

The Influence of Economic Value Added, Good Corporate Governance and Business Risk on Stock Returns Through Firm Value

Irma Setyawati¹, M Yusuf Nugroho¹
¹Universitas Nasional, Jakarta, Indonesia

Corresponding author e-mail: irmasetyawati@civitas.unas.ac.id

Article History: Received on 13 April 2023, Revised on 15 June 2023,
Published on 30 June 2023

Abstract: The purpose of this study is to analyze and obtain empirical evidence on the influence of Economic Value Added (EVA), Good Corporate Governance (GCG), and business risk on stock returns through firm value in a case study of companies listed in the LQ45 index. The research was conducted on 22 companies using purposive sampling method to select samples for the period from 2018 to 2022. The data analysis method used was panel data regression using Structural Equation Modeling (SEM) in Stata 14.2 software application. The results of this study indicate that Economic Value Added (EVA) has a positive but not significant effect on stock returns, Good Corporate Governance (GCG) has a positive but not significant effect on stock returns, business risk has a positive and significant effect on stock returns, and firm value has a positive and significant effect on stock returns. Economic Value Added (EVA) has a positive but not significant effect on firm value, Good Corporate Governance (GCG) has a positive and significant effect on firm value, and business risk has a negative but not significant effect on firm value. Economic Value Added (EVA) has a positive but not significant effect on stock returns through firm value, Good Corporate Governance (GCG) has a positive and significant effect on stock returns through firm value, and business risk has a negative but not significant effect on stock returns through firm value.

Keywords: Economic Value Added, Good Corporate Governance, Stock Returns.

A. Introduction

The capital market has an important role in the economy as a financing factor for alternative sources of operational funds for companies in a country. The rapid development of the Indonesian capital market is inseparable from the growing number of companies in a country, the positive response from the public and government intervention. Return is the result obtained from investment activities in a company. According to (Manurung & Candra, 2021) turn is an advantage that is obtained because you have carried out investment activities. Stock return consists of two components, namely yield and capital gain or loss. Yield or yield is income or cash flow received by investors, for example in the form of dividends or interest. Meanwhile, capital gain or loss is the difference between the purchase price of the shares and the price when the shares were sold.

Every investor has the same goal in investing, which is to get a high return. The prosperity of an investor is one important aspect that must be maintained and paid attention to by a company. To find out which companies are worth investing in, there are many factors that can be taken into consideration in investment decisions and one of them is stock return. The resulting stock return can be in the form of profits or losses. The higher the stock price, the higher the stock return (Okalesa et al., 2020). Table 1.1 presents data on Year of Year (YoY) or year-on-year return growth on the LQ45, JCI and IDX30 stock indices from 2019 to 2022.

In the world of capital markets with uncertain expected stock returns that will be received by investors, an investor must know what factors can affect company performance (Hermuningsih, 2018) then investors must choose investment alternatives very carefully. to be selected. In the capital market in Indonesia, not all companies have a good profile in providing returns on investor capital used (Triayulianti et al., 2019) so that investors must analyze in depth the company both from outside the company in the form of reputation and its products, as well as from within the company in the form of financial reports and the company's performance in managing its funds in order to make a profit (Junaedi & Digdowiseiso, 2023).

In this study, the company value indicator is proxied by Price to Book Value (PBV). Price to Book Value (PBV) is a ratio that compares stock prices to book values so that it illustrates how much the market values the book value of a company's shares. The PBV ratio was chosen because according to (Adita & Mawardi, 2019) the advantage of using the PBV ratio in measuring company value is that the PBV ratio is relatively stable in representing the fair price value of shares, because it is calculated based on company equity where when the company is able to create profits, the value is also will increase too. Firm value is the price that prospective buyers are willing to pay if the company is sold. Corporate value is an effort to maximize company goals by increasing the prosperity of shareholders. Prosperity of shareholders increases when the price of shares owned increases.

When the presence of the corona virus outbreak (Covid-19) which hit China to Indonesia, made the global economy face threats and experienced a downturn, including Indonesia. This can be seen from the data from the Indonesia Stock Exchange (IDX) which shows that the JCI has always decreased since the first confirmation of the Covid-19 case in Indonesia, namely on March 2 2020. The JCI has also reached the level of 4,194.94 with a sharp decrease of 14 .52% on March 23, 2020 (Setyawati et al., 2021). The Covid-19 outbreak pandemic hit Indonesia for 3 years from 2020 to 2022. Company value as a proxy for the Price Book Value (PBV) ratio can describe the company's value during the pandemic. Table 1.2 shows Price Book Value (PBV) data during the Covid-19 pandemic, namely from 2020 to 2022.

Investors can compare PBV ratios between companies, so that it can be seen whether the company's value is over (overvalued) or under (undervalued). A high PBV ratio shows the prosperity of shareholders, so that it can increase the valuation by investors of a company for the long term. An increase in company value in the eyes of investors can affect stock prices in the next period. Besides being able to see the company's valuation from the high share price of a company, it can be seen by evaluating the company's financial performance.

The method that is widely used to see a company's financial performance is to use financial ratios, but this method cannot measure company performance in terms of company value. Considering that there are various aspects that need to be considered in measuring company performance, especially the expectations of parties who invest their funds and the limitations arising from financial ratio analysis as a measuring tool for company financial performance, the concept of measuring financial performance based on added value (Value Added) was developed, namely Economic Value Added (EVA) and Market Value Added (MVA). Economic Value Added (EVA) as a management tool in measuring performance has advantages including being able to present information about the true economic profit of an enterprise compared to other approaches that only use accounting profit (Hasanudin et al., 2023). As benchmarks for good performance, Economic Value Added (EVA) and Market Value Added (MVA) should have an influence on the wealth of a company's shareholders, like other performance benchmarks (Putri, 2018).

A positive EVA condition reflects an increase in wealth value. This generally occurs because the company's profitability is high and the company is selective in choosing sources of funds. The implication of this positive EVA is the continued existence of shareholders in the company (Setya et al., 2023). One of the important goals of establishing a company is to increase the welfare of its owners or shareholders, or maximize shareholder wealth through increasing company value (Amanda & Saputro, 2023). The main objective of the company is to maximize shareholder wealth (maximization of shareholder wealth). With this principle, several companies ignore other parties who have an interest in the company, giving rise to public pressure that has a negative impact on the company. This impact can disrupt the company's financial performance and result in a decline in share prices, due to loss of investor confidence due to the bad image the company generates. This has changed the mindset of business people to pay attention to other stakeholders besides shareholders (Dinayu, 2020).

According to (Santi, 2020) risk is the possibility of something detrimental happening, even when carrying out small, large or successful business activities, it is not impossible not to face obstacles that are commonly called business risks. Business risk can affect the company's reputation as seen from the stock price and public interest in the products or services offered. Risk can also be interpreted as a form of uncertainty in conditions that will occur later with the decisions that will be taken at this time.

Uncertainty and risk are the two basic terms for every decision-making, uncertain conditions in the future can pose a risk (Taufiqurrahman & Hidayati, 2022). Usually, the risks that arise are as a result of companies that cannot control their operational costs so that each company must make a decision for capital requirements for companies that want to further develop their business. Business risk is projected uncertainty in returning assets in the future (Pradanimas & Sucipto, 2022). Business risk in this study is proxied by EBIT (Earning Before Interest and Tax) divided by total assets. Research conducted by (Octavera & Rahadi, 2018) shows that business risk has a negative impact on firm value. That is, the more the

company's business risk increases, the firm's value will decrease. Business risk is a risk that occurs and has an impact on the survival of the company or the shares in the company. In the concept of risk and return, returns are considered to have the same direction as the risks faced in an investment.

The higher the risk borne by the investor, the higher the return expected by the investor from the investment. If the investment is considered risk-free, investors expect a risk-free rate of return. Investment in stocks is considered a risky investment (Irawan & Manurung, 2020). This research was conducted on companies listed on the LQ45 index on the Indonesia Stock Exchange (IDX). The LQ45 index is one of the indices on the Indonesia Stock Exchange (IDX) which consists of 45 issuers with high liquidity with predetermined criteria. The LQ45 index is the most liquid stock because it has a high transaction value and is most in demand by investors because they can buy and sell their shares and get dividends easily. The LQ45 index consists of 45 issuers with high liquidity, which were selected through several selection criteria. In addition to evaluating liquidity, the selection of these issuers also considers market capitalization (Triayulianti et al., 2019) (Hidayat et al., 2021).

Based on the results of research (Wulandani, 2017) stated that Economic Value Added (EVA) had no effect on stock returns, in contrast to the results of research (K. R. C. Dewi & Sanica, 2017) which stated that Economic Value Added (EVA) and Market Value Added (MVA)) has a significant effect on stock returns. In another study according to (I. A. P. T. Dewi & Sujana, 2019) states that the Economic Value Added (EVA) Variable has no significant influence on stock returns. Research gap influence between variables, namely the variable Good Corporate Government (GCG) as an independent variable on stock returns as a dependent variable that has been studied by previous researchers and has different results. Based on the results of research (Baskara Taji et al., 2023) states that the Good Corporate Government (GCG) variable has a negative and insignificant effect on stock returns, in contrast to the results of research from (Jao et al., 2019) which states that the Good Corporate Government (GCG) variable has an effect significant positive effect on stock returns, while the results of research from (Tjondro & Wilopo, 2011) and (Budiharjo, 2013) state that the Good Corporate Government (GCG) variable has no significant effect on stock returns. Table 1.5 shows the research gap between the influences of variables, namely the business risk variable as the independent variable on stock returns as the dependent variable that has been tested by previous researchers and has different results.

Based on the results of the study (Aziz, 2021) stated that the Good Corporate Government (GCG) variable with managerial ownership proxied had no effect on firm value, while the results of the study (Fitrianingsih et al., 2022) stated that the Good Corporate Government (GCG) variable with Managerial ownership proxied has a positive and significant effect on firm value, in contrast to the results of research (Hidayat et al., 2021) which states that the Good Corporate Government (GCG) variable with managerial ownership proxied has a negative and significant effect on firm value. based on research results (Aisyah et al., 2021) state that business risk variables have a negative and significant effect on firm value. This is different from the results of research (Amalia & Diana, 2022) which states that business risk

variables do not have a significant effect on company value. Differences in research results are also explained in research (Fahmi et al., 2019) which states that business risk variables have a positive and significant effect on firm value. Based on the description above, it can be seen that previous studies have inconsistent results (research gap) regarding the factors that can affect stock returns. Researchers want to conduct research that is different from the previous one, so this study uses mediating (intervening) variables with the research title *The Influence of Economic Value Added, Good Corporate Governance and Business Risk on Stock Returns Through Firm Value*.

B. Methods

The method used in this research is to use quantitative research methods. According to (Sugiyono, 2017) quantitative data is a research method that is based on positivistic (concrete data), research data is in the form of numbers that will be measured using statistics as a counting test tool, related to the problem being researched to produce a conclusion. This study used data collection techniques with the documentation method. This method is carried out by collecting data from various literature and financial reports of manufacturing companies published by the Indonesia Stock Exchange through www.idx.co.id. The data used is in the form of company annual data included in the LQ45 index to determine the value of Economic Value Added (EVA), Good Corporate Governance (GCG), business risk (BRISK), company value (PBV) and stock returns.

(Sugiyono, 2011) explains that population is a grouping of areas that are divided based on objects or subjects with certain qualities and characteristics determined by researchers to be studied so that conclusions can then be drawn. The population in this study are all companies listed on the LQ45 index which have been and are still listed on the Indonesia Stock Exchange during the 2018 - 2022 research period. The sample is a portion of the population which is considered representative of the entire population. This study used a sampling technique with a purposive sampling method. Purposive sampling is sampling based on research objectives and sampling decisions depend on data collection (Digdowiseiso, 2017) explains that purposive sampling is sampling using certain criteria or considerations. The criteria for the companies that were sampled in this study were companies listed on the LQ45 index on the Indonesia Stock Exchange during 2018 - 2022 and companies that were registered and active in each LQ45 index criteria assessment period during the period 2018 - 2022 (10 LQ45 trading periods). The company also presents data consistently in financial reports and annual reports for the period 2018 - 2022.

C. Results and Discussion

Based on the various data and information presented above, the results of the hypothesis testing are obtained as follows:

Hypothesis Testing 1

H1: Economic Value Added (EVA) has a significant positive direct effect on stock returns in LQ45 index companies for the period 2018 – 2022. The test results show that the Economic Value Added (EVA) variable has an insignificant positive direct effect on the stock return variable, with a path coefficient value of 0.0082 with a probability $p > |z| = 0.227$ which is greater than 0.05. Thus Hypothesis 1 is rejected.

Hypothesis Testing 2

H2: Good Corporate Governance (GCG) has a significant positive direct effect on stock returns in LQ45 index companies for the period 2018 – 2022. The test results show that the Good Corporate Governance (GCG) variable has a positive but not significant direct effect on the stock return variable, with a path coefficient value of 5.551 with a probability $p > |z| = 0.388$ which is greater than 0.05. Thus Hypothesis 2 is rejected.

Hypothesis Testing 3

H3: Business Risk (BRISK) has a significant negative direct effect on stock returns in LQ45 index companies for the period 2018 – 2022. The test results show that the business risk variable (BRISK) has a significant positive direct effect on the stock return variable, with a path coefficient value of 1.365 with a probability $p > |z| = 0.017$ which is smaller than 0.05. Thus Hypothesis 3 is rejected.

Hypothesis Testing 4

H4: Firm Value (PBV) has a significant positive direct effect on stock returns in LQ45 index companies for the period 2018 – 2022. The test results show that the firm value variable (PBV) has a significant positive direct effect on the stock return variable, with a path coefficient value of 0.041 with a probability $p > |z| = 0.026$ which is smaller than 0.05. Thus Hypothesis 4 is accepted.

Hypothesis Testing 5

H5: Economic Value Added (EVA) has a significant positive direct effect on firm value in LQ45 index companies for the period 2018 – 2022. The test results show that the Economic Value Added (EVA) variable has an insignificant positive direct effect on the firm value variable (PBV), with a path coefficient value of 0.035 with a probability $p > |z| = 0.307$ which is greater than 0.05. Thus Hypothesis 5 is rejected.

Hypothesis Testing 6

H6: Good Corporate Governance (GCG) has a significant positive direct effect on company value in LQ45 index companies for the period 2018 – 2022. The test results show that the Good Corporate Governance (GCG) variable has a significant positive direct effect on the firm value variable (PBV), with a path coefficient value of 128.328 with a probability $p > |z| = 0.000$ which is smaller than 0.05. Thus Hypothesis 5 is accepted.

Hypothesis Testing 7

H7: Business Risk (BRISK) has a significant negative direct effect on company value in LQ45 index companies for the period 2018 – 2022. The test results show that the business risk variable (BRISK) has a non-significant negative direct effect on the firm value variable (PBV), with a path coefficient value of -2.753 with a probability $p > |z| = 0.344$ which is greater than 0.05. Thus Hypothesis 7 is rejected.

Hypothesis Testing 8

H8: Economic Value Added (EVA) has a significant positive indirect effect on stock returns through firm value (PBV) in LQ45 index companies for the period 2018 – 2022. The test results show that the Economic Value Added (EVA) variable has a positive indirect effect that is not significant on the stock return variable through the firm value mediation variable (PBV), with a path coefficient value of 0.001 with a probability $p > |z| = 0.354$ which is greater than 0.05. Thus Hypothesis 8 is rejected.

Hypothesis Testing 9

H9: Good Corporate Governance (GCG) has a significant positive indirect effect on stock returns through firm value (PBV) in LQ45 index companies for the period 2018 – 2022. The test results show that the Good Corporate Governance (GCG) variable has a significant positive indirect effect on the stock return variable through the firm value mediation variable (PBV), with a path coefficient value of 5.319 with a probability $p > |z| = 0.049$ which is smaller than 0.05. Thus Hypothesis 9 is accepted.

Hypothesis Testing 10

H10: Business risk (BRISK) has a significant negative indirect effect on stock returns through firm value (PBV) in LQ45 index companies for the period 2018 – 2022. The test results show that the business risk variable (BRISK) has a negative indirect effect that is not significant on the stock return variable through the firm value mediation variable (PBV), with a path coefficient value of -0.114 with a probability $p > |z| = 0.384$ which is greater than 0.05. Thus Hypothesis 10 is rejected.

Discussion

The direct effect of Economic Value Added (EVA) on stock returns on LQ45 index companies.

The test results show that the Economic Value Added (EVA) variable has an insignificant positive direct effect on the stock return variable. with Economic Value Added (EVA) has a not significant positive effect on stock returns. This is in line with research from (I. A. P. T. Dewi & Sujana, 2019) which states that Economic Value Added (EVA) has an insignificant positive effect on stock returns for companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2012-2016 period.

A positive EVA value indicates that the company has been able to produce effective and efficient company performance, which means that the rate of return

generated by the company exceeds the cost of capital for the rate of return expected by investors, but this is not used as a signal for investors to buy shares. Measures such as EVA are less familiar in the eyes of investors to be used as a measure of company performance. According to (Wulandari et al., 2021) the cause of EVA's no effect on stock returns is the fact of the complexity of EVA calculations. EVA figures are not directly available in the company's financial statements. To calculate EVA, a lot of data is required. As a result of this complexity, capital market players face time constraints in making investment decisions based on EVA. The insignificant effect of EVA on stock returns may be caused by various factors, including social, political and economic conditions in Indonesia that are unstable, resulting in high business risks and uncertainty about the level of income to be received by investors and market participants in making investment decisions. investors and market participants pay little attention to the fundamental aspects of the company which in this study are represented by Economic Value Added (EVA) (K. R. C. Dewi & Sanica, 2017).

The direct effect of Good Corporate Governance (GCG) on stock returns in LQ45 index companies.

The result showed that Good Corporate Governance (GCG) direct positive is not significant to the stock return variable. It can be said that Good Corporate Governance (GCG), which is proxied by the ownership of the number of shares owned by the company's managerial, has no significant effect on stock returns. This study is in accordance with the results of research from Budiharjo (2016) which states that Good Corporate Governance (GCG) has no significant effect on the stock return variable. The results of this study also support the research of (Octavera & Rahadi, 2017) which states that corporate governance proxied by Managerial Ownership and Institutional Ownership is not proven to significantly affect company stock returns.

The results of the study indicate that the average managerial ownership is very low, as evidenced by the results of the descriptive statistical test description which shows an average managerial ownership rate of 0.0014 (0.14%), indicating that managerial ownership is considered to be Increasing the sense of ownership of the company by the greater managerial which is expected to also increase managerial income is not proven in this study. The amount of share ownership by the managerial is very low, so that the dividends and capital gains (stock return) that will be obtained by the managerial are also very low.

The direct effect of business risk (BRISK) on stock returns on LQ45 index companies.

The test results show that the business risk variable (BRISK) has a significant positive direct effect on the stock return variable. This proves that business risk (BRISK) has a positive and significant effect on stock returns. A positive coefficient value indicates that the relationship between the influence of the business risk

variable proxied by BRISK is in the same direction as stock returns and has a significant effect, indicating that the greater the value of business risk (BRISK), the higher the stock return. This study contradicts the results of research from (Nafiroh, 2022) which states that business risk variables have an insignificant negative effect on stock returns, while research (Nababan & Mangantar, 2019) states that business risk has no significant effect on stock returns and in research (Idrus et al., 2017) stated that business risk has a negative and insignificant effect on stock returns in manufacturing companies in the food & beverage sector listed on the IDX in 2009 - 2012.

Business risk is the uncertainty of the income stream caused by the company's business performance. Where the better the income stream of a company, the better the returns for investors (Raditya et al., 2017). High business risks are able to be faced by the company so that investors can see it as an opportunity to invest in the company. The theory of risk and return states that in investing in financial assets, investors will face large risk factors and compensation will obtain high returns (Yulianti et al., 2013). The influence of business risk on stock returns can also be caused by psychological factors of investors who want to always get the maximum return possible. Investors tend to be risk takers (like risk) when a company has too high a risk.

The direct effect of firm value (PBV) on stock returns on LQ45 index companies.

The test results show that the firm value variable (PBV) has a significant positive direct effect on the stock return variable, thus that in this study the firm value proxied by Price to Book Value (PBV) has a significant positive effect on the stock return variable. The better the value of the company will increase stock returns. This research is in line with research (Wulandari et al., 2021) that company value has a positive and significant effect on stock returns in manufacturing companies.

PBV is used by investors as a factor to consider when making investment decisions because this variable can provide important information for investors about the market value of a stock. A high PBV value indicates that the market value of the stock is greater than the book value of the company. So that the higher the PBV, the more attractive the company's shares are in the eyes of investors (Saraswati, 2021). This is a good signal for investors when they start investing in a company. Investors will invest in companies with good corporate performance and high corporate value.

The direct effect of Economic Value Added (EVA) on firm value (PBV) in LQ45 index companies.

The test results show that the Economic Value Added (EVA) variable has an insignificant positive direct effect on the firm value variable (PBV), thus that the Economic Value Added (EVA) variable has an insignificant positive direct effect on the firm value variable which is proxied by Price to Book Value (PBV), in line with

research (Hoban & Oktris, 2022) which states that EVA has a positive and insignificant effect on company value which is proxied by price to book value (PBV) in the building construction sector on the Indonesia Stock Exchange.

A positive EVA indicates that the rate of return generated exceeds the level of the cost of capital or the rate of return required by investors for their investments. This situation shows that the company succeeded in creating value for the owners of capital, consistent with the goal of maximizing the value of the company. Investors are very concerned about the added value generated by the company so that it will affect the value of the company in the eyes of investors. The assumption is that management performance is good/effective (judging by the amount of added value provided), it will be reflected in an increase in company value as reflected in the company's stock price and the level of returns for investors. The results of this study support research from (Hermuningsih, 2018) which states that Economic Value Added (EVA) has a positive but not significant effect on firm value.

The direct effect of Good Corporate Governance (GCG) on firm value (PBV) in LQ45 index companies.

The test results state that the variable Good Corporate Governance (GCG) which is proxied by the number of shares owned by managerial has a significant positive direct effect on company value which is proxied by Price to Book Value (PBV), in other words that the greater the share ownership owned by company management will increase the value of the company. This research is in accordance with research from (Lestari & Zulaikha, 2021) which states that managerial ownership has a significant positive effect on company value, this means that company value increases with higher managerial ownership of a company.

With high managerial ownership, managers work more responsibly for their own actions in managing the company with the aim of creating share interests and being more prepared to make decisions (Suastini et al., 2016). The company's management often gives signals to investors through information about things that have happened in the company, whether it happened in the past, present, or to predict the future. The desire to provide useful information to provide confidence to investors about the condition of the company's performance and see the response of investors to this information which will be reflected in the stock price. Managerial ownership has an influence on firm value and can be a signal for investors, this will be reflected in changes in stock prices (Sanusi et al., 2022).

The direct effect of business risk (BRISK) on firm value (PBV) in LQ45 index companies.

The test results show that the business risk variable (BRISK) has an insignificant negative effect on the firm value variable which is proxied by PBV. The results of this study show that investors respond negatively to an increase in the company's business risk, resulting in a decrease in the value of the company as reflected in a decrease in the value of PBV. The results of this study are in line with

the results of research (I. A. P. T. Dewi & Sujana, 2019) which states that business risk has no significant negative effect on company value proxied by PBV for telecommunications companies listed on the Indonesia Stock Exchange for the period 2011 - 2016. Business risk causes uncertainty in the company's projection of the rate of return or profit in the future. Big business risks cause creditors to be reluctant to provide loans and investors are also reluctant to invest in companies that have big business risks because of fears that the company will not be able to fulfill its obligations in the future, as a result of this it will cause the share price to decline so that it will have an impact on the company's value. The low one.

The indirect effect of Economic Value Added (EVA) on stock returns through firm value (PBV) in LQ45 index companies.

The results of this study state that there is no indirect effect of the Economic Value Added (EVA) variable on the stock return variable which is mediated by the firm value variable which is proxied by Price to Book Value (PBV). In other words, the variable firm value proxied by PBV cannot mediate the effect of an indirect relationship between Economic Value Added (EVA) variables on stock returns. This research is in line with research from (Baskara Taji et al., 2023) which states that firm value cannot mediate the effect of Economic Value Added (EVA) on stock returns but can mediate the effect of Market Value Added (MVA) on stock returns. This research is in accordance with research from Nuryani (2015) which states that firm value cannot mediate the effect of EVA on stock returns, this result is due to the form of capital market efficiency in Indonesia which is still weak, which causes past company values to be unable to be used to predict current prices. Investors do not think that EVA can be used as a benchmark for buying stocks but rather consider other factors. Economic Value Added (EVA) as an indicator of the success of company management in increasing value added for the company. Companies that have a high Economic Value Added (EVA) value tend to be more attractive to investors, because the higher the Economic Value Added (EVA) value, the higher the company value. The higher the company value, the greater the demand for investors for the company's shares, thereby increasing the stock price which can then increase stock returns.

The indirect effect of Good Corporate Governance (GCG) on stock returns through firm value (PBV) in LQ45 index companies.

The results of this study state that there is an indirect effect of the GCG variable which is proxied by managerial ownership on the stock return variable which is mediated by the firm value variable which is proxied by Price to Book Value (PBV). This indicates that good corporate governance statistically significantly influences stock returns through firm value proxied by PBV, thus it can be said that companies that implement GCG and have good corporate value as reflected in a high level of PBV value will be able to increase the acquisition of returns. its stock. Good corporate governance as an independent variable cannot directly affect stock returns.

Good corporate governance in this study does not guarantee that the company's stock returns will increase significantly, so firm value is needed as an intervening variable to explain the effect of good corporate governance on stock returns.

Managerial ownership is characterized by management involvement in decision making. The greater the ownership given, the management will be motivated to work for the benefit of the company. The application of GCG is one of the considerations for investors to analyze the level of investment income, namely in the form of stock returns. The principles of transparency and accountability which are the principles of GCG are a measure of the extent to which a company is able to publish information transparently to stakeholders by maintaining the credibility of the information (Salipadang & Jao, 2017). Managerial ownership has an influence on firm value and can be a signal for investors, this will be reflected in changes in stock prices. In Lestari & Zulaikha's research (2021) states that managerial ownership has a significant positive influence on firm value, thus dominant company managers as shareholders can reduce information asymmetry, so it is hoped that it will be more transparent so that it becomes a signal for investors in investing which is reflected in share price changes. In the research of Wulandari et al., (2021) which states that company value has a positive and significant effect on stock returns in manufacturing companies, PBV is used by investors as a factor that needs to be considered when making investment decisions because this variable can provide important information for investors about value. the market for a stock so that the higher the PBV, the more attractive the company's shares are in the eyes of investors.

The indirect effect of Good Corporate Governance (GCG) on stock returns through firm value (PBV) in LQ45 index companies.

The results of this study state that there is no indirect effect of the business risk variable (BRISK) on the stock return variable which is mediated by the Price to Book Value (PBV) variable. In other words, the variable firm value proxied by PBV cannot mediate the effect of the indirect relationship between the business risk variable (BRISK) on stock returns. The results of this analysis illustrate that firm value used as a mediation of business risk is not able to have a better impact on achieving stock returns, compared to the direct effect of business risk on stock returns. This finding suggests that an increase in business risk can have a significant effect on increasing stock returns, but firm value is not able to mediate the effect between business risk and stock returns. This means that an increase in business risk has no effect on an increase in stock returns through firm value.

In research (Alamsyah & Malanua, 2021) which states that business risk has no effect on firm value which indicates the higher the business risk, the higher the risk of bankruptcy for the company and vice versa. The higher the business risk, the higher the company's risk, because companies with high risks give negative signals for investors to invest in these companies (Fitrianingsih et al., 2022).

D. Conclusion

This study examines the effect of Economic Value Added (EVA), Good. Based on the results of the testing and discussion in the previous chapter, the following conclusions can be drawn: (1) Economic Value Added (EVA) has a significant positive direct effect on stock returns in listed companies in the LQ45 index for the period 2018 - 2022. (2) Good Corporate Governance (GCG) which is proxied by managerial share ownership has a direct positive but not significant effect on the stock return variable for companies listed on the LQ45 index for the period 2018 - 2022. (3) Business risk (BRISK) has a significant positive direct effect on the stock return variable in companies listed on the LQ45 index for the period 2018 - 2022. (4) Company value proxied by Price to Book Value (PBV) has a significant positive direct effect on variable return shares in companies listed on the LQ45 index for the period 2018 - 2022. (5) Economic Value Added (EVA) has an insignificant positive direct effect on the company value variable which is proxied by Price to Book Value (PBV) in companies listed on the LQ45 index period 2018 - 2022. (6) Good Corporate Governance (GCG) has a significant positive direct effect on the company value variable which is proxied by Price to Book Value (PBV) for companies listed on the LQ45 index for the period 2018 - 2022. (7) Business risk (BRISK) has an insignificant direct negative effect on the firm value variable (PBV) in companies listed on the LQ45 index for the period 2018 - 2022. (8) Economic Value Added (EVA) has an insignificant positive indirect effect on return variables shares through the company value mediation variable which is proxied by Price to Book Value (PBV) in companies listed on the LQ45 index for the period 2018 - 2022. (9) Good Corporate Governance (GCG) has a significant positive indirect effect on stock return variables through variables mediation of company value proxied by Price to Book Value (PBV) in companies listed on the LQ45 index for the period 2018 - 2022. (10) Business risk (BRISK) has an indirect negative effect that is not significant on stock return variables through the company value mediating variable which is proxied by Price to Book Value (PBV) for companies listed on the LQ45 index for the period 2018 - 2022.) has a positive but not significant effect on stock returns. Even so, the added value generated by the company can attract investors to invest. For this reason, companies need to take advantage of good performance to give a positive signal to investors and increase demand for shares in the capital market.

Reference

- Adita, A., & Mawardi, W. (2019). The Effect of Capital Structure, Total Assets Turnover, and Liquidity on Firm Value with Profitability as an Intervening Variable (Empirical Study of Real Estate and Property Companies Listed on the IDX for the 2013-2016 Period). *Jurnal Studi Manajemen Organisasi*, 5(1).
- Aisyah, A., Fitri, A., & Syahbudin, F. (2021). Analysis of the Effect of Price and Product Reviews on Online Purchase Decisions Through Shopee in the Midst of the Covid-19 Pandemic (A Case Study: Shopee Consumers in Banjarnegara Regency, Central Java). *Jurnal Ekonomi Dan Perbankan Syariah*, 9(2).

- Amalia, D., & Diana, N. (2022). The Influence of BOPO, CAR, and FDR on the Profitability of Bank Bukopin Syariah for the 2013-2020 period. *Jurnal Ilmiah Ekonomi Islam*, 8(1), 1095.
- Amanda, B., & Saputro, G. E. (2023). The Effect of Asset Efficiency and Growth on Financial Performance in the Defense Industry Sector. *JMKSP (Jurnal Manajemen, Kepemimpinan, Dan Supervisi Pendidikan)*, 8(1).
- Aziz, A. M. (2021). *The Influence of Business Risk, Capital Structure, and Market Value on Stock Returns (Empirical study of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange)*.
- Baskara Taji, A., Lasmanah, & Azib. (2023). Analysis of the Effect of Economic Value Added (EVA) and Market Value Added (MVA) on Stock Returns with Firm Value as Intervening in Agribusiness Sector Companies Listed on the IDX for the 2018-2020 Period. *Bandung Conference Series: Business and Management*, 3(1).
- Dewi, I. A. P. T., & Sujana, I. K. (2019). PeEffect of Liquidity, Sales Growth, and Business Risk on Company Value. *E-Jurnal Akuntansi*, 85.
- Dewi, K. R. C., & Sanica, I. G. (2017). Effect of Institutional Ownership, Managerial Ownership, and Disclosure of Corporate Social Responsibility on Company Value in Manufacturing Companies Listed on the Indonesia Stock Exchange. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 2(1).
- Digdowiseiso, K. (2017). *Economic and Business Research Methodology*. Edited by Suharyono. Lembaga Penerbitan Universitas Nasional (LPU-UNAS).
- Dinayu, C. (2020). (PDF) The Influence of Capital Structure, Company Size, Business Risk on Company Value in the Chemical Sector in Indonesia. *FIDUSIA : Jurnal Keuangan Dan Perbankan*, 3(1).
- Fahmi, M., Arif, M., Farisi, S., & Purnama, N. I. (2019). The Role of Brand Image in Mediating the Influence of Social Media Marketing on Repeat Purchases at Fast-Food Restaurants in Medan City. *Jurnal Samudra Ekonomi dan Bisnis*, 11(1), 53-68.
- Fitrianingsih, D., Kusmiyatun, K., & Kartikasari, T. (2022). Analysis of the Effect of Earning Per Share, Economic Value Added on Stock Returns During the Covid-19 Pandemic. *Jurnal Akuntansi, Keuangan, Dan Manajemen*, 3(3).
- Hasanudin, H., Awaloedin, D. T., & Apriyati, N. (2023). The Effect of LDR Ratio, CAR Ratio and BOPO Ratio on ROA in Conventional Banking on the Indonesia Stock Exchange Period 2015-2020. *JMKSP (Jurnal Manajemen, Kepemimpinan, Dan Supervisi Pendidikan)*, 8(2).
- Hermuningsih, S. (2018). The Effect of Economic Value Added on Tobin Q with Market Value Added as an Intervening Variable. *Jurnal Ekonomi Dan Bisnis*, 19(1), 80.
- Hidayat, T., Triwibowo, E., & Vebrina Marpaung, N. (2021). The Effect of Good Corporate Governance and Financial Performance on Company Value. *Jurnal Akuntansi Bisnis Pelita Bangsa*, 6(01), 1-18.
- Irawan, F., & Manurung, N. Y. (2020). Analysis of Economic Value Added (Eva) and Market Value Added (Mva) as a Measuring Tool for Financial Performance of Pt Garuda Indonesia Tbk in 2017-2019. *Jurnal Pajak Dan Keuangan Negara (PKN)*, 2(1).

- Junaedi, M. A., & Digdowiseiso, K. (2023). The Influence of Work Motivation, Organizational Culture and Work Discipline on Employee Performance Through Job Satisfaction as Intervening Variables at BPJS Ketenagakerjaan throughout DKI Jakarta Region. *JMKSP (Jurnal Manajemen, Kepemimpinan, Dan Supervisi Pendidikan)*, 8(2).
- Octavera, S., & Rahadi, F. (2018). Pinfluence of Corporate Social Responsibility, Mechanism of Good Corporate Governance, Corporate Value, Company Size and Leverage on Stock Return. *JURNAL PUNDI*, 1(3).
- Okalesa, O., Setiawan, O., Irman, M., & Darmasari, R. (2020). Model of Relationship between Firm Value and Stock Return Based on Financial Ratios in the Pulp and Paper Industry. *Journal of Economics, Business and Accounting (COSTING)*, 4(1), PDF-PDF
- Pradanimas, A., & Sucipto, A. (2022). PEffect of Company Size, Profitability and Leverage on Stock Prices with Firm Value as Intervening Variables. *Briliant: Jurnal Riset dan Konseptual*, 7(1).
- Putri, M. F. (2018). *Management Of Community Empowerment Based On Agriculture And Farming Potentials Along With Small And Medium Enterprises To Improve Business Of Productive Economy In Jatibarang District, Brebes Regency.*
- Santi, E. (2020). Effect of Financial Performance and Systematic Risk on Stock Returns. *Jurnal Bisnis, Manajemen & Ekonomi*, 18(2).
- Setya, F., Alhempri, R., Shaddiq, S., & Supardin, L. (2023, June 10). *The Effect of Company Size and Corporate Governance Mechanisms on Profit Management Activities in Industry 4.0. Quality.*
- Sugiyono. (2011). *Metode Penelitian Kombinasi [Combination Research Methods] (Mixed-Methods)*. Alfabeta.
- Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif dan R&D [Quantitative Research Methods, Qualitative and R&D]*. Alfabeta. <https://pustaka.unm.ac.id/opac/detail-opac?id=35458>
- Taufiqurrahman, R., & Hidayati, S. (2022). Determinants of Firm Value in Companies in the Primary Consumer Goods Sector Listed on the Indonesia Stock Exchange. *Jurnal Manajemen Dan Organisasi*, 13(2), 192-202.
- Triayulianti, D., Waskito, J., & Herwinarni, Y. (2019). Factors Influencing Share Prices in Hospitality Service Companies Listed on the IDX. where: *Jurnal Perpajakan, Manajemen, Dan Akuntansi*, 11(1), 38-51.
- Wulandari, S., Solichin, M., & Mukhlisin, M. (2021). Madrasah Principal Leadership Management in Curriculum Development in the Field of Fiqh Studies at Madrasah Tsanawiyah. *Jurnal Pendidikan Islam*, 5(2), Article 2.