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ANALYSIS OF MARKET VALUE ADDED AND REFINED ECONOMIC VALUE ADDED GROWTH ON STOCK RETURN

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ABSTRACT

The purpose of this study was to determine the effect of MVA and REVA growth on stock returns. The method used in this study is descriptive and verification. The data used is secondary data obtained from www.idx.co.id and www.sahamok.com. The population taken for this study is a mining company listed on the Indonesia Stock Exchange in the period 2010-2017. The sampling technique used purposive sampling research, the number of samples in this study were 9 mining companies. The analysis used in this study is regression. The results of these studies show that MVA and REVA simultaneously influence stock returns. The results of the study are only partially MVA variables which influence stock returns

INTRODUCTION

The increasingly fierce competition in the business industry with companies in Indonesia is trying to improve the company's performance so that it can attract the attention of investors to invest in the company. Mining companies continue to show a significant increase in performance recorded the highest growth recorded in 2018. The mining sector index increased by 21.56% year to date until 9 October 2018. The financial performance of mining sector companies in the first semester of 2018 showed good results. The capital market has a role as a means of obtaining capital for issuers and investment advice for investors. Before investing in shares, an investor needs to do an analysis so that the return obtained is in line with his expectations. Return is a profit in the form of a rate of return on a security owned by an investor. The amount of return is the main consideration for investors in investing in a company's securities. An investor who wants a low return then the risk to be borne is also low, and vice versa. Given the importance of stock prices in

determining the amount of Stock Return because it has a very close relationship (Ang: 2010). Ido Hutabarat (2019) the mining sector is experiencing a revival in line with the high demand for coal as the premier energy source for power plants. Stock Return in the mining sector from 2010 to 2017 showed a declining trend, especially in 2015 which experienced a significant decline. According to Sacha Winzenried, PwC Indonesia's Lead Adviser for Energy, Utilities & Mining the decline in the mining sector in 2015 occurred due to a slowdown in the world economy which has made the demand for mining commodity commodities decline. The fall in mining commodity prices and declining demand for mining materials from China, adversely affects the financial performance of domestic mining companies. Mining companies strive to increase productivity so that it causes an increase in operating expenses on the company. (Sacha Winzenried, PwC Indonesia's Lead Adviser for Energy, Utilities & Mining: 2016). DBS Vickers Securities analyst William Simadiputra (2016) said the coal sector was regulated by the government. Potential policy changes such as export bans, higher royalty fees and production controls could hurt the income of coal miners. The development of mining company stock returns shows fluctuating movements from year to year. This phenomenon causes a gap in the empirical theory stating that companies that have an increase in earnings show a better company performance and shareholders will benefit from the increasing dividends received, or the increasing price and stock returns (Sudarsono & Sudiyatno, 2016: 31). To overcome the weaknesses of financial ratio analysis, the concept of financial performance measurement based on value added is developed, namely Market value added (MVA) and Refined Economic value added (REVA).

LITERATURE REVIEW

Effect of Market Value Added and Refined Economic Value Added on Stock Returns.

Measurement of financial performance using financial ratios is only profit oriented (Erica, 2018). MVA is an indicator that can measure the wealth of companies that have been created for investors. Young & O'Byrne (2001: 26) in Dwimulyani (2014) states MVA is a measure used to measure success in maximizing shareholder wealth by allocating resources that are corresponding. Brigham & Houston (2014: 111) states companies with a positive MVA value, reflecting a favorable prospect of capital investment invested in the future. The rise in stock prices will have a positive influence on stock returns. Bacidore (1997) argues that Refined Economic Value Added is useful as a performance appraiser that focuses on value creation, makes companies pay more attention to capital structure, and can be used to identify activities or projects that provide higher returns than the cost of capital. Positive REVA can increase share prices followed by increased stock returns received. Jogiyanto (2015: 263) argues that Return is the result obtained through investing activities that can take the form of realized returns that have occurred or expected expectations that have not yet occurred but are expected to occur in the future. Research conducted by Lee (2009) and Nugroho (2018)

states that Market Value Added and Refined Economic Value Added affect stock returns.

Effect of Refined Economic Value Added on Stock Returns.

Bacidore et al. (1997) in Asraf (2018) states that REVA is a refinement of Economic Value Added more developing calculation procedures that provide more accurate estimates to estimate the actual profitability of conventional historical cost accounts, REVA is considered more actual and reliable for evaluating wealth which was created for shareholders. Companies that are able to create positive REVA value can create added value for investors or shareholders, so investors will be interested to invest their capital and cause share prices to rise. Rising stock prices are followed by increased stock returns received. The results of research conducted by Lee (2009), Baseri et al (2012), and Febriyanto&Rizkianto (2015) stated Refined Economic Value Added effect on stock returns. In contrast to research conducted by M. Tahmasebivand et al (2014) and Hajiabbasi et al (2012) which states that REVA has no effect on stock returns.

Effect of Market Value Added on Stock Returns

Keown (2010: 35) argues that Market Value added is a tool to measure the wealth of a company that has been created for a certain moment. Brigham & Houston (2014: 111) states that companies with a positive MVA value reflect a favorable prospect of capital investment in the future. The high investors who invest can increase the amount of demand for shares so as to increase share prices, and bring a positive effect on stock returns. Hanafi (2015: 55) believes that a high MVA value means the company has been able to maximize shareholder wealth as a result of good company performance and get a high response from the market. Investor confidence in the company is increasing so that it will increase demand for the company's stock price. High stock demand will increase stock prices and increase capital gains. The higher the capital gain, the stock returns obtained by shareholders will also go up, because capital gains include a component of stock return calculation. Nakhai (2016), Noori&Ja'afari (2013), Sahara (2018), and Kusuma (2018) Research Results stated that Market Value Added has an effect on Stock Returns. In contrast, research conducted by Wulandani (2017) and Williem, et al (2014) shows Market Value Added has no effect on Stock Returns.

HYPOTHESIS

H₁: *Market Value Added and Refined Economic Value Added* affect the Stock Return

H₂: *Market Value Added* has an effect on Stock Return

H₃: *Refined Economic Value Added* affects the Stock Return

RESEARCH METHODS

The research method used in this research is descriptive and verification methods. unit of analysis is carried out on mine companies registered in indonesia stock exchange period 2010-2017.

RESEARCH RESULTS AND DISCUSSION

RESEARCH RESULT

MULTIPLE REGRESSION ANALYSIS

Regression analysis is used to determine the amount of influence or more or more independent variables on one independent variable.

Table 1. Results of Multiple Regression Analysis

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	.494	.112		4.399	.000		
	MVA	.195	.051	.411	3.845	.000	.993	1.007
	REVA	.107	.062	.184	1.719	.090	.993	1.007
a. Dependent Variable: RETURN								

$$Y = 0,494 + 0,195 X_1 + 0.107 X_2 + e$$

The regression equation can be interpreted as follows:

1. Constant value of 0.494 states that if MVA, REVA = 0 (equal to Zero) and there is no change, then the value of stock returns is 0.494
2. MVA has a regression coefficient of a positive value of 0.195. This means that each increase in MVA by 1 unit will increase the value of stock returns by 0.195
3. REVA has a regression coefficient with a positive value of 0.107 This means that each increase in REVA by 1 unit will increase the value of stock returns by 0.107

HYPOTHESIS TESTING (TEST F)

Simultaneous test (Test F) is used to test if the independent variables simultaneously have a significant or not significant effect on the dependent variable.

Table2 Simultaneous Hypothesis Test Results (Test F)

ANOVA ^a						
Model	Sum Squares	of	df	Mean Square	F	Sig.

1	Regression	9.122	2	4.561	9.478	.000 ^b
	Residual	33.207	69	.481		
	Total	42.329	71			
A Dependent Variable: RETURN						
b. Predictors: (Constant), REVA, MVA						

HYPOTHESIS TESTING (T TEST)

Partial hypothesis testing to find out whether the hypothesis is accepted or rejected (Influential or not).

Tabel 3. Partial Hypothesis Test Results (t Test).

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.494	.112		4.399	.000		
	MVA	.195	.051	.411	3.845	.000	.993	1.007
	REVA	.107	.062	.184	1.719	.090	.993	1.007
Dependent Variable: RETURN								

RESEARCH DISCUSSION.

Growth in Market Value Added, Refined Economic Value Added and Stock Returns at mining companies listed on the Indonesia Stock Exchange in the period 2010-2017. Based on the research results of the growth of Market Value Added (MVA), Refined Economic Value Added (REVA), and Stock Returns in the mining companies from 2010 to 2017 has increased and decreased each year. Increases and decreases in MVA and REVA in mining companies are strongly influenced by market conditions, the world economy and the influence of countries in controlling fiscal policies and infrastructure. Internal factors also affect the growth value of MVA and REVA produced by mining companies where there is business development, selection of investments and appropriate assets so as to increase the company's operating expenses and reduce the profits derived by the company. Fluctuating stock returns are influenced by the performance of the company, if the company

shows good performance then the company's return is high and in line with expectations for investors. External factors also affect mining companies because most of them sell in the global market so that they directly affect operational activities and the revenue generated by mining companies.

Effect of Market Value Added and Refined Economic Value Added Growth on Stock Returns.

The results of the study stated that Market Value Added and Refined Economic Value Added to Stock Return have a moderate level of relationship and have a positive direction which means that if MVA and REVA increase, Stock Return will increase. The influence of Market Value Added and Refined Economic Value Added on Stock Returns contributed 21.6%, while the remaining 78.4% was influenced by other factors. Market Value Added and Refined Economic Value Added have an influence on Stock Return. This shows that companies that say managed to create added value for shareholders if the value of MVA and REVA is positive because the company is able to generate returns that exceed the level of capital costs so that it will attract investors to invest, but if the MVA and REVA are negative, this shows the value of the company decreased followed by a decline in share prices where the rate of return is lower than the cost of capital. Puspita (2015). This is supported by research conducted by Lee (2009) and Nugroho (2018) that Market Value Added and Refined Economic Value Added affect stock returns.

The Effect of Refined Economic Value Added Growth on Stock Return

The results of the study stated Refined Economic Value Added has a relationship level of 0.218 or 21.8% which means that the relationship between REVA and Stock Return has a low relationship with a positive direction. Hypothesis testing results state Refined Economic Value Added has no effect on stock returns on mining companies listed on the Indonesia Stock Exchange. Companies that are able to create a positive REVA value reflect a good company performance because it can produce returns that exceed the level of capital costs that shareholders receive, but the calculation results show that REVA values have a negative value, because the operating profit after tax generated is lower than the level capital costs. This condition occurred because of a slowdown in the world economy in 2015 which caused many mining companies to fail to score profit growth, so that the majority of listed companies posted large losses because commodity prices were cut and increased operating expenses on the company (AriyantoKurniawan, analyst at MandiriSekuritas: 2015).

The results of this study are in line with research conducted by M. Tahmasebivand et al (2014) which states that REVA has no effect on stock returns.

Effect of Market Value Added Growth on Stock Returns.

The results stated that Market Value Added to Stock Return has a relationship level of 0.426 or 42.6%, indicating that the relationship of MVA with Stock Return has a moderate relationship and a positive direction. Hypothesis Testing Results show Market Value Added has an effect on Stock Returns on mining companies listed on the Indonesia Stock Exchange. The results of most mining companies have a positive average growth rate of MVA. Hanafi (2016: 55) states that MVA value shows positive results, which means the company has been able to maximize shareholder wealth as a result of good company performance and get a high response from the market. Investor confidence in the company is increasing so it is possible to increase the demand for the company's stock price. High stock demand results in high stock prices, the higher the capital gain, the stock returns obtained by shareholders will increase because capital gains are included in the component of stock return calculation. The results of this study are supported by Nakhaei (2016), Noori&Ja'afari (2013), Roze, et al (2013), and Pourali, et al (2013) states that Market Value Added (MVA) has an effect on Stock Return.

CONCLUSION

1. Market Value Added and Refined Economic Value Added simultaneously affect Stock Return.
2. Market Value Added has an effect on stock returns. Market Value Added affects stock returns
3. Refined Economic Value Added has no effect on stock returns.

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