

# The Effect of Eva (Economic Value Added) on Abnormal Returns with Profit Growth as an Intervening Variable (Case Study of Telecommunications Sector Companies Listed on the Indonesia Stock Exchange)

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**Abstract:** (ROA) and (ROE) as a measure of company performance are considered to have many weaknesses because they are short-term, and cost of capital has not been taken into account. Starting from these weaknesses, an alternative strategy is sought, namely (EVA), this method has advantage of including cost of capital in its calculation. telecommunications sector companies during Covid-19 period experienced a significant increase in profit growth caused by increasing use of internet in Indonesia so that EVA performance increased significantly, and fluctuating stock prices which will cause abnormal returns. This study aims to determine how much influence EVA has on abnormal returns through profit growth and whether EVA method runs in same direction as abnormal returns received by investors. So that later investors do not put their capital wrong. data used in this study is secondary data obtained from IDX in form of quarterly financial statements for 2020-2021 to calculate EVA, profit growth, and abnormal returns. population in this study, namely the telecommunications sector companies listed on the Stock Exchange with a sampling technique using purposive sampling method. analytical model used in this study is path analysis. Statistically, results obtained in the form of significant data, namely, EVA has a positive and not significant effect on profit growth. EVA has a positive and insignificant effect on abnormal returns. Profit growth has a positive and significant effect on abnormal returns. and mediating effect of EVA on abnormal returns which has a positive and significant effect through profit growth as an intervening variable.

**Keywords:** Economic Value Added, Profit Growth, Abnormal Return, Intervening Variable

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## Introduction

The return on asset (ROA), and the return in equity (ROE) as a measure of the profitability level of the company's performance are considered to have many weaknesses and are considered unsuitable for the purpose of maximizing company value because they are short-term, and the cost of capital has not been taken into account (Widyasari, 2022). Departing from the disadvantages of performance measurement, a better alternative strategy is sought, namely the Economic Value Added (EVA) method, this method is widely used by companies because it has advantages, namely companies can analyze information from the results of performance measurements based on actual capital costs (Widyasari, 2022).

It is important for investors to know the growth of profits in assessing the performance of an enterprise. Good company profit growth indicates that the company's performance condition is also good, which reflects the company's good growth (Prawiro, 2021). Profit growth can also be influenced by external factors such as an increase in prices due to inflation, the Covid-19 pandemic, the rupiah exchange rate, economic conditions, political conditions of a country, and of course will cause stock prices to fluctuate and result in *abnormal returns*, so that profit growth can be an intervening variable to find out whether or not there is an indirect influence between EVA calculations to determine the economic value of the company against *abnormal return*.

In this study, the author takes the case of telecommunications sector companies that have been registered, maximum from 2020 on the IDX Companies engaged in this sector are very promising, where the company does not have a significant impact on Covid-19 which can be seen in its profit growth always increasing every year so that later the results of this research can be a calculation of investors in putting their capital on

infrastructure sector companies such telecommunications. From the explanation above, researchers are interested in conducting research to find out the effect of EVA through the growth of company profits on *abnormal returns*, whether the calculation of EVA has a direct effect on *abnormal retrun* or indirectly with the calculation of profit growth as *an intervening variable*. With this research, it is hoped that investors can use these calculations as considerations to put their capital in the company and avoid losses.

## Method

The type of research used is quantitative research with a descriptive statistical approach. The type of data source used is secondary data obtained from the official website of the Indonesia Stock Exchange in the form of the company's quarterly financial statements, the population sampled in the study is a telecommunications sector company that has been listed on the Indonesia Stock Exchange. The data collection technique in this research uses purposive sampling technique with a total sample of 8 companies. Meanwhile, the object of the study is to find out the effect of *Economic Vallue Added (EVA)* on *Abnormal Retrurn* with Profit Growth as *an intervening variable*. The data collection technique used is documentation. The data analysis used is path analysis (*patch analysis*), this test is carried out to determine the presence or absence of indirect influences between the influence of independent variables on dependent variables so that there are *intervening variables*. This study used independent variables, *intervening variables*, and dependent variables. The independent variable in this study is *Economic Value Added (EVA)*. The *Intervening* variable in this study is profit growth. The dependent variable in this study is *Abnormal Retrurn*. Data analysis techniques in the form of quantifiable data that have been collected then go through the data processing process. In this process, quantitative data is processed using Microsoft Office Excel 2019 software which is then continued with data testing using IBM SPSS version 25 software with the following stages: calculating EVA, profit growth, and *abnormal retrun*, then processed through SPSS software by conducting normality tests, t tests, Sobel tests and test the coefficient of determination.

## Result and Discussion

### 1. Test of Classical Assumptions

#### a. Normality Test

The normality test aims to test whether or not the regression model used is normal. If the regression model has a signification value of  $> 0.05$  then the distribution is normal. The normality test was carried out using non-parametric statistics with the Kolmogorov-Smirnov (K-S) One Sample test method. The results of the normality test of Unstandardized Residual using One-Sample Kolmogorof-Smirnov with exact Sig. (2-tailed) as the normality value are as follows:

Tabel 1  
Normality Test Results One Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		64
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,72265733
Most Extreme Differences	Absolute	,126
	Positive	,126
	Negative	-,102
Test Statistic		,126
Asymp. Sig. (2-tailed)		,013 <sup>c</sup>
Exact Sig. (2-tailed)		,237
Point Probability		,000

Source : Data processed on IBM SPSS 25 (2022)

Table 1 shows the exact Sig. (2-tailed) value of Economic Value Added to Abnormal Return through Overall profit growth of 0.237. The significance value is greater than 0.05 so that it can be concluded that the research data are normally distributed.

b. Descriptive Statistical Test

Descriptive statistical analysis is used to find out the minimum value, maximum value, average value and standard deviation of the studied variable, the results of the descriptive statistical test can be seen in the following table:

Tabel 2  
Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean
EVA(X)	64	-775697791134	6503191815328	164031394277
PERTUMBUHAN LABA(Y)	64	-14,836	25,572	5,108560
ABNORMAL RETRUN(Z)	64	-,930	3,035	,770063
Valid N (listwise)	64			

Source : Data processed on IBM SPSS 25 (2022)

Table 2 shows the lowest EVA value during the Covid-19 pandemic experienced by the company PT Indosat, Tbk (ISAT) with a value of -775,697,791,134, the highest EVA value experienced by PT. Telekomunikasi Indonesia (Persero), Tbk (TLKM) with a value of 6,503,191,815,328, and an average value of 164,031,394,277 which means that the average telecommunications sector company has succeeded in creating eva added value > 0 even though there are some companies that cannot create added value for investors at all. The lowest profit growth value occurred in the company PT Jasnita Telekomindo, Tbk (JAST) with a value of -14,836, the highest value experienced by the company PT. XL Axiata, Tbk (EXCL) with a value of 25,572, and an average value of 5.108560 can be said that the average company is able to make a profit even though it is not significant. The lowest abnormal return value occurred in the company PT Jasnita Telekomindo, Tbk (JAST) with a value of -0.930, the highest value occurred in the company PT. Indosat, Tbk (ISAT) with a value of 3,035, and an average value of 0.770063 which can be said that the average investor gets an abnormal positive retrun .

2. Hypothesis Test

a. Rsquare Test (Model I Regression)

Model I regression is carried out to provide the amount of the percentage influence of the free variable (EVA) on the mediation variable (Profit Growth) with the following results:

Tabel 3  
Model I Regression Test Results (RSquare)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,106 <sup>a</sup>	,011	-,005	5,120838

Predictors: (Constant), EVA(X)

Source : Data processed on IBM SPSS 25 (2022)

Table 3 shows that the magnitude of the R square figure is 0.011 which means that EVA's contribution to profit growth is 1.1%, while the remaining 98.9% is influenced by other factors that were not included in the study.

b. Rsquare Test (Model II Regression)

Model II regression is carried out to determine the magnitude of the influence of the free variable (EVA) and the mediation variable (Profit Growth) on the bound variable (*Abnormal Retrun*) with the following results:

Tabel 4  
Model II Regression Test Results (RSquare)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,345 <sup>a</sup>	,119	,090	,734409

**Predictors: (Constant), PERTUMBUHAN LABA(Y), EVA(X)**

Source : Data processed on IBM SPSS 25 (2022)

Table 4 shows the magnitude of the R square figure is 0.119 which means the contribution of EVA and profit growth to *Abnormal Retrun* is 11.9%, while the remaining 88.1% is influenced by other factors not included in the study.

c. T-test (Model I Regression)

The t-test (Regression Model I) aims to prove how far the influence of one free variable is on the bound variable. Decision making can be seen from the significance value of  $< 0.05$  which means that free variables have a significant effect on bound variables, and vice versa. With the following results:

Tabel 5  
Model I Regression t-Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,879	,690		1,275	,207
EVA(X)	3,287E-13	,000	,106	,836	,407

Dependent Variable: PERTUMBUHAN LABA(Y)

Source : Data processed on IBM SPSS 25 (2022)

Table 4.4 shows the coefficient of influence of EVA on profit growth of 0.106 and the value of a significant influence of  $0.407 > 0.05$  which means it is insignificant.

d. T-test (Model II Regression)

The conduct of the t-test (Regression Model II) aims to prove how far the influence of sa-tu free variables is on bound variables. Decision making can be seen from the significance value of  $< 0.05$  which means that the free variable has a significant effect on the bound variable, as well as the reverse. With the following results:

Tabel 6  
Model II Regression t-Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,063	,100		,625	,534
EVA(X)	7,853E-15	,000	,017	,138	,890
PERTUMBUHAN LABA(Y)	,052	,018	,343	2,841	,006

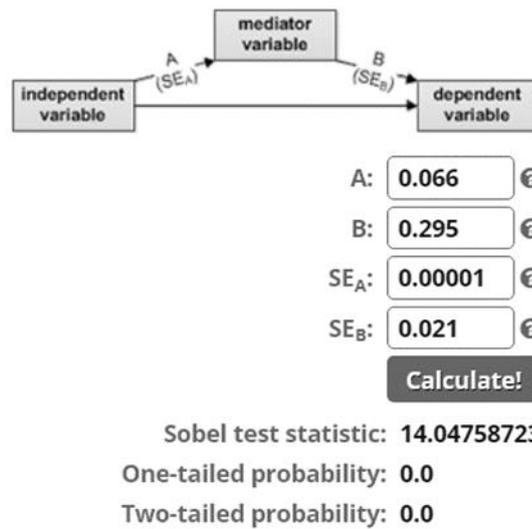
Dependent Variable: ABNORMAL RETRUN(Z)

Source : Data processed on IBM SPSS 25 (2022)

Table 6 shows the coefficient of influence of the EVA variable on *abnormal retrun* of 0.017 and the coefficient of effect of profit growth on *abnormal retrun* of 0.343, for the value of the significant influence of EVA on *abnormal retrun* of  $0.890 > 0.05$  which means insignificant and the effect of profit growth on *abnormal retrun* of  $0.006 < 0.05$  which means significant.

e. Sobel Test (Mediation Hypothesis)

A sobel test is carried out to determine the existence of a significant relationship through mediation variables and is able to be a mediator in the relationship. Decision making can be seen from the amount of t-count > t-table which means that the mediation variable has a significant effect and is able to be a mediator in the relationship between variables. The Sobel test can be done through the [sobel www.danielsoper.com](http://www.danielsoper.com) calculator website with the following results:



Source : Data processed on [www.danielsoper.com](http://www.danielsoper.com) ( 2022)

Figure 1 Sobel Test Results

From figure 1 above, the results of the sobel test or t-count are 19.05552476 and to determine the t-table using a significance of 0.05 and the data amounting to 64, the t-table is 1.99773. The t-count value is  $19.05552476 > 1.99773$  the t-table value which means the mediation variable has a significant effect and is capable of being a mediator between the variables. So it can be said that eva has a positive and significant effect through profit growth against abnormal returns.

## Conclusion

The non-supportability of the hypothesis (H<sub>1</sub>) which states EVA has no significant effect on profit growth and the non-support of the hypothesis (H<sub>2</sub>) which states EVA has no significant effect on *abnormal retruns*, which means that *Economic Value Added* or company added value directly cannot be used as a reference in short-term investment, especially in telecommunications sector companies during the Covid-19 pandemic because EVA in some samples such companies tend to increase gradually and not significantly. On the contrary, the support of the hypothesis (H<sub>3</sub>) which states profit growth has a significant effect on *abnormal retrun* and the support of the hypothesis (H<sub>4</sub>) which states EVA has a significant effect through profit growth on *abnormal retrun*, implies that indirectly EVA can have a significant effect on *abnormal retrun* which is caused by profit growth as a mediating variable, so eva can be used as a reference in short-term investing but must also be supported by significantly increasing profit growth in order to avoid *abnormal retruns* that harm investors, so that it can be used as a reference for investors in making investment decisions in telecommunications companies in unexpected futures such as Covid-19.

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