

e-SSN: 2686-6331, p-ISSN: 2686-6358

DOI: <https://doi.org/10.31933/dijemss.v4i5>

Received: 14 April 2023, Revised: 13 May 2023, Publish: 08 June 2023

<https://creativecommons.org/licenses/by/4.0/>

The Effect of Economic Value Added, Market Value Added and Stock Price on Stock Return (Literature Review)

Esti Kurniatin*

Universitas Terbuka, Indonesia, email: esti.kurniatin@gmail.com

*Corresponding author: Esti Kurniatin

Abstract: The capital market has an important influence on improving the economy in Indonesia, every company who wants to increase the capital will invest in the Capital Market. The company's financial performance is the main thing that potential investors will see before deciding to invest. There are several ways to measure financial performance, one of which is by using performance on value through *Economic Value Added* (EVA) and *Market Value Added* (MVA). In addition to EVA and MVA, potential investors also pay attention to the company's stock price. The main purpose of potential investors investing is to get benefits in the form of *stock returns*. The purpose of this scientific article The Effect of EVA, MVA and Stock Price on Stock Return is to build a hypotheses for each variables that can be applied by future research in the Field of Financial Management Science. The writing method in the scientific article uses *library research* methods through *Mendeley*, *Google Scholar*, and other academic online application. The results of the scientific article are: 1) EVA affects Stock Return; 2) MVA affects Stock Return; and 3) Stock Price affects Stock Return.

Keyword: Stock Return, EVA, MVA and Stock Price

INTRODUCTION

Every academic community must conduct research and make scientific articles that are published as one of *the outcomes* by contributing to the world of Education. Scientific work is a mandatory requirement for students to finish their studies at Universities in Indonesia. This clause applies at every level of education, namely (S1) with undergraduate thesis, (S2) with postgraduate thesis, and (S3) with dissertation.

Refer to the empirical experience, many students and *authors* have difficulty to find articles such as previous research that are relevant to support their scientific work. Relevant articles are needed to reinforce the theory under study and to find out the relationship or influence of each variable in building hypotheses. This article discusses the effect of EVA, MVA and Stock Price on Stock Return, a *literature review* study in the field of Financial Management.

LITERATURE REVIEW

Stock Return

Stock Return is income obtained because of investing in shares. The stock return consists of two, namely: 1. The realization return is a *return* that has occurred and it is calculated based on historical data, 2. the *expectation return* is the *return* that investors expect to be obtained in the future (Jogiyanto, 2009) in (Putri, 2012) in (Supriantikasari & Utami, 2019). The Indicator of Stock *Return* is in the form of *capital gain (loss)* obtained by subtracting the current stock price (closing price in period t) with the stock price of the previous period (closing price in period t-1) then divided by the share price (closing day) of the previous period (Supriantikasari & Utami, 2019).

Stock Return is the result obtained from investment. Return in the form of realized return and *expected return*. Realization return is very useful because it can be used as one of the performance measurement tools of a company which is used as a basis for calculating risk and *return* expectations in the future (Hartono, 2017) in (Sunaryo, 2019). The Indicator of Stock *Return* is the stock price of period t minus the stock price of the period before t then added with the dividend paid in period t, then the result is divided by the stock price before t. (Sunaryo, 2019). Stock Return is the profit obtained by the investor from investing in stocks (Rose *et al*; 2009: 531) in (Rahayu & Siti, 2013). Stock returns are divided into two components, namely: 1. *yield* which is the cash flow received by investors, 2. *Capital gain (loss)* obtained from the reduction in stock price at the time of purchase at the price at the time the stock was sold. The Indicator of Stock *Return* is the reward of dividend results plus *capital gains (loss)* (Ross *et al*, 2009: 531) in (Rahayu & Siti, 2013). Many previous researchers have examined Stock Returns, including (Raharjo, 2021), (Sunaryo, 2019) and (Rahayu & Siti, 2013).

Economic Value Added / EVA

EVA is the difference earned from after-tax operating profit to the cost capital. EVA is the economic profit obtained by the company after deducting all the costs capital (Warsono, 2003) in (Kusumawati & Hamidah, 2017). The indicator of EVA is that if $EVA > 0$ is positive, the company is considered to have succeeded in creating added value in the company after the company pays off all obligations to capital owners, and if the EVA value < 0 has a negative value, the company is considered unable to create value added in the company is unable to pay off obligations to capital owners, while if the value of $EVA = 0$ means that there is no value added in the company but the company is able to pay off all its obligations to capital owners (Mardekawati & Dwi) in (Kusumawati & Hamidah, 2017).

EVA is the value added from management for shareholders during a given year or is the actual value for a given year (Brigham & Houston, 2010) in (Alam & Oetomo, 2017). An indicator of EVA is if the positive EVA value will increase the realistic value of the company and if the negative EVA value will decrease the realistic value of the company (Alam & Oetomo, 2017). EVA is the added value provided by management to shareholders during a certain year (Moeljadi, 2006) in (Sonia, 2014) in (Octaviany & Muliasari, 2021). The indicator of EVA is that if the EVA value is positive, there has been added value creation in the company and if the EVA value is negative, there has been a decrease in company value (Octaviany & Muliasari, 2021). Many previous researchers have researched EVA including (Alam & Oetomo, 2017), (Octaviany & Muliasari, 2021), and (Triandana & Martha, 2019).

Market Value Added / MVA

MVA is the difference of obtained by parsing the market value of the company's equity in a particular year with the market value of the company's equity in a particular year with the value of the equity that supplied by inventory (Warsono, 2003: 47) in (Irawan & Manurung, 2020). The indicator of MVA is that if $MVA > 0$ is positive, the company is considered to have

been able to increase the value of capital invested by capital owners, while if $MVA < 0$ is negative, the company has been considered to have failed in increasing the value of capital invested by capital owners (Young and O'Bryne, 2001: 27) in (Irawan & Manurung, 2020).

MVA is a cumulative measurement of a value created by management because it exceeds the capital deposited by shareholders (Kreamer & Peters, 2001: 42) in (Ridhawati, 2014). The indicator of MVA is that if the MVA value is positive, the company has succeeded in increasing shareholder wealth so that the company is considered to have good performance. If the MVA value is negative, the company is considered to have poor performance because it causes a reduction in wealth from shareholders (Puspitawati, 2011: 5) in (Ridhawati, 2014).

MVA is the difference obtained by subtracting between the market value of a particular company's equity (multiplying the stock price by the number of shares outstanding in the Market) with the book value on the balance sheet (Brigman & Houston, 2012) in (Ifa & Sari, 2020). The indicator of MVA is that if the MVA value is positive then management has been considered successful in increasing wealth in the company and for its shareholders. If the MVA value is negative, management is considered to have failed in increasing wealth in the company and for shareholders (Ifa & Sari, 2020). Many previous researchers have researched MVA, including (Irawan & Manurung, 2020), (Ridhawati, 2014), and (Ifa & Sari, 2020).

Stock Price

Stock Price is the price of a stock that has been formed in the stock market at a certain time and is determined by market participants and determined by the demand for stock supply in the capital market, the stock price determines the wealth of the company and shareholders (Hartono, 2017: 141) in (Baharuddin & Sultan, 2022). The indicator of the Stock Price is that if the stock price is high then investor confidence to invest will increase. Meanwhile, if the stock price is low, investor confidence to invest will also be low (Rahayu & Dana, 2016).

Stock Price is the present value of cash flows that are expected to be obtained (R. Agus Sartanto) in (Umam, 2017: 177) in (Humaerah & Sultan, 2022). An indicator of the Stock Price is that if the stock price of a company continues to increase, then investors will judge that the company has a good performance. Meanwhile, if the stock price decreases, investors will judge that the company has a poor performance (Mohammad Samsul, 2006) in (Putri, 2017). Stock Price is the present value of the income that will be received by investors in the future (Husnan, Saud & Pudjiastuti, 2004: 151) in (Junaeni, 2017). An indicator of the Stock Price is that if the stock price is high it will attract investors because the company is considered to have a good performed. Meanwhile, if the stock price is low, investors assume that the company has a bad performed so that potential investors are reluctant to invest. (Junaeni, 2017). Many previous researchers have examined Stock Prices including (Rahayu & Dana, 2016), (Putri, 2017), and (Junaeni, 2017).

RESEARCH METHOD

The writing method in this scientific article applies qualitative and descriptive methods as like literature studies sourced from *Mendeley*, *Google Scholar*, and other academic online applications. In qualitative research, must use assumptions - methodological principles and use literature review consistently. Its means that qualitative research must be applied inductively so that it does not lead to questions asked by the researcher. Because research is exploratory in nature, it is the main reason for using qualitative research (Ali & Limakrisna, 2013).

FINDING AND DISCUSSION

Review of Relevant Articles

Review relevant articles as a basis for determining research hypotheses by explaining the results of previous research, explaining similarities with research plans and differences between research plans and previous authors.

Table 1: Review of relevant articles

Number	Author & Year	The Results	The Similarities	The Differences
1	Rahayu & Siti (2013)	Partially and simultaneously, EVA and MVA have no positive and insignificant effect on Stock Return	Both use EVA and MVA variables as independent variables and Stock Return as the dependent variable	Added Stock Price as an independent variable. EVA affects Stock Return
2	Sunaryo (2019)	Partially and simultaneously EVA, MVA does not have a positive and insignificant influence on Stock Return	Both use EVA and MVA variables as independent variables and Stock Return as the dependent variable	Added Stock Price as an independent variable. Stock Price affects Stock Return.
3	Raharjo & Rusdi (2021)	Partially, EVA has a negative and insignificant effect on Stock Return, while MVA has a positive and significant effect on Stock Return. Simultaneously, EVA and MVA have a significant effect on Stock Return	EVA and MVA affect Stock Return	Added Stock Price as an independent variable. EVA and MVA affect Share Price
.4	Amna (2020)	EVA and MVA have a positive and significant impact on Stock Return	Both use EVA and MVA variables as independent variables and Stock Return as the dependent variable. EVA and MVA affect Stock Return	Added Stock Price as an independent variable. EVA affects Stock Return
.5	Alexander & Destriana (2013)	EVA, Operating cash flow, residual, profit, MVA affects stock return. While operating leverage and Dividend yield has no effect on stock returns.	Both use EVA and MVA variables as independent variables and Stock Return as the dependent variable EVA and MVA affect Stock Return	Does not use variable operating cash flow, remaining profit and operating leverage and dividend yield. Added Stock Price as an independent variable. Stock Price affects Stock Return
6	Silalahi & Meiyanti (2021)	Partially, EVA has a significant positive effect on Stock Return and MVA has a negative and significant effect on Stock Return. while simultaneously both	Both use EVA and MVA variables as independent variables and Stock Return as the dependent variable. EVA and MVA affect Stock Return	Added Stock Price as an independent variable. EVA and MVA affect share prices

Number	Author & Year	The Results	The Similarities	The Differences
		have a significant effect on <i>Stock Return</i>		
7	Wulandani & Priantinah (2017)	Partially, EVA and MVA do not have a positive and significant effect on <i>Stock Return</i> , while EPS has a positive and insignificant effect. Simultaneously, all three have no effect on <i>Stock Return</i> .	Both use EVA and MVA variables as independent variables and <i>Stock Return</i> as the dependent variable	Do not use EPS in independent variables. Added Stock Price as an independent variable. EVA affects <i>Stock Return</i>
8	Kusuma (2018)	Partially, EVA does not have a positive and insignificant effect on <i>Stock Return</i> , while MVA has an effect on <i>Stock Return</i> . Simultaneously, both have a significant effect on <i>Stock Return</i> .	Both use EVA and MVA variables as independent variables and <i>Stock Return</i> as the dependent variable. EVA and MVA affect <i>Stock Return</i>	Added Stock Price as an independent variable. Stock Price affects <i>Stock Return</i>
9	Rahman (2022)	EVA has a positive and significant effect while MVA has a positive and insignificant effect on <i>Stock Return</i> .	Both use EVA and MVA variables as independent variables and <i>Stock Return</i> as the dependent variable EVA and MVA affect <i>Stock Return</i>	Added Stock Price as an independent variable. EVA and MVA affect share prices

Analysis of the Influence between Variables

The Effect of EVA on *Stock Return*

EVA affects *Stock Return*, where the indicator of EVA is that if $EVA > 0$ is positive, the company is considered to have succeeded in creating added value in the company and if the value of $EVA < 0$ is negative, means that the company is considered fail to create added value in the company. If the EVA value = 0 means that there is no added value in the company but the company is able to pay off all its obligations to capital owners. The indicators of the EVA will affect to the indicator of *Stock Return* in the form of *capital gain (loss)* obtained by subtracting the current stock price (closing price in period t) with the stock price of the previous period (closing price in period t-1) then divided by the stock price (closing price) of the previous period (Supriantikasari & Utami, 2019).

To increase the *Stock Return* by paying attention to EVA, management must continue and maintain to create a positive EVA value. Because it will attract the attention of potential investors to invest at the company, the higher the value of EVA, the higher the value of the company (Rahayu & Siti, 2013). EVA affects *Stock Return*, if EVA can be applied as one of the company's financial performance measurement tools that is able to generate economic added value for investors. Because it will be able to increase the company's value in front of investors so that they are not reluctant to invest. (Rahayu & Dana, 2016). Previous research conducted by: (Raharjo & Rusdi, 2021), (Amna, 2021), and (Alexander & Destriana, 2013) supports the statement that EVA affects *Stock Return*.

The Effect of MVA on *Stock Return*

MVA affects *Stock Return*, where the indicator of MVA is that if $MVA > 0$ is positive, the company is considered to have been able to increase the value of capital invested by capital owners. Meanwhile, if $MVA < 0$ is negative, then the company has been considered to have

failed in increasing the value of the capital invested by the capital owner. These indicators will affect the indicator of *Stock Return*, namely the stock price of the period t minus the stock price of the period before t then added with the dividend paid in period t , then the result is divided by the stock price before t . (Sunaryo, 2019).

To increase the *Stock Return* by paying attention to MVA, management must continue and maintain to increase the positive MVA value. Because MVA can illustrate profitable prospects in the future for investments made today by investors (Irawan & Manurung, 2020).

MVA affects *Stock Return*, if MVA is really applied as a measure of the value performance of a company it will be able to increase the company's *Stock Return*. Because MVA focuses on the influence of top management actions since the company was founded in creating additional wealth for shareholders (Ridhawati, 2014). Previous research conducted by: (Kusuma, 2018), (Rahman, 2022), and (Silalahi & Meiyanti, 2021) supports the statement that MVA affects *Stock Return*.

The Effect of Stock Prices on *Stock Return*

Stock Price affects *Stock Return*, where the indicator of Stock Price is if the stock price is high, investor confidence to invest will increase. Meanwhile, if the stock price is low, investor confidence to invest is also low. The indicator of stock prices will affect to the indicator of *Stock Return*, namely the reward of dividend results plus *capital gain (loss)* (Rahayu, 2013).

To increase the *Stock Return* by paying attention to Stock Prices, management must continue and maintain to keep stock prices from falling. Because if stock prices decrease it will make investors lose confidence in the company which will affect *Stock Returns*. If the stock price continues to rise, investors assess that the company has been successful in managing the business (Rahayu & Dana, 2016). In this Stock Price variable, no research has been found that over all directly analyzes the effect of EVA, MVA and Stock Price on *Stock Return*, so in this scientific article using the basis of previous research that analyzes 1. Effect of EVA and MVA on Stock Price, 2. The Effect of EVA, and MVA on Stock Return, 3. The Effect of Stock Prices on *Stock Return*. There are several previous studies that support the statement that Stock Prices affect *Stock Return* as conducted by: (Rachmawati & Suhermin, 2017), (Yusra, 2019) and (Hendra, 2019).

Conceptual Conception Research

Refer to the formula problem, study theory also previous research that Relevant and Discussion about influence escort variable, so that the conceptual framework as bellows:

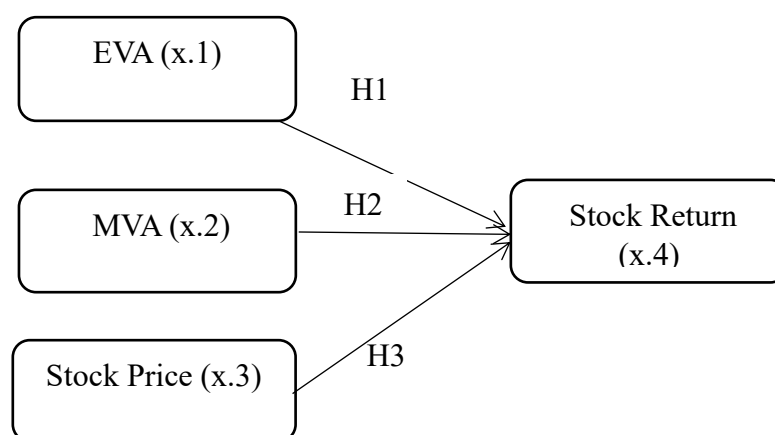


Figure 1: Conceptual Framework

Refer to the *conceptual framework*, can be explained that EVA, MVA and Stock Price affect Stock *Return*. apart from the three *exogen* variables above that affect the Stock Return, there are several other variables that affect the Financial Performance, are:

- 1) Liquidity: (Sugiono, 2009) in (Irawan & Manurung, 2020).
- 2) Company Size: (Prasetyirini, 2013) in (Octaviany & Muliasari, 2021).
- 3) *Return On Equity*: (Alam, & Oetomo, 2017).

CONCLUSION AND SUGGESTION

Conclusion

Refer to the theory, relevant previous research and discussions, hypotheses can be concluded for further research as follows: EVA affects Stock *Return*; MVA affects Stock *Return*; Stock Price affects Stock *Return*.

Suggestion

Refer to the conclusions, the advice for the next *authors* are that apart EVA, MVA and Stock Price there are some other factors that affect Stock *Return*, for that further study is needed using some of these factors. Some other factors that affect Stock *Return* are Liquidity, Company Size and *Return on Equity*. By using these other factors, it can be compared which measurement results are more precise between measurements using EVA, MVA and Stock Price factors or using Liquidity, Company Size and *Return on Equity* factors.

REFERENCE

- Alam, A. B., & Oetomo, H. W. (2017). The effect of EVA, MVA, ROE and TATO on Food and Beverage Share Price. *Journal of Management Science and Research (JIRM)*, 6(6).
- Alexander, N., & Destriana, N. (2013). The effect of financial performance on stock returns. *Journal of Business and Accounting*, 15(2), 123-132.
- Amna, L. S. (2020). The effect of Economic Value Added (EVA) and Market Value Added (MVA) on stock returns. *Journal of Accounting and Finance*, 11(1), 59-73.
- Baharuddin, B., Wahab, A., & Sultan, Z. (2022). The Effect of Current Ratio and Earning Per Share on Stock Prices in Manufacturing Companies in the Agricultural Sector
- Judge, R. (2006). Comparison of the company's financial performance with the EVA method, ROA, and its effect on stock returns in companies incorporated in the LQ 45 index on the Jakarta Stock Exchange.
- Hendra, D. (2019). The effect of Debt to Equity Ratio (DER), Current Ratio (Cr), Return on Assets (Roa) and Return on Equity (Roe) on share prices and their implications for stock returns in the AVIATION industry (Case Study of an Asian Airline Company). *Scientific Journal of Management Study Program, Pamulang University*, 7(1), 80-92.
- Humaerah, T., Wahab, A., & Sultan, Z. (2022). Effect of Dividend Per Share (DPS) and Earning Per Share (EPS) on Stock Prices in Pharmaceutical Sub Sector Companies. *Terbuka Journal of Economics and Business*, 3(2), 31-43.
- Ifa, S., Dimyanti, M., & Sari, N. K. (2020). Analysis of Economic Value Added (Eva) and Market Value Added (MVA) as a Measure of Financial Performance of National Private Commercial Banks (BUSN) Foreign Exchange Go Public in 2014-2018. *JIMAT (Scientific Journal of Accounting Students) Undiksha*, 11(3), 527-537.
- Irawan, F., & Manurung, N. Y. (2020). Economic Value Added (EVA) and Market Value Added (MVA) analysis as a measure of PT Garuda Indonesia Tbk's financial performance in 2017-2019. *Journal of State Tax and Finance (PKN)*, 2(1), 31-45.
- Junaeni, I. (2017). The effect of EVA, ROA, DER and TATO on Share Prices in Food and Beverage Companies on the IDX. *Owner: Accounting Research and Journal*, 1(2), 32-47.

- Kusuma, R. A. (2018). The effect of Economic Value Added (EVA) and Market Value Added (MVA) on stock returns (study on companies listed in the LQ45 index on the Indonesia Stock Exchange in 2012-2016). Brawijaya University. Journal of Business Administration (JAB), 61(3).
- Kusumawati, N., & Hamidah, N. (2017). Economic Value Added (EVA) as a tool to measure the company's financial performance. *Academica*, 15(1), 7-13.
- Muklis, F. (2016). Development and challenges of Indonesia's capital market. *Al-Masraf: Journal of Financial and Banking Institutions*, 1(1), 65-76.
- Octaviany, W., Prihatni, R., & Muliastari, I. (2021). The effect of Economic Value Added, Market Value Added, liquidity, and company size on stock prices. *Journal of Accounting, Taxation and Auditing*, 2(1), 89-108.
- Putri, L. P. (2017). The Effect of Profitability on Share Prices in Coal Mining Companies in Indonesia. *Scientific Journal of Management and Business*, 16(2).
- Rachmawati, H., & Suhermin, S. (2017). The Effect of ROA, EPS, and Stock Price on Stock Return. *Journal of Management Science and Research (Jirm)*, 6(9).
- Raharjo, Andi. The influence of Eva and MVA on stock returns in IDX30 companies on the IDX. *Scientific Journal of Management Ubhara*. 3.1 (2021): 169-178.
- Rahayu, N. M. P. S., & Dana, I. M. (2016). The effect of EVA, MVA and liquidity on share prices in food and beverages companies. *E-Journal of Management Unud*, 5(1), 443-469.
- Rahayu, U.T and siti aisyah (2013). The effect of EVA and MVA on stock returns.
- Rahman, A. (2022). The Effect of Economic Value Added and Market Value Added on Stock Returns. *Mirai Management Journal*, 7(3), 579-592.
- Ridhawati, R. (2014). Financial performance analysis using Economic Value Added (Eva) and Market Value Added (MVA) (study on construction companies listed on the Indonesia Stock Exchange). Brawijaya University.
- Silalahi, E., & Manullang, M. (2021). The effect of Economic Value Added and Market Value Added on stock returns in manufacturing companies listed on the Indonesia Stock Exchange. *Journal of Accounting & Finance Research*, 30-41.
- Sunaryo, D. (2019). The Effect of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Return in Automotive Sub-Sector Manufacturing Companies for the 2010-2018 Period. *Journal of Management and Business (Performance)*, 16(2), 151-161.
- Supriantikasari, N., & Utami, E. S. (2019). The effect of Return on assets, debt to equity ratio, current ratio, earnings per share and exchange rate on stock return (case study on a company going public in the consumer goods sector listed on the Indonesia Stock Exchange for the 2015-2017 period). *Mercu Buana Journal of Accounting Research*, 5(1), 49-66.
- Syamsiyah, N. (2022). Factors Affecting Dividend Policy in Financial Sector Companies in Indonesia: Panel Data Analysis. *JFBA: Journal of Financial and Behavioural Accounting*, 2(1), 35-45.
- Triandana, R. M., & Suhardiyah, M. (2019). EFFECT OF EVA AND MVA ON STOCK PRICE:(Case of cigarette companies listed on Indonesia Stock Exchange in 2013-2017). *Accounting Scientific Publications*, 1(1), 35-41.
- Wulandani, C. S., & Priantinah, D. (2017). The effect of EPS, EVA and MVA on stock returns in companies in the consumer goods industry sector. *Journal of Profita: A Study of Accounting Science*, 5(5).
- Yusra, M. (2019). The effect of trading frequency, trading volume, market capitalization value, stock price, and trading day on stock returns in cosmetics and household use companies on the Indonesia Stock Exchange. *Journal of accounting and finance*, 7(1), 65-74.