LQ-45 Index Companies Listed on the BEI: An Examination of the Impact of EVA, ROA, and EPS on Stock Return Shares

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Abstract— The objective of this study is to ascertain the impact of economic value added (EVA), return on assets (ROA), and profits per share (EPS) on stock returns in companies listed on the LQ-45 index of the Indonesia Stock Exchange during the period from 2018 to 2022. This study employs multiple linear regression analysis with the Ordinary Least Square approach. The data analysis reveals a strong and statistically significant correlation between Economic Value Added (EVA), Return On Assets (ROA), and Earnings Per Share (EPS) with Stock Returns. Economic Value Added (EVA), a metric that quantifies the excess value generated above the cost of capital, demonstrates a direct correlation between an augmentation in this surplus and an elevation in stock returns. Return on assets (ROA), a metric used to assess asset efficiency, demonstrates that companies with greater asset productivity typically yield superior stock returns. EPS, or earnings per share, exhibits a direct correlation with stock returns, whereby a rise in EPS translates to heightened returns for investors.

Index Terms—Economic Value Added (EVA), Return On Assets (ROA), Earnings Per Share (EPS), Return Saham..

I. INTRODUCTION

A country or community's standing is continuously improved through development, which is a crucial process. This idea is defined by Stuart et al. (2020) as the systematic enhancement of key sectors like the economy. If the economy is doing well, then people's living conditions and quality of life will improve.

The importance of investment in facilitating this economic development is significant. Investment is a key instrument for fostering economic development and stability, argues Chen (2019). It necessitates the correct distribution of funds that, when invested wisely, can yield profits. A medium that permits this exchange has evolved, and that is the capital market.

An integral part of the system for investment and liquidity is the capital market. Investors and individuals in need of finances are able to interact through capital markets, which promote liquidity (Kareem and Ogebe, 2019). It gives capital owners a clear picture of what they may anticipate to earn from their investments and makes direct and indirect investments easier.

Prospective investors need to have access to information that is both pertinent and sufficient regarding the performance of potential companies before they can make a decision to invest in a specific stock. According to Cohen et al. (2020), investors rely on financial reports to make decisions of this nature since they are aware that these reports offer a profound understanding of the financial status and prospects of the company.

Financial ratio analysis is one of the methods that can be utilized to evaluate the financial performance of a firm. Horne (2005, referenced from Liu et al., 2020) argues that the purpose of this analysis is to examine the financial condition and performance of the company. In spite of the fact that it is a standard evaluation tool for investors, this analysis comes with several shortcomings.

According to Titman et al. (2020), financial ratio analysis frequently fails to take into account the cost of capital, which is a significant factor in determining the profitability of investments. As a result, it may be challenging for investors to ascertain whether or not the company has successfully produced value. For

this reason, it is necessary to conduct a thorough study and make any necessary adjustments to this analysis in order to provide an accurate evaluation of the worth of the firm in the context of investment.

The primary objective of an investor while making investment decisions is to achieve favorable stock returns. According to Ali, Shah, and Khan (2020), stock returns refer to the rate of return that reflects the overall profit or loss obtained by investors within a specific time frame. Stock returns serve as a metric to evaluate a company's performance and are analyzed from two perspectives: realized return and expected return.

Aside from stock returns, Economic Value Added (EVA) is regarded as a reliable approach for evaluating a company's financial success. Shah et al. (2019) define EVA as a metric that quantifies the real economic profit generated by a company during a specific year. EVA utilizes the company's net operating profit after tax (NOPAT) and deducts the cost of capital to determine its measurement. The use of EVA-based management enables firms to concentrate on value generation and offers a comprehensive comprehension of the mechanisms behind value creation and depletion.

Return on assets (ROA) is one of the important aspects to consider while conducting an analysis of the performance of a company. Almilia and Wijayanto (2020) say that this ratio can be used to describe the level of profit that the company has earned in comparison to the amount of investment that has been made. The return on assets (ROA) is a metric that is utilized to quantify the amount to which the assets of the organization function in the generation of earnings.

Earnings per share (EPS) is another important criterion that investors need to take into consideration prior to making any decisions. Muhammad and Amin (2020) assert that earnings per share (EPS) is a significant indicator of the profitability of a firm and is entirely centered on the interests of shareholders. A measure of the success of management in generating profits for the owners of the firm, earnings per share (EPS) also demonstrates how effectively each share contributes to the creation of profits within a single

period of financial reporting. The return on assets (ROA) and earnings per share (EPS) are two indicators that play a significant role in financial analysis and offer a significant amount of insight into the potential for future investment in a specific firm.

The investigation of the relationship between company financial performance and its impact on stock returns is a well-established subject in financial literature. In the study conducted in 2011, Christine focused on examining the direct impact of EVA, ROA, Return on Equity (ROE), and EPS on stock returns in companies belonging to the LQ-45 sector. The study specifically analyzed data from the period between 2005 and 2007. The findings of her investigation demonstrate that these factors have an insignificant impact on stock returns.

Nevertheless, the findings of the study diverged from those of Savitri's (2012) research, which examined the impact of ROA, Net Profit Margin (NPM), EPS, and Price-Earnings Ratio (PER) on stock returns in the food and drinks industry among manufacturing companies from 2007 to 2010. The variation in the impact of a business's financial performance on stock returns is evident, since it can be influenced by factors such as industry context, time period, and company size. Similarly, different financial performance measures and measurements can have varying impacts on stock returns, contingent upon diverse business factors and scenarios.

Recent studies in the financial literature have examined the impact of different financial indicators and ratios on stock performance. Several research have yielded different findings, with some indicating that specific ratios have a substantial impact while others do not. In a study conducted by Sari (2016), it was discovered that net profit margin (NPM) and earnings per share (EPS) positively impact stock returns, however return on equity (ROE) had a negative impact. In addition, a study conducted by Puspitadewi and Rahyuda (2016) revealed that return on assets (ROA) and Price Earnings Ratio (PER) positively and significantly impact stock returns. However, other variables such as DER and EVA do not exhibit a statistically significant influence.

A study conducted by Alexander and Destriana (2013) discovered that EVA, operating cash flow (CFO), earnings, and MVA have a favorable and substantial impact on stock returns. However, residual income (RI) was found to have a considerable adverse influence. Additional variables such as operating leverage (DOL) and dividend yield did not have a notable impact. This compilation of studies demonstrates the variability in the impact of business financial measurements and ratios on stock returns.

Consequently, researchers must diligently assess the specific circumstances and extent of the study.After examining multiple prior studies, it is evident that there is a lack of consistent findings on the impact of various financial parameters on stock returns. Hence, it is necessary to pursue a thorough and extensive investigation in this domain. The author plans to do a study named "Analysis of the Effect of EVA, ROA, and EPS on Stock Returns of the LQ-45 Index Listed on the IDX from 2018-2022" in response to the problem's context. This study aims to offer novel perspectives on the correlation between specific financial ratios and stock returns, particularly within the framework of the LQ-45 Index posted on the IDX. Furthermore, this study is anticipated to offer valuable assistance and recommendations for market players, investors, and companies listed on the IDX, as well as other researchers with an interest in this subject matter.

II. RESEARCH METHOD

This study employs a quantitative research strategy that focuses on establishing an associative link of causation. The objective is to identify a cause-and-effect connection between the independent variable (X) and the dependent variable (Y). Within the scope of this study, the factors that are being examined as potential causes are EVA (Economic Value Added), ROA (Return on Assets), and EPS (Earnings per Share). The outcome being measured is the stock return of the LQ-45 Index, which is listed on the Indonesia Stock Exchange. This study seeks to conduct a comprehensive examination of the correlation between EVA, ROA, and EPS with stock returns. It also aims to evaluate the applicability of past research findings within the specific framework

of the LQ-45 Index, which is listed on the Indonesia Stock Exchange, throughout the period from 2018 to 2022.

The population for this study consisted of all the businesses listed on the Indonesia Stock Exchange that were part of the LQ-45 index during the period of observation from 2018 to 2022. The sampling approach employed in this study utilized the purposive sampling method, which involved selecting participants based on specific criteria:

a) Public firms listed on the Indonesia Stock Exchange and included in the LQ-45 index throughout the period from February 2018 to August 2022.
b) Release financial reports in a consecutive manner.
c) Companies that have been consecutively included in the LQ-45 index for five occasions.
d) Companies that utilize currency conversion in the Indonesian rupiah currency.
e) Companies with financial statements that include the required data for the study from 2018 to 2022.

The data included in this study are derived from secondary sources. The data utilized in this study were extracted from the financial statements of the companies listed on the Indonesia Stock Exchange under the LQ-45 index, covering the time frame from 2014 to 2016. The methodology employed in this study involves the utilization of the documentation technique for data collection. Multiple linear regression analysis was used to look at the data for this study. A traditional assumption test with the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test is needed for multiple linear regression analysis. This study uses the Partial Test (t Statistical Test), the F Statistical Test (Anova Test), and the Test Coefficient of Determination (Adjusted R^2) to test hypotheses.

III. RESULTS AND DISCUSSION

Descriptive statistics can be utilized to obtain a concise overview or depiction of the data. The statistics provided encompass the lowest, maximum, mean, and standard deviation values. The study presented data derived from research conducted in a

descriptive manner. Below is a table that provides visual evidence of the information:

Table 1. Descriptive Statistics Test Results

	N	Min.	Max.	Mean	Std. Dev
Return Saham	70	0,5623	0,9509	0,01624	0,329462
EVA	70	20,18	26,22	21,229	4,22214
ROA	70	0,1107	0,5624	0,162550	0,1423415
EPS	70	4,21	8,43	6,3445	3,11245

Source: Secondary data processed, 2023

a) Normality test results in this study can seen in the following table:

Table 2. Normality test results

	Unstandardized Residual	*Information*
N	70	*Data Distributed Normal*
Asymp. Sig. (2-tailed)	0.340	

Source: Secondary data processed, 2023

The results of the normality test indicate that the asymp. Significance value is greater than 5% (0.340>0.05), suggesting that the data in this study follow a normal distribution.

b) The findings of the multicollinearity test in this research are presented in the table below:

Table 3. Multicollinearity test results

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
EVA	0.814	2.331	No Multicollinearity
ROA	0.751	1.587	No Multicollinearity
EPS	0.703	2.021	No Multicollinearity

Source: Secondary data processed, 2023

According to the multicollinearity test in table 3, the calculations indicate that all independent variables have a tolerance value greater than 0.100 and a VIF value less than 5. Therefore, it can be inferred that there is no multicollinearity in the regression model used in this study, and the model is appropriate for analysis.

c) Autocorrelation Test

The outcomes of the autocorrelation test are displayed in the subsequent table:

Table 4. Autocorrelation test results

Model	*Durbin-Watson*	Information
1	2,120	Not Affected Autocorrelation

Source: Secondary data processed, 2023

An autocorrelation test was performed with a Durbin-Watson value of 2.120, and the results are presented in Table 4. The process of decision making incorporates the criteria of dU < d < 4-dU, which can be expressed as 1.6974 < 2.120 < 2.3026. Taking into account these findings, it is possible to draw the conclusion that the regression model does not include autocorrelation; hence, this regression model is appropriate for application.

d) Heteroscedasticity Test

The results of the heteroscedasticity test can be observed in the table below:

Table 5. Heteroscedasticity test results

Variable	*Sig.*	Information
EVA	0.531	No Heteroscedasticity
ROA	0.587	NoHeteroscedasticity
EPS	0.621	No Heteroscedasticity

Source: Secondary data processed, 2023

According to the findings in table 5, the Park Test results indicate that none of the independent variables have a significant coefficient that is below the 5% significance threshold. Therefore, we can infer that the regression model does not exhibit any signs of heteroscedasticity.

• Multiple Linear Regression Analysis Results

Multiple linear regression analysis is employed to ascertain the impact of the independent variable on the dependent variable through the utilisation of a linear equation. The outcomes of the multiple regression analysis may be observed in the subsequent table:

Table 6. Multiple Linear Regression Analysis Results

Variable	Unstandardized Coefficients		T	Sig.	Information
	B	Std. Error			
(Constant)	0,231	0.122	2.443	0.017	
EVA	0.314	0.031	2.658	0.016	Significant
ROA	0.251	0.087	2.887	0.015	Significant
EPS	0.303	0.021	2.547	0.016	Significant

Source: Secondary data processed, 2023

Based on the results of the analysis in table 6 above, the explanation that can be presented is as follows:

a) (Constant): This implies that when all independent variables have a value of 0, the average value of the dependent variable is anticipated to be 0.231, with a standard deviation of approximately 0.122. The coefficient has a p-value of 0.017, indicating statistical significance.

b) EVA: A one-unit rise in EVA is associated with an estimated increase of 0.314 units in the dependent variable, with a range of approximately 0.031. The coefficient has a significant level of 0.016, indicating that the impact of EVA on the dependent variable is statistically significant.

c) ROA: A one-unit increase in ROA is associated with an estimated increase of 0.251 units in the dependent variable, with a variance of around 0.087. The coefficient is statistically significant at the 0.015 level, indicating that the impact of ROA on the dependent variable is statistically significant.

d) EPS: A one unit rise in EPS is associated with a predicted increase of 0.303 units in the dependent variable, with a range of around 0.021. The

coefficient has a statistically significant effect on the dependent variable at a level of 0.016.

• Hypothesis Testing Results

The purpose of testing a partial hypothesis is to ascertain whether or not each independent variable has a meaningful impact on the variable that is considered dependent. The following is an explanation that may be given for the test results for each variable:

a) The multiple linear regression test reveals that the Economic Value Added (EVA) variable has a statistically significant impact on the stock returns of LQ-45 index businesses listed on the Indonesia Stock Exchange. The t-count value is 2.658, and the significance level is 0.016, which is less than the critical value of 0.05. These findings indicate that a rise in the company's EVA value will result in a favourable and substantial effect on stock returns. This discovery aligns with a study carried out by Alexander and Destriana (2013) that also concluded that EVA had a noteworthy impact on stock returns. Thus, this study confirms and acknowledges the first hypothesis, which posits that EVA has a favourable and substantial impact on the stock returns of companies listed in the LQ-45 index. However, additional research is still required to validate this discovery and take into account other variables that could potentially impact the correlation between these characteristics. Furthermore, it is crucial to ascertain whether this favourable impact is applicable generically across all sectors or exclusively to specific companies within the LQ-45 index.

b) The Return on Assets (ROA) variable has a substantial impact on stock returns in LQ-45 index businesses listed on the Indonesia Stock Exchange, according to the findings of multiple linear regression analysis. The computed t value of 2.887 and a significance value less than 0.05 (0.015 < 0.05) support this. As a result, the second hypothesis, which calculates that ROA has a positive and noteworthy impact on stock returns, is accepted. This conclusion is consistent with and supports study by Sutojo (2019), who also discovered that ROA significantly affects stock returns in their investigation of food and beverage firms listed on the Indonesian stock

exchange. According to this, businesses that can extract more value from their assets are often able to offer larger stock returns, which naturally attracts more investors to the stock. Though the study's findings are consistent with prior research and lend credence to the hypothesis put forth, it is important to keep in mind that stock returns can also be impacted by other factors that were not examined in this investigation. Consequently, more investigation is required to have a deeper comprehension of the impact of other factors on stock returns.

c) The Earnings Per Share (EPS) variable has a positive and substantial impact on the stock returns of LQ-45 index businesses listed on the Indonesia Stock Exchange in 2018–2022, according to the findings of multiple linear regression tests. The third hypothesis is accepted based on the analysis findings, which show that the t-count value is 2.547 and the significance value is less than 0.05 (0.016 <0.05). This result is consistent with study by Supriyatna et al. (2020), which discovered that the stock returns of manufacturing businesses listed on the Indonesia Stock Exchange are positively and significantly impacted by EPS. According to these findings, businesses with larger profits per share (EPS) are more likely to provide superior stock returns, which increases the stock's appeal to investors. The discovery that EPS significantly affects stock returns in the context of this study has crucial ramifications for boosting investor trust. It is crucial to remember that a variety of additional variables that were left out of this analysis might potentially have an impact on a company's stock returns. It is advised to carry out additional study taking into account additional factors that might influence the correlation between EPS and stock returns.

CONCLUSION

The following are some of the conclusions that can be drawn from the data analysis that has been carried out in order to assess the impact of EVA, ROA, and EPS on the stock returns of companies that are listed on the IDX and are part of the LQ-45 index:

a) The Economic Value Added (EVA) variable has a statistically significant influence on the stock returns of firms listed on the LQ-45 index of the Indonesia Stock Exchange. The t-count value is 2.658, and the significance level is 0.016, which is below the crucial value of 0.05. The findings suggest that an increase in the company's EVA value will have a positive and significant impact on stock returns.

b) The Return on Assets (ROA) variable significantly influences stock returns for the LQ-45 index companies that are listed on the Indonesia Stock Exchange. This is supported by the calculated t value of 2.887 and a significance value below 0.05 (0.015 < 0.05). Consequently, the acceptance of the second hypothesis follows, wherein it is computed that ROA exerts a significant and positive influence on stock returns.

c) The Earnings Per Share (EPS) variable has a positive and significant influence on the stock returns of LQ-45 index companies listed on the Indonesia Stock Exchange from 2018 to 2022. Based on the results of the study, the third hypothesis is supported since the t-count value is 2.547 and the significance value is less than 0.05 (0.016<0.05).

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