the hypothesis is accepted.

In this study, Residual Income, shows that Profitability does not affect Stock Returns. The results for this hypothesis are the results of the test statistics t. residual income is lower than EVA or even a residual income that is negative while positive EVA. Although this often leads to a contradictory situation, the company can pay dividends and increase stock prices with residual income being negative. The results of this study are in line with the results of research conducted by Phadhono and Yulius Jogi Chistiawan (2004), which states that the Residual Income tidakberpengaruh on stock Returns. In this study, Earnings Per Share shows that Profitability does not affect Stock Returns. The results for this hypothesis are the results of the test statistics t. However, the statement may be clarified with the research data results showing a decrease in the variable Earnings Per Share. This is supported by the increase in the value of Earnings Per Share, which is followed by an increase in the Stock Return is still relatively small; it is shown that an increase follows the decrease in the value of Earnings per share in Stock Return. The results of this study are consistent with the results of research conducted by Dwitari (2017) and Arnova (2016), which states that Earnings Per Share do not affect Stock Returns.

In this research, the Operating Cash Flow shows that Profitability does not affect Stock Returns. The results for this hypothesis are the results of the statistical test t cash Flow has no significant effect on stock returns is likely caused because a company has a profit is low and funds are not sufficient to pay the dividend to the shareholders as well as the finance operations of the company so that investors assume that operating cash flow was no longer guarantee that the company can run the operational activities of the company in the future. These results support the research of Trisnawati (2009) that the Cash Flow from Operating does not have a significant influence on stock return. Trisnawati (2009) explains that the operation's activity produces the main income of the company and other activities That are not investing and financing activities.

CONCLUSION

Based on the results of research that has been described previously, it can be concluded as follows :

1. The results showed that the variables of Economic Value Added (EVA) do not significantly affect stock Returns. So H1 is accepted.
2. The results showed that the variables of Market Value Added (MVA) have a positive and significant stock Return. So H2 is accepted.

3. The results showed that the variable Residual Income (RI) does not significantly affect on stock Returns. So H3 is rejected.
4. The results showed that the variable Earnings Per Share are not influential insignificant on stock Returns. So H4 is rejected.
5. The results showed that the variable Operating Cash Flow (facility to customers based on) does not significantly affect stock Returns. So H5 is rejected.

We suggest for prospective investors who will invest in the Stock and expect a return in the form of capital gains, should consider the Economic Value Added and Market Value Added of these companies are shown to have a positive and significant influence on Stock Return. For management should improve the performance of the company in order to increase the value of the company. If the company creates the value for the owner of the well, it will affect the company's profit, which will impact increasing the rate of return for shareholders. In addition, with it, investors will be interested in investing or investing into the company. Future Researcher with similar topics are expected to consider adding to other variables used in the study, such as net profit margin, operating cash flow, return on equity, price-earnings ratio, operating leverage, and others.

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