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THE EFFECT OF MARKET VALUE ADDED, MARKET CAPITALIZATION, AND FOREIGN OWNERSHIP ON STOCK RETURN IN ENERGY SECTOR COMPANIES INDONESIA STOCK EXCHANGE

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Abstract:
The rate of return is one of the primary considerations in making investment decisions. Stock return is the result obtained from stock investment activities, which can be in the form of realized returns and expected returns. This study aims to determine the effect of Market Value Added, Market Capitalization, and Foreign Ownership on Stock Returns. The object research was carried out at Energy Sector Companies listed on the Indonesia Stock Exchange from 2017 to 2021. This type of research is quantitative research using a purposive sampling technique. There are 26 sample companies selected from 39 companies. The sample is determined based on: 1) Energy sector companies listed on the main board of the Indonesia Stock Exchange for the 2016-2017 period. 2) Energy sector companies that do not publish annual reports for the 2017-2021. 3) Energy sector companies must provide complete data according to the research variables. This study analyzed data using multiple linear regression, with statistical processing using IBM SPSS 26. The analysis of this study shows that market value added and capitalization affect stock returns. Meanwhile, foreign ownership does not affect stock returns.

Keywords: Market Value Added, Market Capitalization, Foreign Ownership, Stock Return

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INTRODUCTION

The capital market is where parties who need capital or funds meet and those who need investment facilities in which various financial instruments are traded. One of the instruments traded in the capital market is stock. Stock is proof of the participation of a person or business entity in a company or limited liability company.

IDX Composite is used as a benchmark for investors' investment products on the Indonesia Stock Exchange because it includes all stocks listed on the IDX. IDX Composite return data on the IDX during 2017-2021 showed significant fluctuations. In 2017, IDX Composite returned at 20.08%; in 2018, it was -3.90%; in 2019, it was 1.64%; in 2020, it was -10.70%; and in 2021 it was 9.73%. These fluctuations indicate uncertainty in obtaining returns and considering this, it is essential to understand the factors that affect stock returns as a consideration in making investment decisions in order to obtain maximum returns.

The purpose of investors carrying out investments that have been planted is expected to have a return. Return is one of the primary considerations in deciding to invest. Investment activities in the stock market have high risk and uncertainty. The principle of investing is "low risk, low return, high risk, high return," where a slight risk will provide a trim level of profit, and a high risk will also

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provide a high level of profit. Stock return is the result obtained from stock investment activities, which can be realized and expected returns.

Company performance parameters are essential for investors in assessing the feasibility of investing in a company. Investors can find information about the company's financial condition and performance in the annual report. There are several concerning information for investors: Market Value Added, Market Capitalization, and Foreign Ownership.

Market Value Added (MVA) is a company performance indicator that measures the company's ability to create added value for shareholders. Market Capitalization is an essential concept in stock investing that describes a measure of a company's value in the stock market. Foreign ownership is a form of share ownership of individuals, companies, or entities originating from abroad.

The object of this research was carried out on energy sector companies listed on the IDX during the 2017-2021 period. The energy sector was chosen as the focus of this study because the energy sector is one of the sectors with the highest rate of return on the IDX. The energy sector also has tremendous growth potential in the national economy, especially in Indonesia, which has abundant natural resources.

METHODS

Type of Research. This type of research is quantitative research in the form of causal relationship associative research, which aims to determine the relationship of two or more independent variables to the dependent variable.

Population and Sample. The population in this study are energy sector companies listed on the main board of the Indonesia Stock Exchange, totaling 39 companies. The sample is a small part of the population that is taken to represent the population as a whole. The samples in this study were 26 companies.

Sampling Method. The sample selection method for this study used a non-probability sampling method with a purposive sampling technique. The sample is determined based on the following criteria:

1. Energy sector companies listed on the main board of the Indonesia Stock Exchange for the 2016-2017 period.
2. Energy sector companies that do not publish annual reports for the 2017-2021.
3. Energy sector companies that do not provide complete data according to the research variables.

Table 1. Samples Criteria

No.	Samples Criteria	Total
1.	Energy sector companies listed on the main board of the Indonesia Stock Exchange for the 2016-2017 period.	39
2.	Energy sector companies that do not publish annual reports for the 2017-2021.	(9)
3.	Energy sector companies that do not provide complete data according to the research variables.	(4)
	Number of samples of energy companies	26
	Number of samples of energy companies in 5 years / during 2017-2021	26 x 5 = 130

Operational Definition of Variable. The independent variables in this study are market value added, market capitalization, and foreign ownership. The dependent variable, which in this study is a stock return. Stock return is the rate of return on investment received by investors during a specific period. Stock return can be calculated as follows:

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$$R = \frac{P_t - P_{t-1}}{P_{t-1}}$$

Source: Agusfianto et al., 2022

The first independent variable measurement is market value added, which is calculated by using the following formula:

$$\text{MVA} = \text{Company's Market Value} - \text{Invested Capital}$$

Source: Hakim and Sudaryo, 2022

The second independent variable measurement is market capitalization, which is calculated by using the following formula:

$$\text{Market capitalization} = \text{stock price} - \text{outstandings share}$$

Source: Kurniawan, 2020

The third independent variable measurement is foreign ownership, which is calculated by using the following formula:

$$\text{Foreign ownership} = \frac{\text{Number of shares owned by foreign parties}}{\text{Number of outstanding shares}} \%$$

Source: Putra et al, 2022

Analysis Method and Process. This study uses secondary data in the form of annual reports taken from the official website of the Indonesia Stock Exchange, which are then processed to determine the effect of each variable in this study using IBM SPSS 26 software.

RESULT AND DISCUSSION

Descriptive Statistical Test. Descriptive statistical analysis was carried out to determine the data description, such as minimum, maximum, mean, and standard deviation of data from independent and dependent variables.

Table 2. Descriptive Statistical Test Results (Initial Test)

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Means**	**std. Deviation**
Market Value Added	130	-88152109168881.00	529695977535.00	-5985838575052.78	1879859391543.950
Market Capitalization	130	26.03	31.91	28.7834	1.59818
Foreign Ownership	130	.00	.99	.2852	.25633
Stock returns	130	-.78	3.34	.1634	.63870

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Valid N (listwise)	130

Source: SPSS processed data, 2023

Based on Table 2 above, the data analyzed in this study was obtained from as many as 130 samples. Market Value Added with a minimum value of -88,152,109,168,881, While the maximum value is 52,969,597,753. The average value shows a value of -5,985,838,575,052.78 and a standard deviation value of 18,798,593,915,432.950. Market Capitalization with a minimum value of 26.03. At the same time, the maximum value is 31.91. The average value shows a value of 28.7834 and a standard deviation of 1.59818. Foreign ownership with a minimum value of .00. While the maximum value is .99. For the average value, it shows. 2852 and the standard deviation value. 25633. Stock return with a minimum value -.78 While the maximum value is 3.34. The average value shows a value of .1634 and a standard deviation value of .63870.

From the result above, the data could be distributed better. So that when the normality test is performed, the data results are not normally distributed. So, the outlier data method is performed to remove samples that are not normally distributed. The sample removed is 65 data, so the sample is reduced to 65 data, which will be used for subsequent tests. The following are the results of descriptive statistical analysis after outliers.

Table 3. Descriptive Statistical Test Results (After Outlier)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Market Value Added	65	-8605458422700	3277848090057	-2118130005957.88	2866661833473.189
Market Capitalization	65	26.03	29.44	27.8278	.87896
Foreign Ownership	65	.00	.62	.2323	.19254
Stock Return	65	-.45	.40	-.0623	.19772
Valid N (listwise)	65				

Source: SPSS processed data, 2023

After removing 65 data that are not normally distributed and conducting descriptive statistical testing again, the result shows that the data is well normally distributed.

Classical Assumption Test. The normality test was carried out using the Kolmogorov-Smirnov test based on decision-making. If the significance value is > 0.05, the data is usually distributed.

Table 4. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residuals
N		65
Normal Parameters, b	Means	.0000000

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	Std. Deviation	.19311234
Most Extreme Differences	absolute	.108
	Positive	.070
	Negative	-.108
Test Statistics		.108
Symp. Sig. (2-tailed)		.057c

Source: SPSS processed data, 2023

The multicollinearity test in this study can be seen through *the Variant Inflation Factor* (VIF); if the VIF value < 10, then there is no multicollinearity between the independent variables.

Table 5. Multicollinearity Test Results

Coefficients			
		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	(Constant)		
	Market Value Added	.989	1011
	Market Capitalization	.958	1,044
	Foreign Ownership	.960	1,041

Source: SPSS processed data, 2023

Heteroscedasticity testing in this study used the Glejser test method. If the significance value is > 0.05, the conclusion is that there is no heteroscedasticity, but if the significance value is <0.05, the conclusion is that there is heteroscedasticity.

Table 6. Heteroscedasticity Test Results

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Model	**B**	**std. Error**	**Betas**		
1	(Constant)	-.103	.452		-.229	.820
	Market Value Added	-7.375E-15	.000	-.191	-1,520	.134
	Market Capitalization	.009	.016	071	.557	.580
	Foreign Ownership	-.019	.073	-.032	-.254	.800

Source: SPSS processed data, 2023

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An autocorrelation test was carried out to find out whether autocorrelation symptoms occur. The basis for deciding on a run test is that if the Asymp. Sig (2-tailed) is more significant than 0.05, so there are no symptoms of autocorrelation.

Table 7. Autocorrelation Test Results

Run Test	
	Unstandardized Residuals
Value test	.04916
Cases < Test Value	32
Cases >= Test Value	33
Total Cases	65
Number of Runs	33
Z	-.123
Symp. Sig. (2-tailed)	.902

Source: SPSS processed data, 2023

After the data meets the requirements of the classical assumption test, multiple linear regression analysis is performed. Multiple linear regression analysis in this study was used to determine the presence or absence of the influence of independent variables, namely market value added, market capitalization, and foreign ownership on stock return.

Table 8. Multiple Linear Regression Results

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	std. Error	Betas		
1	(Constant)	-1,067	.202		-5,278	.000
	Market Value Added	8.733E-15	.000	.389	4,028	.000
	Market Capitalization	.036	007	.496	5,044	.000
	Foreign Ownership	063	.033	.187	1910	061

Source: SPSS processed data, 2023

Based on the results of Table 7, the multiple linear regression equation is obtained from column Unstandardized Coefficients as follows:

$$Y = -1.087 + 8.733E\text{-}15\ X1 + 0.36\ X2 + 0.63\ X3 + e$$

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The constant value of -1.087 states that if the independent variables market value added, market capitalization and foreign ownership are equal to zero, the stock return value is -1.087. The regression coefficient of market value added is 8.733E-15, explaining that if the MVA coefficient increases by one unit, it will add to the stock return value of 8.733E-15. So, the higher the MVA value, the higher the stock return. The regression coefficient of market capitalization is 0.36, explaining that if the market capitalization coefficient increases by one unit, it will increase the stock return value by 0.36. It shows that stock returns will increase if the market capitalization value increases. The regression coefficient of foreign ownership is 0.63, explaining that if the foreign ownership coefficient increases by one unit, it will increase the stock return value by 0.63. It shows that the stock return will be even greater if the company's foreign ownership is significant.

Hypothesis Test. Test the coefficient of determination (R^2) is performed to measure how far the model's ability to explain the variance of variables. The value of the coefficient of determination ranges from 0 – 1. The value of R^2, which is close to one, means that the study's independent variables provide almost all the information needed to predict variations in stock return variables.

Table 9. Determination Coefficient Test Results

Summary Models				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.660a	.436	.408	.04945

Source: SPSS processed data, 2023

The test results show that the coefficient of determination is 0.408. This value states that 40.8% of stock returns are influenced by market value added, capitalization, and foreign ownership. Meanwhile, 60.2% is influenced by other variables.

The t-test or partial test is carried out to describe how far the influence of each independent variable on the dependent variable. In this test, if the significance value is less than 0.05 while t-count > t-table, then it is stated that the independent variable affects the dependent variable, but if the significance value is more than 0.05 while t-count < t-table, then the independent variable is declared not to affect the dependent variable. Based on Table 8, variables market value added obtained a t-count of 4.028, more excellent than the t-table of 1.6702 with a significance level of 0.00 less than 0.05, meaning that H01 is rejected and Ha1 is accepted. It can be concluded that partial market value added affects stock returns. Market capitalization obtained a t-count of 5.044, more significant than the t-table of 1.6702, with a significance level of 0.00 less than 0.05, meaning that H02 is rejected and Ha2 is accepted. It can be concluded that partial market capitalization affects stock returns. Foreign ownership variables obtained a t-count of 1.910, more significant than the t-table of 1.6702 with a significance level of 0.061 greater than 0.05, meaning that Ha3 is rejected and H03 is accepted. It can be concluded that partially foreign ownership does not affect stock returns.

Effect of Market Value Added on Stock Return. The results of this study show that market value added affects stock returns. This study's results align with the theory, which states that companies that obtain positive MVA values are considered a positive signal for investors because company management can provide added value to shareholders, increasing share prices and the rate of return received. However, a negative MVA value is considered a negative signal for investors because the company's management performance cannot provide added value for shareholders, which can reduce investor interest in investing in the company and the company's share value. The results of this study align with those of Satwiko and Agusto (2021), which was carried out in the

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non-financial company sector for the 2013-2017 period, with results showing that market value added affects stock returns.

Effect of Market Capitalization on Stock Return. The results of this study show that market capitalization affects stock return. This study's results align with the theory, which posits that a significant market capitalization can be interpreted as a positive signal about a company's health and financial outlook. Market capitalization impacts stock returns as it reflects the company's market value and its level of liquidity. Companies with substantial market capitalization tend to have high liquidity, which attracts investors due to easy entry and exit from positions. High liquidity fosters increased investor interest and has a favorable effect on stock returns. Furthermore, companies with large market capitalizations are often perceived as key players in their industry and exert a notable influence on the broader market. This study's results align with Niawaradila et al. (2021) on manufacturing sector companies for the 2016-2019 period, which shows that market capitalization affects stock returns.

Effect of Foreign Ownership on Stock Return. The results of this study show that foreign ownership has no effect on stock returns because foreign ownership influence on stock returns is minimal since the presence of foreign shareholders does not significantly impact profit generation and shareholder returns. While high foreign ownership might yield short-term effects, domestic investor activities can offset these over time. Moreover, factors like global economics, interest rates, market conditions, currency fluctuations, regulatory differences, and intricate political dynamics can alter the relationship between foreign ownership and stock returns. Uncertainties and risks tied to these elements contribute to an inconsistent or less substantial effect of foreign ownership on stock returns. This study's results align with Fauzan's (2018) study on manufacturing sector companies for 2013-2015, which shows that foreign ownership does not affect stock returns.

CONCLUSION

Based on the results of research analysis and discussion to determine the effect of the independent variables market value added, market capitalization, and foreign ownership of the dependent variable of stock returns in energy sector companies on the Indonesia Stock Exchange, the conclusions are as follows:

1. Market value added affects stock returns. It means that the size of the market value added can affect the company's stock return.
2. Market capitalization affects stock returns. The company's market capitalization size can affect its stock return.
3. Foreign ownership does not affect stock returns. It means that the size of the foreign ownership portion in the company does not affect its stock return.

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