

# **The Influence of Dividend Policy, Market Value Added, and Economic Value Added on Stock Returns Listed on the Indonesian Stock Exchange**

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**ABSTRACT :** Investors who add capital definitely expect a return or return in the form of profits. Investors need to use various considerations to assess the type of company that is worth investing in and can provide optimal profits for investors. So that investors can make strategic steps by analyzing investments in companies where the investor invests. One aspect that investors can assess is the company's financial performance as seen from the financial reports. This research aims to determine the influence of dividend, market value added and economic value added policies on stock returns in companies listed on the Indonesia Stock Exchange for the 2019-2022 period. This research uses panel data from 10 companies listed on the Indonesia Stock Exchange (BEI) in 2019-2022. The analytical method used in this research is multiple linear regression analysis. The research results show that partially the Market Value Added variable has a positive and significant effect on stock returns, while dividend policy and Economic Value Added have a negative but not significant effect on stock returns)

**KEYWORDS -** *Dividend Policy, Market Value Added, Economic Value Added*

## **I. INTRODUCTION**

The development of the capital market in Indonesia is increasing, along with the increasing number of companies listed on the Indonesian Stock Exchange (ISE). Thus, investors are increasingly choosing to invest in shares in the hope of making a profit. In a business world that continues to develop and competition is increasingly fierce, business actors are becoming more professional in managing their companies. To support the development and improvement of the Company's performance, additional capital is required. This capital can be obtained from internal or external parties to the company, through debt or by increasing the amount of ownership by issuing securities, such as shares and bonds [1].

Investments can be made by purchasing securities from a company that has good performance and can return the investment according to the agreement [2]. Companies that need funds can issue shares and sell on the capital market. The capital market is a financial market that trades long-term financial instruments, one of which is shares. The capital market provides an opportunity for parties who have excess funds to channel their funds to parties who lack funds through the capital market, companies can absorb investment from the public who are then called investors. By investing, people have participated in economic development [3].

Dividends are compensation that must be received by shareholders, in addition to capital gains. Dividends are a portion of the company's profits distributed to shareholders at the end of each accounting period [4]. Shareholders hope to receive dividends in large or relatively the same amount every year. Meanwhile, companies also want relatively large retained earnings to carry out reinvestments which are assumed to produce capital gains. Therefore, companies must be able to allocate profits wisely to fulfil these two interests [5].

Dividend policy is a decision whether the profits earned by the company will be distributed to shareholders in the form of dividends or will be retained in the form of retained earnings which will be used for future investment [6]. If the company chooses to distribute profits as dividends, it will reduce retained profits and reduce the total source of internal financing funds. If the company chooses to retain the profits it earns, its ability to form internal funds will be greater. Dividend policies that result in dividend increases from year to year can increase investor confidence [7]. Indirectly, this provides information that the company has good performance. This information also affects the demand and supply of shares due to an increase in company value. Thus, dividend policy must be analysed in relation to spending decisions or determining the overall capital structure [8].

Performance research using accounting data in the form of financial report analysis is not fully in line with the aim of maximizing shareholder prosperity [9]. One of the weaknesses of financial report analysis is that it ignores the cost of capital, making it difficult to know whether a company has succeeded in creating economic

value or not [10]. To overcome these weaknesses, financial analysts developed new concepts as performance measures, namely Economic Value Added (EVA) and Market Value Added (MVA) [11].

EVA is an estimate of the actual economic profit of the business for the year in question [12]. EVA reflects the residual profit remaining after the cost of all capital, including equity capital, has been deducted. EVA provides a good measure of the extent to which a company has provided additional value to shareholders. In other words, if company management focuses on EVA, then they will make financial decisions that are consistent with the aim of maximizing shareholder prosperity or wealth. Companies that have a high (positive) EVA value can attract more investors to invest in that company. The higher the EVA value reflects the company's high profits [13].

Apart from Economic Value Added, Market Value Added is also used which functions as a measure of financial performance. MVA is the difference between the market value of a company's shares and the amount of investor equity capital that has been provided by shareholders [14]. Shareholder wealth will be maximized by maximizing the MVA value. The higher the MVA, the better the job the manager has done for the company's shareholders.

One of the service industries listed on the Indonesian stock exchange is infrastructure, utilities and transportation which includes energy supply, transportation and telecommunications services, as well as construction services. The lack of available infrastructure in the country is seriously hampering the economy. In fact, a country is considered developed if sufficient infrastructure is available, such as energy, transportation, toll roads, ports, airports and telecommunications. Therefore, the growth and development of a country is largely determined by the infrastructure sector [15].

Investors who want to invest in the infrastructure sector will be very careful, especially those whose share values fluctuate, because share prices are a measure of the success of company management. Stock prices also depend on supply and demand. The higher the demand for shares, the higher the share price. The continuous increase in the share price of an industry makes potential investors willing to invest their capital in that company [16].

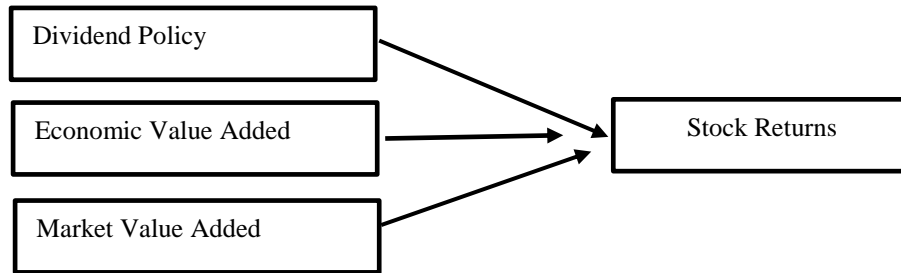
Based on the background of this problem, this research aims to determine the influence of dividend policy, Market Value Added and Economic Value Added on companies listed on the BEI for the 2019-2022 period).

## **II. CONCEPTUAL FRAMEWORK**

Return is the result obtained from investment [17]. Total return is the overall return from an investment in a certain period. Total return is often referred to simply as return. Total return consists of capital gains and dividends. The effect of dividend policy on stock returns can be seen from research conducted [15], namely the profitability ratio is only the Return On Equity (ROE) variable, which has a positive and significant effect on stock returns partially, whereas.

To create value, a company must obtain a return on invested capital that is greater than the cost of capital, through the concept of Economic Value Added [14]. The influence of Economic Value Added on stock returns can be seen through the results of research conducted by [18], namely the influence of Economic Value Added and Market Value Added on stock returns, where the results of the research show that Economic Value Added has a positive effect on stock returns. In research conducted by [19] namely the influence of earnings per share, operating cash flow, economic value added and market value added on stock returns (case study in the basic industry and chemical sectors listed on the Indonesia Stock Exchange in 2018).

Market Value Added (MVA) is the amount by which the total value of the company has appreciated above the amount of money invested into the company by shareholders [20]. That Market Value Added (MVA) is the difference between the market value of shares and the equity (own capital) handed over to the company by shareholders. The results of research conducted by [21] are the influence of Economic Value Added (Eva), Market Value Added (MVA), Leverage Analysis of Company Financial Performance Using Economic Value Added (EVA) and Market Value Added (MVA) Methods in Transportation Companies where the results The research is that Economic Value Added (EVA), Market Value Added (MVA), Leverage and Dividend Policy have a significant positive effect on stock returns.



**Figure 1. Conceptual Framework**

**III. METHODOLOGY**

**Population and Sample**

The population in this research is all companies registered on the IDX for the 2019-2022 period. The sampling technique used in this research was purposive random sampling. The criteria that were met in selecting the sample in this study were that it was registered on the Indonesian Stock Exchange in the 2019-2022 period. Complete audited financial reports for the 2019-2022 period. Financial reports are presented in rupiah currency for the 2019-2021 period. From the sample selection criteria, 10 companies were randomly selected that met the criteria. The time span chosen is 4 years (2019-2022). The total sample size of this research is 40 data (10 companies x 4 years).

**Data Types and Sources**

The type of research used is quantitative. The data used in this research is secondary data in the form of audited financial reports and share prices at the end of period closing for companies listed on the Indonesian stock exchange for the 2019-2022 period. This data has been published and documented on the official website of the Indonesian Stock Exchange. This data was taken from the Indonesia Stock Exchange website <https://www.idx.co.id>.

**Analysis Method**

The analytical tool used in this research is multiple linear regression with the dependent variable namely Stock Return and independent variables consisting of EVA, MVA, Dividend Policy and Market Beta. Multiple linear regression analysis techniques are used to explain the relationship and how much influence the independent (free) variables have on the dependent (dependent) variable. The multiple linear regression equation can be stated as follows:

$$Y = a + a_1.X_1 + a_2.X_2 + a_3.X_3 + e$$

Description:

Y = Stock Return Variable

a = Constant

a<sub>1</sub> = Regression coefficient of the independent variable Dividend Policy

X<sub>1</sub> = Dividend Policy Variable

a<sub>2</sub> = Regression coefficient of the independent variable EVA

X<sub>2</sub> = EVA variable

a<sub>3</sub> = Regression coefficient of independent variable MVA

X<sub>3</sub> = Variable MVA

e = error term

**IV. RESULTS AND DISCUSSION**

**Descriptive Statistical Analysis**

Descriptive statistical analysis describes what should have happened when the research was conducted. Table 1 shows the results of descriptive statistics that stock returns have the smallest (minimum) value of -99 and the largest (maximum) value of 17.67, this shows that in the 2019-2021 period stock returns have increased. The average (mean) stock return is 1.3486 with a standard deviation value of 3.87722. Meanwhile, the dividend policy has a minimum value of 5.00 and the largest (maximum) value of 68005527952.00, this shows that during the 2019-2021 period the dividend policy has increased. The average (mean) dividend policy is 30127016437.8000 with a standard deviation value of 49985173732.2906. Furthermore, MVA has the smallest (minimum) value of -2602490.00 and the largest (maximum) value of 24998568442.00, this shows that during the 2019-2021 period MVA has increased. The average (mean) MVA is 3365520367.6000, with a standard deviation value of 7500632072.60764.

**Table 1. Descriptive Statistics**

Description	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Policy	40	5.00	168005527952.00	30127016437.800	49985173732.29062
Eva	40	-571432732.00	159579632904.00	5303068038.0667	29139286398.62599
Mva	40	-2602490.00	24998568442.00	3365520367.6000	7500632072.60764
Stock Returns	40	-.99	17.67	1.3486	3.87722

**Source: SPSS 29 data output processed**

**Multiple Linear Regression Analysis**

Multiple Linear Regression Analysis is used to determine the influence of Economic Value Added, Market Value Added and Dividend Policy on Stock Returns. The results of data processing using SPSS obtained model estimation results as shown in Table 2.

**Table 2. Results of Multiple Linear Regression Test Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.854	.761		1.123	.272
	Dividend Policy	-1.439	.000	-.186	-1.202	.240
	EVA	-1.389	.000	-.104	-.676	.505
	MVA	2.976	.000	.576	3.749	.001

a. Dependent Variable: Y

**Data source: SPSS 29 data output processed**

Table 1 shows that the regression model for the influence of Economic Value Added, Market Value Added and Dividend Policy on Stock Returns is:

$$Y = 0,854 + (-1,389)(X1) + 2,976 (X2) + (-1,439)(X3) + e$$

Description:

- a. Constant value of 0.854, b
- b. The regression coefficient value for the dividend policy variable is -1.439 which means that if the dividend policy increases by one percent, stock returns will decrease by -1.439%.
- c. The regression coefficient value for the Economic Value Added variable is -1.389 which means that if Economic Value Added increases by one percent, stock returns will decrease by 1.389%.
- d. The Market Value Added coefficient value of 2.976 means that if Market Value Added increases by one percent, stock returns will increase by 2.978%.

**Partial Regression Coefficient Test (t Test)**

The T test was carried out to see whether the partial influence of the independent variables had a significant effect on the dependent variable. This test is carried out at a confidence level of 5% with the condition that the significance level is <0.05 then there is a significant influence and if the significance level is >0.05 then there is no significant influence. Based on the test results in this test, it can be explained as follows: The Effect of Dividend Policy on Stock Returns: Market Value Added, and Economic Value Added.

The Dividend Policy variable has a significant value of 0.240, greater than 0.05. This shows that the Dividend Policy is negative but not significant on stock returns in companies listed on the IDX for the 2019-2022 period.

The Economic Value Added variable has a negative but not significant value of 0.505, which is smaller than 0.05. This shows that Economic Value Added has a negative but significant influence on stock returns in companies listed on the IDX for the 2019-2022 period.

The Market Value Added variable has a positive and significant value of 0.001, which is smaller than 0.05. This shows that Market Value Added has a positive and significant influence on stock returns in companies listed on the IDX for the 2019-2022 period.

**Coefficient of Determination (R2)**

The Coefficient of Determination (R2) basically measures the extent to which the model is able to explain variations in the independent variables. Coefficient of Determination (R2) = 0.391 which shows that the

variation in Stock Return (Y) in companies listed on the IDX can be explained by Dividend Policy, MVA and EVA variables amounting to 39.1%, while the remaining 60.9% is influenced by factors other.

**Table 3. Coefficient of Determination Test Results**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
1	.625 <sup>a</sup>	.391	.321	3.19506	2.699
a. Predictors: (Constant), Dividend policy, MVA, EEVA					
b. Dependent Variable: Y					

**Data source: SPSS 29 data output processed**

## V. DISCUSSION

The results of statistical analysis for the dividend policy variable show that the regression coefficient is negative at -1.439. The t statistical test for the dividend policy variable obtained a Sig value of 0.240 which is greater than 0.005. So it can be concluded that dividend policy has no significant effect on stock returns in companies listed on the IDX for the 2019-2022 period.

Based on the results of research conducted, dividend policy does not have a significant effect on stock returns. This proves that the signal theory states that the greater the dividend distributed by the company, the lower the shares received by investors. Larger dividend payments will reduce the company's ability to invest so that it will reduce the company's growth which in turn will reduce share prices [22]. The results of this research are in line with research conducted by (Fitriana, 2022) which states that dividend policy has no effect on stock returns.

The results of statistical analysis for the Economic Value Added variable show that the regression coefficient is negative at -1.389. The t statistical test for the EVA variable obtained a value of 0.272 which is greater than the specified significant value, namely Sig 0.05, so it can be concluded that EVA does not have a significant effect on stock returns in companies listed in the Infrastructure, Utilities and Transportation Sectors listed on the BEI 2019-2022 period. The research results also show that EVA has no significant effect on stock returns. This proves the signal theory which states that even though the EVA value of a company increases, it does not necessarily mean that the stock returns received by investors will also increase, and vice versa. This kind of thing might happen because the cost of capital is higher compared to the net profit obtained by the company [23]. The lack of influence of EVA on stock returns is likely caused by several factors, for example Indonesia's unstable political economy, resulting in higher business risks and uncertainty in the level of income that investors will receive when making investment decisions. As well as other examples such as social conditions and so on. The results of this research are in line with research conducted by [24] which states that EVA does not have a significant effect on stock returns.

The results of statistical analysis for the Market Value Added variable show that the regression coefficient is 2.976. The t statistical test for the MVA variable obtained a Sig value of 0.001, which is smaller than the specified significant value, namely Sig 0.05. So it can be concluded that MVA has a significant effect on stock returns in Infrastructure, Utility and Transportation sector companies listed on the IDX for the 2019-2022 period. A positive MVA regression coefficient value indicates that the company's market value will be higher than the company's book value. This should encourage interested investors to increase the number of requests for these shares so as to increase the share price. Rising stock prices will have a positive influence on company stock returns in terms of capital gains.

Based on the research results, it was found that Market Value Added had a significant effect on stock returns. This proves the signal theory which states that if the Market Value Added value of a company increases, the stock returns received by investors will also increase, and vice versa. This can show that the MVA calculation is appropriate when used as a basis for decision making for investors to buy and sell shares in the company [25] [26]. The results of this research are in line with research conducted by [27] which states that MVA has a significant effect on stock returns.

## VI. CONCLUSIONS AND SUGGESTIONS

### Conclusion

Based on the results of research and discussion regarding the influence of Dividend Policy, Market Value Added, and Economic Value Added, on stock returns, the following conclusions can be drawn:

1. Based on the results of the research conducted, it was found that it partially stated that dividend policy had a negative but not significant effect on stock returns. This means that dividend policy and stock returns are

- inversely related, the greater the dividend distributed by the company, the lower the stock returns received by investors.
- The regression results also show that Economic Value Added has a negative but not significant effect on stock returns in companies listed on the IDX for the 2019-2022 period. This means that changes in stock returns are more influenced by changes in the company's share price. If share prices increase, the share returns received by investors will also tend to increase.
  - The regression results also show that Market Value Added has a positive and significant effect on stock returns in companies listed in sectors on the IDX for the 2019-2022 period. This means that the high Market Value Added value is in line with the increase in share prices.

#### **Suggestion**

The results of this research show that the Market Value Added variable has a positive and significant effect on stock returns, while dividend policy and Economic Value Added have a negative but not significant effect on stock returns. Therefore, before making an investment decision. Investors and potential investors are advised to consider Market Value Added factors in making investment decisions.

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