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The Effect Of Economic Value Added And Financial Ratio On Sharia Stock Return.

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Abstract

This research investigates the impact of economic volatility on the market capitalization of the Jakarta Islamic Index(JII) from 2019 to 2021. Analysis of stock prices and returns for companies in this index reveals fluctuations that are correlated with economic disruption. In addition, research explores the significance of financial ratios, especially Return On Assets (ROA), as an important tool for assessing company performance. Economic Value Added (EVA) was also tested as a factor influencing stock returns, producing different results from previous research. Thirteen companies in the JII were the research samples, selected through purposive sampling based on criteria such as consistent registration for three years, annual financial reports for the 2019-2021 period, and not using foreign currency. Data obtained from company reports. This research uses an explanatory quantitative approach, by applying panel data regression and models such as Common Effect, Fixed Effect, and Random Effect. The results of statistical analysis for the EVA variable show that there is no significant influence on the returns of sharia shares listed on the JII. Meanwhile, the ROA variable shows that ROA has a significant effect on stock returns in companies listed on the JII.

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INTRODUCTION

The growing cost of living and the many unexpected needs make people think about their future needs. This encourages someone to set aside some of their income to save and it is expected that the value will increase in the future or can be interpreted as an investment. Investment is an agreement on a number of funds or other resources with the aim of obtaining profits in the future (Sri Handini & Erwin Dyah Astawinetu, 2020). Investing in the capital market is an alternative for people to gain profits in the future. In connection with the increasing national economic growth which also has an impact on the capital market sector, now the capital market industry is looking at the development of the application of Islamic sharia principles

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as an investment instrument, namely with the presence of the Jakarta Islamic Index which was established in July 2000.

Based on data from the Financial Services Authority, the market capitalization of the JII sharia index for the 2019-2021 period has decreased due to the corona virus (Covid-19). In 2019 it was Rp. 2,318,565.69 decreased in 2020 to Rp. 2,058,772.65 and continued to decline to Rp. 2,015,192.24 in 2021. One aspect that is of concern amid the outbreak of the corona virus is investment. Predictions from the Institute for Development of Economics and Finance (INDEF) are that there is a potential loss of investment worth IDR. 27 trillion caused by Covid-19.

Table 1. Stock Price Development and Stock Return

No	Issuer	Stock Price			Stock Return		
		2019	2020	2021	2019	2020	2021
1	EXCL	3.150	2.730	3.170	0,59	-0,13	0,16
2	ICBP	11.150	9.575	8.700	0,07	-0,14	-0,09
3	KLBF	1.620	1.480	1.615	0,07	-0,09	0,09
4	TLKM	3.970	3.310	4.040	0,06	-0,17	0,22
5	UNVR	8.400	7.350	4.110	-0,07	-0,13	-0,44

Source: Annual Report Period 2019-2021

Based on table 1 above, it shows the development of stock prices and also stock returns in companies that are members of the JII for the 2019-2021 period. There are PT XL Axiata, PT Indofood CBP Sukses Makmur, PT Kalbe Farma, and PT Telkom Indonesia with stock prices and stock returns that fluctuate every year, there was a decline in 2020 due to the corona virus outbreak which caused restrictions on economic activities, but in 2021 it increased again due to a decrease in coronavirus cases and economic activities that began to operate again. While there is PT Unilever Indonesia with stock prices and stock returns that decline every year.

The decline in stock prices certainly affects stock returns because when the stock price of the current period is not greater than the stock price of the previous period, it can be ascertained that the stock return value is negative and investors also experience losses. This is inversely proportional to the investor's goal in investing, the purpose of investors investing their funds in a company is of course to get a profitable rate of return both in the long term and in the short term. According to Inrawan et al., (2022) Return is the return on investment expected by a company or investor. Therefore, to avoid these losses, an investor should make several considerations before investing his funds in a company.

One source of financial information needed by investors or capital owners is financial statements. Financial statements provide company accounting data that can show the performance of a company. Investors will invest their funds in a company if the company has a good performance from the analysis of financial statements owned by a company. One method of analysis carried out on company financial reports is ratio analysis. The ratio analysis that is often used is financial ratios (Hantono, 2018).

The financial ratio in this research is ROA. ROA can be called a measuring tool to measure how effectively a company manages its assets to gain profits (Firdausia, 2021). In addition, ROA can predict a company's ability to earn profits based on a certain level of assets. The higher the ROA value, the higher the company's ability to generate profits and many investors will be interested in buying shares of companies that generate high profits so that the company's share price will

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increase and of course this will increase stock returns as well. Based on previous research conducted by Almira & Wiagustini (2020) shows that ROA has a positive effect on stock returns.

One of the factors that influences stock returns is EVA. According to Kusumawati & Hamidah (2017) and Badaruddin et al., (2017) EVA is a measure to measure performance that combines value acquisition and costs to obtain added value. EVA is used to measure how efficiently a company uses its capital to produce economic added value. EVA having a positive value means that the company is making a profit because its rate of return exceeds its capital, so the company can share its profits in the form of dividends to its investors. If the company's profits are greater, the dividends investors will receive will be greater, which can lead to higher stock returns. Based on research by Utami et al., (2020) research shows that EVA has a significant effect on stock returns, because the higher the capital gains and dividends, the higher the stock returns.

Theoretical Basis

Signaling Theory

According to Brigham & Houston (2018), signaling theory is information signals that are really needed by an investor in considering and determining whether investors will invest their shares or not in the company concerned.

Stock Return

According to shares are proof of ownership of a company where the owner is also called a shareholder (shareholder). According to Lubis (2016), return is the level of profit from the funds invested by investors. Meanwhile, according return is the return on investment expected by the company or investor.

Economic Value Added (EVA)

EVA is basically a measure of the extent to which a company creates economic added value for shareholders (Suripto, 2015). Meanwhile, according to Brigham & Houston (2018), EVA is the excess of operating profit after tax over the cost of capital. According to Rahman (2022), a positive EVA value indicates that the company has been able to create maximum company value for capital owners so that it can maximize stock returns.

Return On Asset (ROA)

According to Nurhayati et al., (2020), ROA is a ratio that can measure how capable and effective a company is at generating profits from investments. According to Fitroh & Fauziah (2022), increasing ROA shows that the company's performance is getting better and shareholders will benefit from the increasing dividends they receive.

RESEARCH METHODS

The method used in this study is quantitative method. The population in this study is companies incorporated in the JII for the 2019-2021 period and the research sample amounted to 13 companies that met the criteria based on purposive sampling techniques. The criteria for sampling in these populations are companies that have been and consistently listed in the JII for 3 years, namely 2019-2021, companies listed in the JII that have annual financial statements during the 2019-2021 period, and companies that do not use foreign currencies.

The research data source is secondary data from the company's annual report. The method of this research is quantitative explanation. The data analysis used in this research is panel data regression analysis with the model selection method for panel data, namely using the Chow Test, Hausman Test, and Lagrange

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Multiplier Test. Conclusions in this research were drawn using the t statistical test and the coefficient of determination.

RESULT

Descriptive statistics are used to obtain a summary of a sample of data, descriptive statistical results can show the amount of data, mean, and standard deviation.

Table 2. Descriptive Statistical Results

Variabel	Min	Max	Mean	Std. Deviation
EVA	3.49	6.81	5.68	0.69
ROA	-1.00	1.56	0.63	0.66
Stock Returns	-0.44	1.30	-0.00	0.29

Source: Result of data processing (2023)

Based on table 2, variable EVA has a min value of 3.49 and max 6.81, an average value of 5.68 with a standard deviation of 0.69. Variable ROA has a min value of -1.00 and a max of 1.56, an average value of 0.63 with a standard deviation of 0.66. Variable Stock Return has a min value of -0.44 and a max of 1.30, an average value of -0.00 with a standard deviation of 0.29.

There are two ways to test normality using the Eviews application, namely by using a histogram and a Jarque-fallow test. The Jarque-fallow test can be done by looking at the Jarque-fallow probability value with the following conditions: If the probability value > 0.05, it means that the data is normally distributed; If the probability value is < 0.05, it means that the data is not normally distributed.

Table 3. Normality Test Results

Jarque-Bera	11.61908
Prob.	0.299999

Source: Result of data processing (2023)

Based on table 3 above, it shows that the value of prob. 0.2999 which means that the data is normally distributed because of the prob value. > 0.05.

The multicollinearity test is a test shown to test whether the regression model found a correlation between variables (independent variables). A good regression test model should not occur multicollinearity.

Table 4. Multicollinearity Test Results

	EVA	ROA
EVA	1.000000	0.497235
ROA	0.497235	1.000000

Source: Result of data processing (2023)

In table 4 it can be seen that the results of calculating the tolerance value for each independent variable do not have a VIF value > 0.10. So, in this research regression model there is no multicollinearity.

Heteroscedasticity indicates that variable variance is not the same for all observations. A good regression model is homoscedasticity, the presence or absence of heteroscedasticity can be seen from the level of significance. If the

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significance is greater than 0.05 then it can be concluded that heteroscedasticity does not occur.

Table 5. Heteroscedasticity Test Results

F-Statistic	0,793	Prob. F (2,36)	0,460
Obs*R-Squared	1,646	**Prob. Chi-Square (2)**	**0,439**
Scaled Explained SS	6,337	Prob. Cho-Square (2)	0,042

Source: Result of data processing (2023)

Based on table 5, the value of Prob. Chi-Square (Obs*R-Square) of 0.439 > 0.05, so there is no heteroscedasticity problem.

The purpose of the autocorrelation test is to test whether or not there is a correlation between the residuals of the period t and the residuals in the period $t-_1$. One statistical test that can be used to detect autocorrelation is the Breusch-Godfrey Serial Correlation LM Test.

Table 6. Autocorrelation Test Results

F-Statistic	0.133	Prob. F (2,36)	0.875
Obs*R-Squared	0.303	**Prob. Chi-Square (2)**	**0.859**

Source: Result of data processing (2023)

Based on table 6, the value of Prob. Chi-Square (Obs*R-Square) of 0.859 > 0.05, so there is no autocorrelation problem.

The results of selecting the panel data regression model are:

Table 7. Regression Model Selection

Model	**Nilai Prob.**
Chow	0.049
Hausman	0.041
Lagrange Multiplier	0.245

Source: Result of data processing (2023)

The results of model testing showed that the Fixed Effect Model was selected. Conclusions are drawn using the t statistical test and the coefficient of determination, namely:

Table 8. Statistical t Test Results

Variabel	**Coefficient**	**Prob.**
EVA	-0.092449	0.5228
ROA	0.493564	0.0428

Source: Result of data processing (2023)

The t test results show that EVA produces a prob value. > 0.05 then X1 has no significant effect on Stock Return. Variable ROA produces a prob value. < 0.05 with a positive coefficient value, ROA has a significant effect on Stock Return.

Table 9. Coefficient of Determination Result

R-Squared	0,183377

Source : Result of data processing (2023)

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The conclusion is that the coefficient of determination is that 18.33% of the variation in variable Stock Return can be explained by variables EVA and ROA and the remaining 81.67 can be explained by other factors.

DISCUSSION

Based on the research results, it was found that EVA did not have a significant effect on stock returns. According to Sunaryo et al., (2019), High EVA does not always describe high stock returns either, even though the company's EVA value increases, it is not necessarily that the stock returns received by investors also increase. This is because EVA focuses on the belief that shareholders will rely on fundamental factors in making investment decisions, while changes in stock returns are not always influenced by fundamental factors. In accordance with research conducted by Badaruddin et al., (2017) which explains that there are several factors that cause stock returns to decrease while the value of EVA increases, one of which is because stock returns on the Indonesia Stock Exchange IDX are more influenced by rumors or technical factors so that investors who will invest their funds tend to pay attention to non-fundamental factors. Another reason because capital owners do not make EVA as a reference in investing to get returns is also the reason EVA has no influence on stock returns. This research is supported by Nurhayati et al., (2020) that EVA does not have a significant positive effect on stock returns.

The results of this research show that ROA has a significant influence on stock returns in companies listed on the JII Index. ROA is a measurement of the level of profitability that compares to asset value. ROA can describe the company's financial level in generating profits from the use of its assets. So, increasing ROA shows that the company's performance is getting better and shareholders will benefit from the increasing dividends they receive. According to Mayuni & Suarjaya (2018), the amount of ROA will increase the company's profit level and the better the company's position. The results of this research are in line with those conducted by Fitroh & Fauziah (2022) that ROA has a significant positive effect on stock returns, because the higher the ROA, the higher the return that investors will get.

CONCLUSION

The research found that EVA does not have a significant effect on stock returns, because high EVA does not always indicate high stock returns because low EVA cannot guarantee that the returns obtained by investors will be higher too. ROA was found to have a significant positive effect on stock returns, because ROA can describe the company's financial level in generating profits, so that increasing ROA shows that the company's performance is getting better and shareholders will benefit from the increased dividends they receive

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