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The Effect of Economic Value Added and Market Value Added on Stock Return With Profitability as an Intervening Variable

Eva Moranty*[1], Nur Aisyah F. Pulungan[2]

[1]Master of Management, Faculty of Economics and Business, Mercu Buana University, Indonesia

[2]Faculty of Economics and Business, Mercu Buana University, Indonesia

ABSTRACT: This study explores the impact of Economic Value Added (EVA) and Market Value Added (MVA) on stock returns, with profitability (Return on Assets - ROA) as a mediating variable, using data from the Indonesian food and beverage sector (2017–2023). The findings reveal that EVA does not have a significant direct effect on stock returns, while MVA significantly influences stock returns, though negatively correlated. Profitability, particularly ROA, was found to mediate the relationship between MVA and stock returns. These results suggest that while EVA is an essential internal performance metric, MVA and profitability hold more relevance for predicting stock performance. The study highlights the critical role of profitability in shaping investor perceptions and emphasizes the need for companies to prioritize profitability metrics and transparent communication to improve stock market outcomes.

KEYWORDS: Economic Value Added, Market Value Added, Profitability, Return Share

I. INTRODUCTION

The development of capital markets and the importance of measuring company performance in predicting stock returns are topics that continue to evolve in the field of finance. Capital markets, which include the trading of securities such as stocks and bonds, are places where investors can invest and seek profit opportunities. Stocks, as a form of security that represents ownership of a company, allow investors to earn returns in the form of dividends or capital gains from increases in stock prices. As a form of financial investment, the capital market provides an alternative for individuals who wish to invest in financial assets. However, to maximize potential returns, it is important for investors to understand the factors that influence stock prices, one of which is through corporate performance measurement using methods such as Economic Value Added (EVA) and Market Value Added (MVA). On the other hand, profitability analysis, which includes measurements such as Return on Assets (ROA), plays a crucial role in assessing a company's performance and its relationship with stock returns (Brigham & Ehrhardt, 2019; Dai et al., 2021; Kasmir et al., 2019). This study focuses on the relationship between two key performance measures, namely EVA and MVA, with stock returns mediated by profitability. Specifically, EVA, which measures profit after the company's capital costs, is considered to better reflect real economic profitability that can directly impact a company's stock performance (Juniarta & Purbawangsa, 2020). A positive EVA indicates that operating profit after taxes exceeds the capital costs required to generate that profit, which in turn can increase value for shareholders. Similarly, MVA, which shows how much value a company has added to its equity, provides insight into the company's contribution to investors and the relationship between company performance and market perceptions of the company's stock.

A positive MVA tends to reflect investors' positive perceptions of the company, which in turn can increase demand for shares and the share price itself. This study aims to further analyze how these two measurements affect stock returns with a focus on profitability as a mediating variable. Several previous studies have analyzed the relationship between performance measurements such as EVA and MVA with stock returns. EVA does not have a significant effect on stock returns, with a significance value of 0.101, which is greater than 0.05, indicating that EVA measurement may not always be adequate for directly predicting stock price movements (Nurainun Bangun & Khairina Natsir, 2023). Sustainability disclosure quality and profit quality also showed that high investment risk can influence MVA, leading to divestment that results in a decline in stock prices. In this context, company profitability, as measured by ROA and Return on Equity (ROE), functions as a mediating factor that strengthens the relationship between EVA, MVA, and stock returns (Puji Rahayu & Utami, 2023; Tahlis Ayu Fatmawati & Ana Kadarningsih, 2024). Although many previous studies have discussed the relationship between EVA, MVA, and stock returns, most of these studies only consider direct variables without considering the role of mediating variables such as profitability. Research shows that although EVA and MVA provide an overview of company performance, neither has a significant direct effect on stock prices (Wahab & Handayani, 2023). On the other hand, this study will fill this gap by including profitability as a mediating variable that can influence the relationship between EVA, MVA, and stock returns. This will provide deeper insights into the factors that influence stock price movements through company financial performance and connecting factors such as profitability.

Based on the literature review, there are several hypotheses that can be tested in this study. The first hypothesis states that EVA has a positive effect on stock returns, indicating that an improvement in a company's economic performance can drive an increase in stock prices. The second hypothesis is that MVA has a positive effect on stock returns, where an increase in the market value added by the company will enhance investor perception and demand for stocks. Furthermore, the third and fourth hypotheses examine the influence of EVA and MVA on profitability, assuming that good financial performance will increase company profitability. The fifth hypothesis states that profitability has a positive effect on stock returns, indicating that more profitable companies tend to generate stocks with higher returns. The final hypothesis proposes that EVA and MVA have a positive effect on stock returns through profitability as a mediating variable. This study is very important because it can provide a better understanding of how financial performance measurements and company profitability influence investment decisions and stock market movements.

The objectives of this study are to analyze various factors that influence stock returns, with a focus on the influence of economic value added (EVA) and market value added (MVA). This study aims to determine and analyze the influence of EVA on stock returns, as well as the influence of MVA on stock returns. In addition, this study also aims to identify the influence of EVA and MVA on company profitability. Furthermore, this study will analyze how profitability affects stock returns and whether the influence of EVA and MVA on stock returns can be mediated by profitability. Thus, this study is expected to provide a clearer picture of the relationship between financial performance measurement and stock returns influenced by profitability.

II. LITERATURE REVIEW

Stock Return

Stock return is the change in the value of an investment in stocks over time. Return can be defined as the income earned from owning stocks, usually expressed as a percentage. Investors seek profits not only through capital gains (increases in stock prices), but also through dividends paid by companies. Companies should focus their strategies on strengthening EVA and implementing favorable dividend policies to increase stock returns (Sriyono et al., 2023). This study emphasizes the importance of effective management to maintain the attractiveness of stocks in the market. It is important to note that stock returns are closely related to a company's fundamental performance. As explained by Aulia and Murwanti, accurate data and analysis of a company's financial performance can provide a clear picture of the potential future returns of its shares (Aulia & Murwanti, 2024). Additionally, research indicates that companies that consistently add value to shareholders tend to have more stable and profitable returns (Rahmawati & Murwanti, 2024). Stock returns can be calculated using the formula:

$$Rt = \frac{Pt - Pt - 1}{Pt - 1}$$

Explanation:

- Rt = Return in a certain period
- Pt = Closing price of shares in period t
- Pt-1 = Closing price of shares in period t-1

Economic Value Added (EVA)

Economic Value Added (EVA) is a concept that measures a company's performance based on how much profit it generates in excess of the capital costs incurred. EVA is an important tool for assessing a company's performance in creating value (Rahmawati & Murwanti, 2024). A company is considered successful if its EVA is positive, indicating that the value created exceeds the costs incurred to generate that value. Based on research by Babu et al., the use of EVA can provide deeper insights into a company's long-term financial performance, even in unstable market conditions, as seen during the COVID-19 pandemic (Babu et al., 2024). By analyzing EVA data before and during the pandemic, the results show that companies with positive EVA were able to survive better than those without. This demonstrates the vital relevance of EVA in investment decision-making. Economic Value Added (EVA) measures the economic profit generated by a company after taking into account the costs of all capital used. The formula for calculating EVA is as follows:

EVA = NOPAT - (Total Capital Required x WACC)

Explanation:

- NOPAT (Net Operating Profit After Taxes): Operating profit after taxes, calculated by deducting taxes from the company's operating profit.
- Total Capital Required (Total Capital): The total amount of capital used by the company, in the form of debt or equity.
- WACC (Weighted Average Cost of Capital): The weighted average cost of all capital sources (debt and equity) of the company, reflecting the minimum return required to satisfy all capital providers.

Market Value Added (MVA)

Market Value Added (MVA) is a concept that shows the difference between a company's market value and the total equity of its shareholders. This concept highlights the company's contribution to shareholder wealth and is used as one of the indicators of company performance. MVA is an important measure because it reflects how the market assesses the future potential of a company (Aulia & Murwanti, 2024). The higher the MVA, the greater the value added generated by the company for shareholders, which in turn will impact stock prices. MVA can be influenced by various factors, including operational efficiency and revenue growth (Yudiastuti et al., 2024). Research findings indicate that companies capable of managing resources and achieving high profitability have a larger MVA, attracting investor attention and driving stock prices upward. This explains why companies focus on strategies to increase their MVA as a means to attract new investors and retain existing ones (Sriyono et al., 2023). Market Value Added (MVA) can be calculated using the following formula:

Market Value Added (MVA) = Market Value of Equity - Book Value of Equity.

Explanation:

- Market Value of Equity is calculated by multiplying the current share price by the number of shares outstanding.
- Book Value of Equity is the amount of equity recorded in the company's balance sheet, which is the difference between total assets and total liabilities of the company.

Profitability

Profitability is a measure of a company's ability to generate profits relative to its revenue, assets, or shareholders' equity. In the context of listed companies, profitability serves not only as an indicator of financial health but also as a key attraction for investors. Good profitability analysis can provide valuable information about the potential return on shares and the added value that can be generated (Aulia & Murwanti, 2024). Assessments that focus on the relationship between profitability and the value created for shareholders are becoming increasingly relevant, especially in dynamic market conditions. Companies with high profitability tend to have positive EVA, indicating that they create more value than just returning the capital costs incurred. This is also consistent with the findings of Babu et al., where high company profitability contributes to a larger market value (Babu et al., 2024). Ultimately, profitability is not just a financial measure, but reflects the health and long-term growth potential of a company, which in turn can affect stock returns and added value for shareholders. Several profitability ratios used are Return on Assets (ROA), which measures a company's ability to generate profits from its total assets. ROA formula:

$$\frac{\textbf{Net Profit}}{\textbf{Total Assets}}$$

Explanation:

- Net Profit: Profit earned by the company after deducting all operating costs, interest, taxes, and other expenses.
- Total Assets: The total assets owned by the company, including current assets and fixed assets.

Research Hypotheses

H1: Economic Value Added (EVA) has a positive effect on stock returns.
H2: Market Value Added (MVA) has a positive effect on stock returns.
H3: Economic Value Added (EVA) has a positive effect on profitability.
H4: Market Value Added (MVA) has a positive effect on profitability.
H5: Profitability has a positive effect on stock return.
H6: The effect of Economic Value Added (EVA) on stock return is mediated by profitability.
H7: The effect of Market Value Added (MVA) on stock return is mediated by profitability.

Conceptual Framework

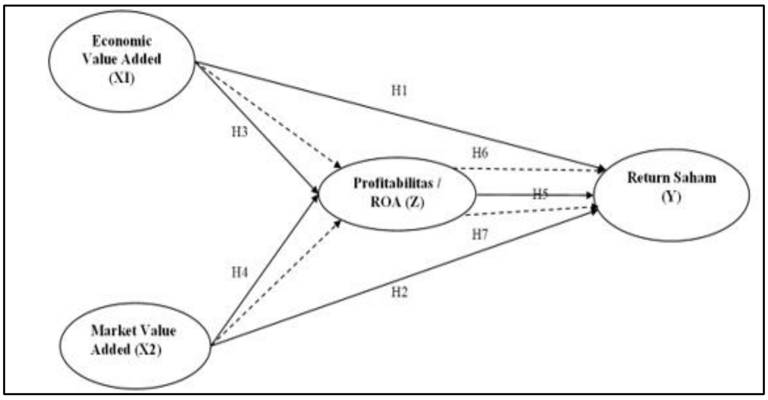

Figure 1. Conceptual Framework

III. METHOD

Research Design

This study uses causal design with the aim of testing the influence of one or more independent variables on dependent variables. The approach used is quantitative, to determine whether there is a significant influence between independent and dependent variables on the research subject. Causal research emphasizes the cause-and-effect relationship. This design was applied to test the influence of economic value added (EVA) and market value added (MVA) on profitability and stock returns (Hardani et al., 2020; Sugiyono, 2022).

Variable Definition

The research variables must be clearly explained so that there is no ambiguity. Dependent variables are variables that are affected by independent variables. An independent variable is a variable that affects a dependent variable. Intervening variables are variables that affect the relationship between independent and dependent variables. In this study, the dependent variable is stock return, the independent variable is EVA and MVA, and the intervening variable is profitability.

Variable Operationalization

Variable operationalization describes the types, indicators, and scale of variables used in the study. Each variable will be described in table 1, which describes the measurements and ways to test the hypothesis statistically. Variables can vary at different times, both for the same and different objects.

Table 1. Variable Operational Definition

Variable	Definition	Formula	Measurement Scale
Stocks Return (Y)	Stock return is the total profit or loss obtained from an investment during a certain period which is calculated by dividing the distribution of assets in cash over a period plus other changes with the value of the investment at the beginning of the period	Rt = $\frac{Pt - Pt - 1}{Pt - 1}$	Ratio
Economic Value Added (X)	Economic Value Added is an idea of economic advantage expressed in the wealth information owned by the company such as operational costs and the company's working capital	EVA = NOPAT – Capital Charges	Ratio
Market Value Added (X)	Market Value Added is defined as the difference between the market value of a company's equity and the equity value supplied by its investors	MVA = Equity Market Value - Equity Book Value	Ratio
Return On Asset (Z)	Financial ratios that show returns on the use of company assets	$ROA = \frac{Net\ Profit}{Total\ Aset}$	Ratio

Population

Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics that are determined by the researcher to be studied and then drawn conclusions (Sugiyono, 2022). In this study, the population used is all companies in the *food and beverage industry sector* listed on the Indonesia Stock Exchange (IDX) for the 2017–2023 period, with the number of companies listed as many as 26 companies.

Sample

A sample is a portion of a population that is selected based on certain criteria. The sampling method used is purposive sampling, which is the selection of samples based on certain considerations that are in accordance with the purpose of the research. As for companies that did not issue annual financial statements consistently during the 2017-2023 period, there were 15 companies, so the sample of this study consisted of 11 companies, with a total sample for six years of 77 sample data. The list of company names can be seen in the Table.

Table 2. Sample Size Determination Process

No	Information	Amount
1	Food and beverage sector companies listed on the IDX in 2017 - 2023	26
2	Companies that do not consistently issue annual financial statements during the period 2017 – 2023	15
Number of Samples		11

Table 3. Sample List of Companies in the Food and Beverage Sector

No	Stock Code	Company Name
1	AKPI	Argha Kary Prima Industry Tbk
2	CEKA	Wilmar Cahaya Indonesia Tbk
3	CLEO	Sariguna Primatirta Tbk
4	HOKI	Buyung Poetra Sembada Tbk
5	ICBP	Indofood CBP Sukses Makmur Tbk
6	INDF	Indofood Sukses Makmur Tbk
7	MLI / MLBI	Multi Bintang Indonesia Tbk
8	MYOR	Mayora Indah Tbk
9	ROTI	Nippon Indosari Corporindo Tbk
10	STTP	Siantar Top Tbk
11	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk

Data Collection Methods

The type of data used in this study is secondary data, obtained from the annual report published by the company on the Indonesia Stock Exchange (www.idx.co.id), which includes the company's financial statements and performance during the period 2017–2023 as well as the outstanding share price.

Data Analysis Methods

To find out the results of the research hypothesis, data analysis was carried out using the following methods:

1. Descriptive Analysis: Describe quantitative data related to variables X (Economic Value Added and Market Value Added), intervening variables (Return on Asset), and variable Y (Stock Return). Descriptive analysis is used to explain the data without making generalizations or conclusions for the population. It includes presenting data in the form of tables, graphs, and statistical calculations such as modes, medians, means, standard deviations, as well as correlation and regression analysis.
2. Panel Data Regression Analysis: Used to test the relationships between variables in data that combine time-series and cross-section data. The three panel data regression models used in this study are:
   a. Common Effect Model (Ordinary Least Square Pooled)
   b. Random Effect Model
   c. Fixed Effect Model

Model selection is carried out through several tests, such as the Chow Test, Hausman Test, and Langrange Multiplier Test. This test is carried out to determine which model is more suitable between Common Effect, Random Effect, or Fixed Effect.

1. Classical Assumption Test: Before performing regressions, it is important to ensure that the data meets the classical assumptions required to obtain valid results. This classical assumption test includes a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test.

2. Model Feasibility Test:
   a. Simultaneous Test (F Test): Used to find out whether an independent variable simultaneously affects a dependent variable.
   b. Coefficient of Determination Test (R^2): Assesses how capable the model is in explaining the variation of dependent variables.
   c. Partial Test (t-Test): Used to determine the influence of each independent variable on the dependent variable individually.

This test allowed the researcher to conclude whether there was a significant influence between independent variables on dependent variables based on the established level of significance ($\alpha = 5\%$).

IV. RESULT AND DISCUSSION

Descriptive Analysis

Descriptive statistical analysis was used to provide an overview of the characteristics of the data in this study, paying attention to parameters such as lowest, highest, mean, and standard deviation. This study involves four variables, namely Economic Value Added (EVA), Market Value Added (MVA), profitability (Return on Assets / ROA) as a mediating variable, and stock return as a dependent variable. The following are the results of descriptive statistical analysis based on data from companies in the manufacturing sector in the 2017–2023 period.

Table 4. Results of Descriptive Statistical Analysis

	EVA	MVA	RETURNSAHAM	ROA
Mean	-772976.7	1.03E+09	0.207419	0.107971
Median	-19342.83	80483.43	0.086711	0.088438
Maximum	1910674.	1.93E+10	2.752563	0.614683
Minimum	-24249635	-1.02E+08	-0.688094	0.000288
Std. Dev.	3574513.	3.66E+09	0.494114	0.100712

Economic Value Added (EVA) has a negative average value (-772,976.7), indicating that most companies in the sample have not been able to create positive economic value. The maximum value reaches 1,910,674, while the minimum is -24,249,635, with a high standard deviation (3,574,513), reflecting significant variation among companies in terms of economic value creation. Market Value Added (MVA) shows an average value of 1.03 billion, with a median value of 80,483.43, indicating that although the market value is higher than the invested capital, the data distribution remains unbalanced. The maximum MVA reached 19.3 billion, while the minimum value was -102 million, with a very large standard deviation (3.66 billion), indicating significant inequality among companies in terms of their market value added. 3. Profitability (ROA) showed an average value of 10.80%, meaning that most companies were able to generate net profits above 8% of total assets. The highest return on assets was 61.47%, while the lowest was 0.03%, with a standard deviation of 0.101, indicating significant variation between companies. 4. Stock return shows an average of 20.74%, but the median value of 8.67% indicates that most companies have stock returns lower than the average. The highest return reached 275.26%, while the lowest was -68.81%, with a standard deviation of 0.494, indicating significant differences in return performance among companies.

Panel Data Regression Model Analysis

Panel data regression analysis uses three estimation models: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The most optimal model selection was conducted through comparative testing using the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test.

Model Selection Test

The best model was selected using the Chow, Hausman, and LM tests to choose between CEM, FEM, and REM.

Chow Test

The Chow test was used to determine whether FEM or CEM was more appropriate. Based on the test results, FEM was better than CEM in all three models tested.

Table 5. Chow Test Estimation Results

Regression Model	Probability	Decision	Conclusion
Regression Model 1	0.0000	H_0 Rejected	FEM is better than CEM
Regression Model 2	0.0002	H_0 Rejected	FEM is better than CEM
Regression Model 3	0.0000	H_0 Rejected	FEM is better than CEM

Hausman Test

The Hausman test shows that the Random Effect Model (REM) is more suitable than the Fixed Effect Model (FEM) based on a probability value greater than 0.05.

Table 6. Hausman Test Results

Regression Model	Probability	Decision	Conclusion
Regression Model 1	1.0000	H_0 Accepted	REM is better than FEM
Regression Model 2	1.0000	H_0 Accepted	REM is better than FEM
Regression Model 3	0.5016	H_0 Accepted	REM is better than FEM

Lagrange Multiplier (LM) Test

The LM test results show that REM is better than CEM for all models tested.

Table 7. Lagrange Multiplier Test Estimation Results

Regression Model	Probability	Decision	Conclusion
Regression Model 1	0.0000	H_0 Rejected	REM is better than CEM
Regression Model 2	0.0005	H_0 Accepted	REM is better than CEM
Regression Model 3	0.0000	H_0 Rejected	REM is better than CEM

Table 8. Results of Regression Model Selection Testing for Panel Data

Regression Model	Selected Model Results
Regression Model 1	Random Effect Model
Regression Model 2	Random Effect Model
Regression Model 3	Random Effect Model

Table 9. Results of Random Effect Model (REM) for Regression Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.756132	0.119165	-23.12872	0.0000
EVA	0.034705	0.013563	2.558679	0.0126
MVA	0.000105	1.99E-05	5.289291	0.0000

Thus, the first regression model analysis of the following panel data will use the Random Effect modeling results and obtain the following equation:

ROA = -2.756132 + 0.034705 EVA + 0.000105 MVA

Table 10. Results of Random Effect Model (REM) for Regression Model 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.593791	0.159869	3.714.242	0.0004
MVA	-1.40E-05	6.90E-06	-2.033.721	0.0456
EVA	-0.003554	0.002481	-1.432.757	0.1562
ROA	0.140099	0.033310	4.205.975	0.0001

Therefore, the analysis in the second regression model will refer to the estimation results using the Common Effect Model (CEM) approach, resulting in the following equation:

The Effect of Economic Value Added and Market Value Added on Stock Return with Profitability as an Intervening Variable

Stocks Return = 0.593791 – 0.000014 MVA -0.003554 EVA + 0.140099 ROA

Table 11. Results of Random Effect Model (REM) for Regression Model 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.553001	0.167859	3.294.445	0.0015
ROA	0.129235	0.051125	2.527.829	0.0136

The analysis of the third regression model will be based on the estimation results using the Random Effect Model approach, and will produce the following equation:

Stocks Return = 0.553001 + 0.129235 ROA

Classical Assumption Testing

In panel data regression analysis, classical assumption testing is conducted to ensure the validity of the results, including tests for multicollinearity, heteroscedasticity, normality, and autocorrelation.

Multicollinearity Test

No significant multicollinearity was found among the independent variables.

Table 9. Results of Multicollinearity Test for Regression Model 1

	EVA	MVA
EVA	1.000000	0.182637
MVA	0.182637	1.000000

Table 10. Results of Multicollinearity Test of Regression Model 2

	MVA	EVA	LNROA
MVA	1.000000	0.182637	0.410692
EVA	0.182637	1.000000	0.166752
LNROA	0.410692	0.166752	1.000000

Heteroscedasticity Test

Table 11. Results of Heteroscedasticity Test for Regression Models 1, 2, and 3

Testing Heteroscedasticity in Regression Model 1				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.793790	0.092089	8.619832	0.0000
MVA	-3.41E-05	2.40E-05	-1.422008	0.1592
EVA	0.022027	0.024534	0.897836	0.3722
Testing Heteroscedasticity in Regression Model 2				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.414046	0.116562	3.552152	0.0007
MVA	-1.50E-05	1.24E-05	-1.209541	0.2304
EVA	0.011659	0.011761	0.991349	0.3248
LNROA	0.030103	0.038845	0.774954	0.4409
Testing Heteroscedasticity in Regression Model 3				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.407170	0.103700	3.926435	0.0002
LNROA	0.034589	0.035580	0.972165	0.3341

Model Goodness Test

Simultaneous Test (F Test)

The F test is conducted to determine whether all independent variables simultaneously influence the dependent variable.

Table 12. Simultaneous Testing (F Test) of Regression Models 1, 2, 3

Simultaneous Testing (F-test) of Regression Model 1	
R-squared	0.080672
Adjusted R-squared	0.055825
S.E. of regression	0.865628
F-statistic	3.246790
Prob(F-statistic)	0.044505
Simultaneous Testing (F-test) of Regression Model 2	
R-squared	0.084731
Adjusted R-squared	0.047117
S.E. of regression	0.409863
F-statistic	2.252647
Prob(F-statistic)	0.089392
Simultaneous Testing (F-test) of Regression Model 3	
R-squared	0.079043
Adjusted R-squared	0.066763
S.E. of regression	0.404601
F-statistic	6.436996
Prob(F-statistic)	0.013254

Coefficient of Determination (R^2)

Indicates the ability of the model to explain the variation in the dependent variable.

Table 13. Determination Coefficients for Models 1, 2, and 3

Determination Coefficient of Model 1	
R-squared	0.080672
Adjusted R-squared	0.055825
S.E. of regression	0.865628
F-statistic	3.246790
Prob(F-statistic)	0.044505
Determination Coefficient of Model 2	
R-squared	0.084731
Adjusted R-squared	0.047117
S.E. of regression	0.409863
F-statistic	2.252647
Prob(F-statistic)	0.089392
Determination Coefficient of Model 3	
R-squared	0.079043
Adjusted R-squared	0.066763
S.E. of regression	0.404601
F-statistic	6.436996
Prob(F-statistic)	0.013254

Partial Test (t-test)

Conducted to determine the contribution of each independent variable to the dependent variable.

Table 14. Results of Partial Test (t-test) Regression Models 1, 2, 3

Partial Test (t-test) of Regression Model 1				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.756.132	0.119165	-2.312.872	0.0000
EVA	0.034705	0.013563	2.558.679	0.0126

MVA	0.000105	1.99E-05	5.289.291	0.0000
Partial Test (t-test) of Regression Model 2				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.593791	0.159869	3.714.242	0.0004
EVA	-0.003554	0.002481	-1.432.757	0.1562
MVA	-1.40E-05	6.90E-06	-2.033.721	0.0456
ROA	0.140099	0.033310	4.205.975	0.0001
Partial Test (t-test) of Regression Model 3				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.553001	0.167859	3.294.445	0.0015
ROA	0.129235	0.051125	2.527.829	0.0136

Hypothesis Testing

The Effect of EVA on Stock Return

- H_0: There is no significant effect between EVA and stock return.
- H_a: There is a significant effect between EVA and stock return.
- The test results show that EVA does not have a significant effect on stock return ($p > 0.05$). Therefore, H_0 is accepted and H_a is rejected. EVA is not proven to influence stock returns.

The Effect of MVA on Stock Returns

- H_0: There is no significant effect between MVA and stock returns.
- H_a: There is a significant effect between MVA and stock returns.
- MVA shows a significant effect on stock returns ($p < 0.05$), but with a negative correlation. This means that an increase in MVA is inversely proportional to stock returns, even though this hypothesis has been proven.

Effect of EVA on Profitability

- H_0: There is no significant effect between EVA and Return on Assets (ROA).
- H_a: There is a significant effect between EVA and ROA.
- EVA has a significant positive influence on profitability ($p < 0.05$), meaning that EVA increases ROA.

The Influence of MVA on Profitability

- H_0: There is no significant influence between MVA and profitability.
- H_a: There is a significant influence between MVA and profitability.
- MVA has a significant positive effect on profitability ($p < 0.05$), indicating that an increase in MVA will increase ROA.

Effect of Profitability on Stock Return

- H_0: There is no significant effect between profitability and stock return.
- H_a: There is a significant effect between profitability and stock return.
- Profitability (ROA) has a significant positive effect on stock return ($p < 0.05$), meaning that an increase in ROA will be followed by an increase in stock return.

Indirect Effect of EVA on Stock Return through Profitability

- H_0: There is no significant indirect effect between EVA and stock return through profitability.
- H_a: There is a significant indirect effect between EVA and stock return through profitability.
- The Sobel test shows a significance value > 0.05, indicating that there is no significant indirect effect of EVA on stock return through profitability.

Indirect Effect of MVA on Stock Return through Profitability

- H_0: There is no significant indirect effect between MVA and stock return through profitability.
- H_a: There is a significant indirect effect between MVA and stock return through profitability.
- The Sobel test shows a significance value < 0.05, indicating that MVA has a significant indirect effect on stock return through profitability.

The findings of the hypothesis tests regarding the effect of Economic Value Added (EVA) and Market Value Added (MVA) on stock returns, with profitability as an intervening variable, reveal significant insights into the relationship between these variables in the context of manufacturing firms, particularly within the Indonesian market. The results indicate that EVA does not have a significant direct effect on stock returns ($p > 0.05$), which aligns with certain prior studies that report similar findings. For instance, Setyawati and Nugroho state that EVA's influence on stock returns is insignificant for companies listed on the LQ45 index during 2012-2016, emphasizing a potentially weak relationship between EVA and market performance (Setyawati & Nugroho, 2023). However, EVA does have a significant impact on stock returns, indicating that such effects depend on the specific economic context and metrics used in the analysis (Angelica et al., 2022). These discrepancies highlight the nuanced nature of EVA's effect, suggesting that while it may provide some indication of performance, its ability to enhance stock returns directly is questionable.

Contrastingly, MVA demonstrated a significant influence on stock returns ($p < 0.05$), albeit negatively correlated, suggesting that as MVA increases, stock returns may actually decrease, which is an unusual finding. This outcome resonates with studies that MVA can reflect broader market sentiments that may not always correlate positively with stock performance, especially in volatile economic environments (Fitrianingsih et al., 2022). The negative effect observed could imply market overvaluation, where high MVA signals inflated expectations that do not translate into actual profitability or performance in the stock market. Furthermore, Mariyani et al. have raised questions about the reliability of MVA in various contexts and the implications of high valuations for proportional returns, underscoring the complexity of these metrics (Mariyani et al., 2023).

In terms of the indirect effects analyzed through profitability, the results showed no significant indirect effect of EVA on stock returns ($p > 0.05$), and a significant indirect effect of MVA on stock returns through profitability ($p < 0.05$). This suggests that while EVA may not enhance stock returns directly or indirectly through profitability, MVA appears to exert its influence primarily through this intermediary variable. The relationship here exemplifies how profitability serves as a critical determinant in mediating the impact of MVA on stock returns, profitability is central to various financial performance measures and their correlation with stock returns (Kusumaningtyas et al., 2021). This reinforces the idea that profitability holds substantial weight in stock market valuations, highlighting its importance in understanding shareholder return expectations.

To deepen the understanding of these dynamics, it is essential to consider the implications of market conditions and investor psychology during the periods examined. Market conditions may affect how EVA and MVA are perceived by investors and consequently influence their impacts on stock returns. The findings from this research could influence decision-making in corporate finance regarding performance measurement and investor relations, demonstrating that while EVA might be utilized for internal performance assessment, it may be prudent for firms to focus more on profitability outcomes and MVA implications when engaging with their investors. Overall, the intricacies highlighted in the study prompt a reevaluation of traditional financial metrics in guiding investor behavior and may suggest that companies should prioritize clearer communication regarding their profitability and value creation potential rather than solely relying on EVA or MVA metrics, which, as indicated, do not uniformly align with stock performance outcomes.

Research Implications

This study provides valuable insights into the interplay between Economic Value Added (EVA), Market Value Added (MVA), profitability, and stock returns in the context of manufacturing firms listed on the Indonesia Stock Exchange. The findings suggest that MVA influences stock returns significantly through profitability, offering a novel understanding of how profitability mediates market valuation impacts. The study challenges the direct effect of EVA on stock returns, aligning with some prior research but also presenting contrasts to other studies that suggest its relevance in stock price movements. These results prompt a reevaluation of how companies use financial metrics, advocating for more emphasis on profitability and market value over EVA as a predictor of stock returns.

Research Limitations

This study is limited by its focus on a single industry sector, which may not allow for broad generalization across different industries. The sample size, while adequate, is limited to companies consistently reporting financial data over the 2017-2023 period, potentially excluding firms with inconsistent disclosures. Additionally, the cross-sectional nature of the data may not fully capture the long-term effects of financial performance metrics on stock returns, limiting the study's ability to account for cyclical economic fluctuations or long-term trends in the stock market.

CONCLUSIONS

The study concludes that while EVA does not significantly affect stock returns, MVA plays a critical role in shaping stock performance, albeit negatively. Profitability, especially measured by Return on Assets (ROA), serves as a crucial mediator between MVA and stock returns. These findings emphasize the importance of profitability as a central variable in financial analysis, offering valuable guidance for both corporate managers and investors looking to make informed decisions based on financial performance metrics.

RECOMMENDATION

Based on the findings, it is recommended that companies prioritize enhancing profitability, as it directly influences stock returns, rather than solely focusing on EVA and MVA. Companies should also consider how market perceptions of value (MVA) are communicated to investors, avoiding overvaluation scenarios that might lead to unexpected stock price fluctuations. Investors should place greater emphasis on profitability ratios, such as ROA, as indicators of a company's ability to generate sustainable returns. Future studies should explore cross-industry comparisons and include longer time periods to validate these findings.

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