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Stock Returns and Economic Value Added: The Mediating Role of Earnings Per Share – Predicting Firms' Financial Performance in Financial Markets

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ABSTRACT
The purpose of this study is to determine the relationship between Economic Value Added (EVA) and Stock Return (SR), and to test the mediation role of Earning Per Share (EPS). The research design adapts the ex post facto method. The research sample is the financial statements of three Indonesian Telecommunication Companies on the IDX, for 6 years during 2017-2022, with the purposive sampling technique selected. Data analysis using a panel data regression model, developed with an estimated path analysis model using EViews v.14, model selection using CEM, FEM and REM approaches through Chow test, Hausman test, and LM test. The feasibility test of the selected model with the determination coefficient, and the significance test of the effect at alpha 0.05, the mediation test with the Sobel test. The research findings show that CEM as a selected model in the path equation model, with the feasibility criteria of the model being met. EVA has a positive and significant effect on EPS. EVA has a positive and significant direct effect on SR. EPS also has a significant positive effect on SR. The evaluation of mediation pathway parameters concluded that there was an indirect effect through EPS. Where the mediation effect of EPS is at the level of strong predictive ability.

Keywords:
Economic Value Added; Earning Per Share; Stock Return; Panel Data Regression; mediation Model

INTRODUCTION

The development of information and communication technology provides ease and speed of human activities as a way that continues to be renewable in terms of interaction and communication at low costs so that the need for telecommunications becomes increasingly important along with various changes that occur (Setiawan, 2018). Telecommunication is no longer only a complementary need to the lifestyle but has become the main need for society because telecommunication devices can support human life to be more developed, especially in the context of business and the smooth running of the economy. So, it is not surprising that in the past two decades there have been many industry players engaged in telecommunications (Simarmata et al., 2020), even competing with each other in taking advantage of opportunities as well as answering the challenges of increasing telecommunication needs from time to time. For example, PT. Telekomunikasi Indonesia (Telkomsel) Tbk, PT. Indosat Tbk and PT. XL Axiata Tbk are three companies engaged in the best telecommunications that have strong competitiveness among other similar industries. The strength of these companies is reflected in the stock prices on the Indonesia Stock Exchange (IDX) as well as on high-value foreign exchanges (Suharyono, 2020). Such conditions can increase investment interest from investors and the search for direct sources of funding in the capital market.

Therefore, it is no wonder that investment in the capital market has improved the relationship between investors and companies, who exchange information,

support their respective goals, decisions and interests reflected in signal theory. Ross (1977), mentioned that signalling theory is that company executives who have better information about their company will be encouraged to convey this information to potential investors so that their company's stock price increases (Nyagadza et al., 2021; Susetyo et al., 2023). There is a company's drive to provide information, there is an information asymmetry between the company and outsiders because the company knows more about the company and its upcoming prospects than outsiders (especially investors and creditors). Dealing with information asymmetry is essential for developing a robust signaling environment with signals flowing efficiently and effectively between the company and its stakeholders (Taj, 2016). Investors need relevant, accurate and timely information to analyze the market and this information is used for investment decision-making (Susetyo et al., 2023). Various quantitative information obtained by investors comes from financial statements and financial performance measurements that can be done using a certain analysis method approach.

The high value of the company's shares indicates the consistency of achieving maximum profits followed by a tendency for the company's value to continue to increase. This success can be achieved when the company has good management performance, measured by the company's financial performance Such conditions are also often considered by investors who are interested in the company related to the guaranteed profit expected from the rate of return on the investment they make. According to Shook (2002) in Fahmi (2016:p.358), return is the profit obtained by a company, individual or institution from the results of the investment it makes, return as investment profit can be through interest or dividends. Return is a term in capital market theory, namely the rate of return received by an investor from stocks traded in the capital market, namely the shares of companies that go public, so the next description is termed stock return.

The amount of net profit earned by a company has the potential to affect stock returns in accordance with the number of outstanding shares or known as earnings per share or EPS (Hasanah, 2021). However, in general, from an internal or micro perspective, stock returns are influenced by financial and non-financial information or data as well as fundamental and technical information of the company concerned. Factors that affect stock prices can be divided into three categories, namely fundamental factors, technical factors, and social factors (Hendrarini, 2011). These three factors are factors that provide a clear and analytical picture for shareholders regarding management performance in managing the company. Where financial data is information that reflects the company's overall financial performance (Putra et al., 2021). According to Fahmi (2016:2), stating that financial performance is an illustration of the achievement of a company's success can be interpreted as the results that have been achieved from various activities that have been carried out.

In previous practice, the measurement of a company's management performance was measured by popular financial ratios such as Return On Investment (ROI), Return On Assets (ROA), Internal Rate Of Return (IRR), Residual Income (IR), and Average Rate of Return (ARR). The management performance of a company can be measured using financial ratios such as Net Profit Margin (NPM), Return On Investment (ROI), Return On Equity (ROE), and Earnings Per Share (EPS) (Firdaus, 2021). Earnings per share (EPS) or earnings per share as the profit

earned for each common share. EPS is one of the financial ratios that investors often use to analyze and consider the return on the purchase of company shares (Sinambela, 2015). Financial ratio analysis is an alternative to test whether financial information is useful for clarifying or predicting stock prices and the possible level of profit from the change that will be received (Putra et al., 2021). Earnings per share (EPS has a significant positive effect on stock returns (Almira & Wiagustini, 2020; Handayani & Zulyanti, 2018; Sari et al., 2017).

In fact, financial ratio analysis is only a measure of a company's performance which is more measured based on financial ratios over a certain period (Ningtias, 2014), so the measurement often does not reflect the actual performance, and this becomes a saturation in the assessment of company management performance. Therefore, a performance measurement tool that shows actual management achievements is needed that is able to encourage activities or strategies that add economic value and eliminate activities that damage the overall value of a company. Economic Value Added (EVA) is very relevant because it can measure management performance or achievements based on the amount of economic added value created by the company as a result of activities carried out during a certain period. According to Suripto (2015:p.19), Economic Value Added (EVA) is a measure of the extent to which a company creates added value economically for shareholders. Therefore, it is necessary to understand EVA and components related to EVA. EVA as a performance evaluation metric can improve the overall performance of the organization and affirm that EVA has a contribution in explaining stock returns (Subedi & Farazmand, 2020; Babatunde & Evuebie, 2017; Awan et al., 2014; Nakhaei & Hamid 2013). There is even a correlation between EVA and EPS being able to predict stock returns (Turvey et al., 2000; Bhasin & Shaikh, 2013; Tikasari & Surjandari, 2020).

Referring to several previous relevant theories and research, it can be seen that EVA is influenced by net profit and capital costs along with other financial components that affect the calculation (Suripto, 2015:p.19), net profit also has the potential to affect the EPS value (Hasanah, 2021), so to find out the return on stock takes into account net profit as a profit on the investment made (Fahmi, 2016:p.358). However, the difference in its intervention in predicting and explaining stock returns related to management performance is seen from financial performance, EVA is an indicator of the value creation of an investment where EVA tries to increase suitability with the interests of investors (Sunardi, 2010). In fact, EVA can be said to be a comprehensive new system, not only looking at profits but considering investment risks over capital costs, it is very possible to be able to convince shareholders. EVA can also be the first choice in a unique compensation system as the right solution because the measure of a company's performance is taken into account by uniting the interests of managers and shareholders in various conditions including when an economic crisis occurs, EVA can still provide data and information that reflects the company's actual financial performance and performance.

Empirically, shareholders want to increase their wealth through high stock price value, where the EVA model is able to provide a solution in predicting the company's sustainable progress and growth reliably, that is, if the EVA is higher, it will have an impact on the high stock price as well (Rudianto, 2013:p.224), although it is recognized in practice that the accuracy of the certainty of the cost of investment

capital and qualitative data are needed to measure management performance. This is the basic motivation that is the reason why the researcher chose EVA as an alternative solution that is appropriate and more real to measure the company's financial performance so that comprehensive information related to stock returns and the risks inherent in it are also taken into account. Also in this study, EVA was chosen to complement EPS in predicting and explaining Stock Returns. In accordance with this, through the measurement of financial performance based on added value (EVA), it is hoped that the results of measuring the company's performance will be realistic and support the presentation of financial reporting, so that interested parties can easily make decisions in various conditions, both for investing, planning to improve financial performance by management, and maybe even the decision to withdraw their stock investment by investors. Therefore, the exploration of this research is carried out by proposing Earning Per Share (EPS) and Economic Value Added (EVA) more precisely and comprehensively to predict and explain the level of Stock Return.

METHOD

This study uses a quantitative method approach (Creswell & Creswell, 2017), which is carried out on the basis of an ex post facto model (Suharsimi, 2016), by exploring the relationship between variables. The research sample is the financial statements of three telecommunication companies listed on the IDX for the 2017-2022 period as many as 6 reporting periods estimated in 24 quarterly report data, determined by purposive sampling technique (Firmansyah, 2022). The data collection technique is carried out by documentation relying on secondary data sources, and the type of panel data is used on the basis of its dimensions and characteristics. The object of the study consisted of economics value added (EVA) which was operationalized with net operating after tax (NOPAT) minus the weight average cost of capital (WACC) multiplied by capital invested (CI) or mathematically formulated with EVA = NOPAT-(WACC x CI) (Brigham & Houston, 2017; Hansen & Mowen, 2007), the earnings per share (EPS) is measured by profit after tax (EAT) divided by the number of outstanding shares (J_{sb}) or can be formulated with EPS = EAT/J_{sb} (Fahmi, 2016), and the return on shares (SRs) that is operationalized by the share price of the period t (P_t) minus the share price of the period t-1 (P_{t-1}) and dividend by the share price of the period t-1 (SRs = $P_t - P_{t-1}/P_{t-1}$) (Jogiyanto, 2014).

The data analysis method applies a panel data regression model developed with a path analysis model that is estimated using the EViews v.14 program. Model selection was carried out by the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) approaches through a series of tests, namely Chow test, Hausman test, and Lagrange Multiplier (LM) test. The classical assumption test was carried out referring to the results of the parameter estimation of the best panel data regression model selected, howewer, multicollinearity was applied to the r<0,80 criterion (Firmansyah et al., 2022), and If a heteroscedasticity test is required, the Glejser test is selected based on the p-value criteria; prob>α = 0.05, then no indication of heteroscedasticity is found. The feasibility test of the model was carried out by regression analysis of the data of the selected model panel, evaluated with a coefficient of determination using the value of Adj.R^2 (Ghozali, 2018), the significance test of effect by applying $t_{\text{-statistics}}$ greater than $t_{\text{-critical}}$

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= 1.96 at α = 0.05, while the mediation model test was calculated with the Sobel test on the evaluation of the significance of indirect effect with similar criteria Statistics. The construction of the research model is illustrated in fig 1.

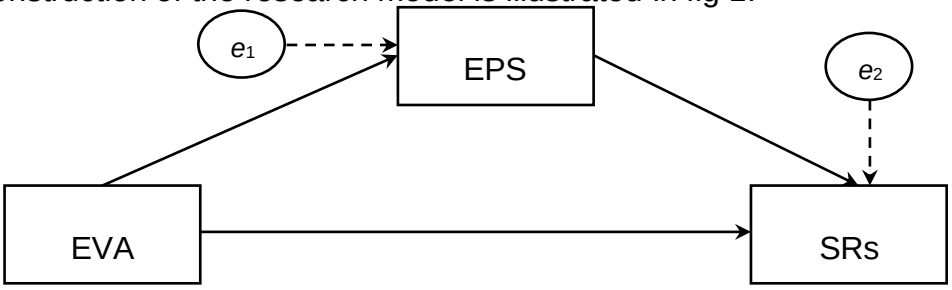

Fig.1: Construction Research Model

Path Equation Model:

$EPS_{it} = EVA_{it} + e_1$ ... 1

$SRs_{it} = EVA_{it} + EPS_{it} + e_2$ ... 2

RESULTS AND DISCUSSION

Regression Model Selection

The selection of the regression model was carried out in two stages of model testing, namely the selection of the model in the path 1 equation and the selection of the regression model in the path 2 equation.

Path Equation Model 1

The test results in the path equation 1 show REM as the selected model through a series of tests, namely the Chow test, the Hausman test, and the LM test.

Table 1: CEM Test Results

Dependent Variable: EPS — Sample: 2017Q1 2022Q4
Method: Panel Least Squares — Periods included: 24
Total panel (balanced) observations: 72 — Cross-sections included: 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	104.7808	21.23349	4.934697	0.0000
EVA	0.000234	2.89E-05	8.082233	0.0000

Note: Breusch-Pagan<0.05, REM as the selected model

Where at the testing stage, the results of the Chow test show Cross-section Chi-square; p-value = 0,0038<0,05 (selected FEM), the Hausman test shows Cross-section radom; p-value = 0,4128>0,05 (selected REM), until the Lagrange Multiplier (LM) test needs to be carried out to select Commont Eefect Model (CEM) or Random Effect Model (REM) with the estimated CEM, and the results ensure that LM testing is needed, (see table 1, table 2, and table 3).

Table 2: REM test results

Dependent Variable: EPS
Method: Panel EGLS (Cross-section random effects)
Sample: 2017Q1 2022Q4
Periods included: 24 Sample: 2017Q1 2022Q4
Total panel (balanced) observations: 72 Cross-sections included: 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	109.0511	50.87450	2.143531	0.0355
EVA	0.000216	0.000029	7.494314	0.0000

Effects Specification	S.D.	Rho
Cross-section random	80.97460	0.2036
Idiosyncratic random	160.1622	0.7964

Weighted Statistics

R-squared	0.446334	Mean dependent var	59.91982
Adjusted R-squared	0.438425	S.D. dependent var	213.2223
S.E. of regression	159.7852	Sum squared resid	1787191.
F-statistic	56.43012	Durbin-Watson stat	1.672666
Prob(F-statistic)	0.000000		

Note: EPS, Earning Per Share; REM, Random Effect Model.

The following are the results of the LM test that confirm REM as the selected model on the Breusch Pagan criteria; Cross-Section One Side < α= 0.05.

Table 3: LM Test Results

Lagrange multiplier (LM) test for panel data
Sample: 2017Q1 2022Q4
Total panel observations: 72
Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	8.139547 (0.0043)	1.385097 (0.2392)	9.524644 (0.0020)

Note: Breusch-Pagan<0,05, REM as the selected model.

Therefore, it can be concluded that the estimation in the path 1 equation model chooses REM as the best model, on the Breusch-Pagan criterion; The cross-section One-side has a value of 0,0043<0,05 (table 3).

Path Equation Model 2

The estimation and model selection in the path 2 equation shows CEM as the selected model through the Chow test with the results showing Cross-section Chi-

square; p-value = 0,0620>0,05 (selected CEM), and immediately conducted an LM test comparing the CEM and REM Regression Models, where CEM is the estimated regression model.

Table 4: CEM Regression Model Test Results

Dependent Variable: SR — Sample: 2017Q1 2022Q4
Method: Panel Least Squares — Periods included: 24
Total panel (balanced) observations: 72 — Cross-sections included: 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-294.1725	92.73519	-3.172178	0.0023
EVA	0.000678	0.000151	4.487477	0.0000
EPS	3.443685	0.449624	7.659034	0.0000

R-squared	0.780015	Mean dependent var	417.4959
Adjusted R-squared	0.773638	S.D. dependent var	1348.672
S.E. of regression	641.6641	Akaike info criterion	15.80678
Sum squared resid	28409565	Schwarz criterion	15.90164
Log likelihood	-566.0441	Hannan-Quinn criter.	15.84455
F-statistic	122.3286	Durbin-Watson stat	1.395310
Prob(F-statistic)	0.000000		

Note: SR, Stock Returns.

The following are the results of the LM test as an estimate of the final model selection in the 2 equation model.

Table 5: LM Test Results

Lagrange multiplier (LM) test for panel data
Sample: 2017Q1 2022Q4
Total panel observations: 72
Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	0.632358 (0.4265)	0.850182 (0.3565)	1.482540 (0.2234)

Note: Breusch-Pagan>0,05, CEM as the selected model.

Based on table 5, the results of the LM test on the path 2 equation model show that Commont Effect Model (CEM) was chosen as the best model in the regression model, on the Breusch-Pagan criteria; The cross-section One-side has a value of 0,4265>0,05.

Classical Assumption Test

The Common Effect Model (CEM) as the selected model for the parameters of the panel data regression model in this study, the multicollinearity test and the heteroscedasticity test were applied as data quality tests in the classical assumption test phase.

Multicollinearity Test

In this study, multicollinearity was applied to the r<0,80 criterion, which means that the latent independent variables are not too high correlated in the model.

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Table 6: Multicollinearity Test Results

Independent Variables	*r*	*r*
EVA	1.000000	0.694779
EPS	0.694779	1.000000

Note: r<0,80, multicollinearity symptom-free regression model.

The results of the multicollinearity test (table 6) show that the correlation between EVA and EPS is 0,694779 = 0,6948<0,80, or $r_{EVA;\ EPS} < 0,80$. It can be concluded that in the regression model of the data of this research panel, there are no symptoms of multicollinearity.

Heteroscedasticity Test

The Glejser test was selected in the heteroscedasticity test on the p-value criterion; prob.>α = 0,05, so no indication of heteroscedasticity was found. From the test results, it can be seen that EVA has p-value = 0,3406>α = 0,05, and EPS has p-value = 0,8841>α = 0,05. So the data does not have heteroscedasticity in the model.

Model Feasibility Test

The feasibility of the model was carried out to determine the magnitude of the latent ability of independent variables in predicting the latent dependent variables in the built model, by evaluating the Adj. R^2 value for each path equation model, namely the path equation model 1, and the path equation model 2.

Path Equation Model 1

In the equation model path 1 is REM as the selected model in the panel data regression model, has an Adj. R^2 value of 0.438425 = 0.4384 (see table 2). The Adj. R^2 value of 0.4384 is close to 0.5 (50%) or still far from +1 (100%), meaning that EVA can explain the variance of EPS of 43.84% with moderate prediction ability, and free from statistical bias. About 66.16% is the rest can be affected by other variables.

Path Equation Model 2

In the path equation model 2 is CEM as the selected model in the penal data regression model, with the Adj. R^2 value is 0,773638 = 0,7736 (see table 4). The Adj. value of R^2 = 0,7736 is greater than 0,5 (R^2 = 77,36%>50%) or still far from +1 (100%), meaning that the variance of the relationship between EVA and EPS can explain the variance of SRs by 77,36% with strong prediction ability, and is free from statistical bias. There are about 22,64% that the rest are very likely to be influenced by other variables outside this research model.

Hypothesis Testing

There are four hypotheses built on this study consisting of three direct effect hypotheses (H1, H2, and H3), and one indirect effect hypothesis (H4) that considers the mediating effect of Earning Per Share (EPS). Each hypothesis test applied the criterion of $t_{\text{-Statistical}}$ value>$t_{\text{-critical}}$ = 1,96, at α = 0,05, and the mediation test for indirect effect was carried out by calculation using the Sobel test.

Direct Effect Test

Table 7: Results of Direct Effect Significance Test

Hyphotesis	Path Coeffcts	B	Std. Error	t-Stat	Prob.	Results
H_1	EVA → EPS	0.000216	0.000029	7.494314***	0.0000	Accepted
H_2	EVA → SR	0.000678	0.000151	4.487477***	0.0000	Accepted
H_3	EPS → SR	3.443685	0.449624	7.659034***	0.0000	Accepted

Note: ***. Significant at α<0,001.

Based on the results of the significance test of the direct effect of each path on the built model (table 7), the results were obtained that EVA had a positive effect on EPS, significant at α = 0,05 and t-Stat = 7,494314; 7,49>1,96. So the test results concluded that H1 was accepted, that EVA had a positive and significant effect on EPS. In line with Machuga et al., (2002), that EVA can predict future earnings with all the information it contains increamentally on EPS. EVA has the effectiveness of assessing relative to future profits. However, the accuracy of the information contained in EVA in the analysis of future profit estimates certainly requires repeated consideration and careful evaluation. EVA as a paradigm of value that cannot be ignored logically and has taken root in financial practice in general, because a high EVA can potentially increase shareholder value (Turvey et al., 2000). Relatively, EVA evaluations provide information that represents the value of a company compared to its predecessor's conventional ratio model (Bhasin & Shaikh, 2013), although it cannot be definitively believed that EVA is superior to traditional financial performance measures in relation to certain other financial measures in predicting future financial returns.

Economics Value Added (EVA) has a positive direct effect on Stock Return (SR), significant at α = 0,05 with t-Stat = 4,487477; 4,49>1,96. Therefore, the test results conclude that H2 is accepted, that EVA has a direct positive and significant effect on Stock Returns. This finding is in line with the results of Hidajat (2018) research; Silalahi & Manullang (2021); and Ismail (2006), that EVA partially has a significant positive effect on Stock Returns Also reinforced by the findings of Subedi & Farazmand (2020); and Babatunde & Evuebie (2017), which show that there is a significant positive relationship between EVA and Return on Shares, his findings also confirm that EVA increases Return on Shares. Economic Value Added (EVA) as a performance evaluation metric incentivizes management to improve financial performance. The presence of EVA is able to encourage management behavior in its operations, investors and stakeholders at the investment decision-making stage, the implementation of EVA can be used as a management performance evaluation metric, thereby improving the performance of Telecommunication Companies in Indonesia as a whole.

The findings of the study also show that Earning Per Share (EPS) has a positive effect on Stock Return (SR), significant at α = 0,05 and t-Stat = 7,659034; 7,66>1,96. The findings of the study concluded that H3 was accepted, that EPS had a positive and significant effect on the SR. This finding is reinforced by the results of research by Almira & Wiagustini (2020); Handayani & Zulyanti, (2018); and Sari et al., (2017), which concluded that Earning per share (EPS) has a significant positive effect on stock returns. The trend of up or down EPS that occurs in the three companies studied, will be followed by the total value of Return on Shares, as the rate of return on investment which is the sum of dividend yield and capital gains. A high EPS ratio will have an impact on increasing stock returns. Although in practice, the company's income level greatly affects the high or low earnings per share. Where, when the company is in good condition, it can be a positive signal for investors based on the results of its assessment. Because, EPS that continues to increase indicates that the company is in a growth phase based on good financial performance with an increase in sales and profit measures. In this phase, it allows the company to have the ability to obtain returns on shares, and has an impact on

the annual rate of return in the form of stock returns for investors who exist in the capital market and financial markets.

Indirect Effect Test

This part is the stage of testing the significance of indirect effect (H4), namely testing the mediating effect of earnings per share (EPS) on the effect of economics value added (EVA) on stock returns (SR), with calculations using the Sobel test (see table 8).

Table 8: Results of the Indirect Effect Significance Test

Hyphotesis	Path Coeffcts	B	Std. Error	t-Stat	Prob.	Results
H_4	EVA → EPS → SR	0.000744	0.000139	5.338885***	0.0000	Accepted

Note: ***. Significant at α<0,001.

Referring to the results of the indirect effect test (table 8), the results were obtained that EVA had a positive indirect effect on SR through EPS, significant at α = 0,05 and t-Stat = 5,338885; 5,34>1,96, so that H4 is accepted. Earnings per share (EPS) have a positive and significant mediating effect on the effect of economics value added (EVA) on stock returns (SRs). The high and low EPS has proven to strengthen EVA's performance in predicting the level of stock returns. The increase in EPS will be followed by an increase in stock prices and stock return rates. EPS data complements the usefulness of EVA for company management and investors in assessing financial performance. As a relatively new and comprehensive system, EVA not only views profits but also considers investment risks over capital costs, it is possible to convince shareholders. EVA can also be the first choice in a unique compensation system as the right solution because the measure of a company's performance is taken into account by uniting the interests of managers and shareholders in various conditions including when an economic crisis occurs, EVA can still provide data and information that reflects the company's actual financial performance and performance.

The implication is that the adoption of EVA for stakeholders needs to be improved in understanding and practice, because EVA has been proven to complement EPS and become an important financial instrument in investment that has a more comprehensive ability to assess management performance based on the financial performance of the three telecommunications companies in this study. The findings of this study also prove that Economic Value Added (EVA) can fill the gap in the use of traditional perspective financial ratios and is able to complement Earning Per Share (EPS) in explaining and predicting the upward and downward trend of the Stock Returns (SR) of the three companies.

CONCLUSION

The findings conclude that CEM as a model was selected in the panel data regression on the path equation of path model 2 which considers the mediation effect. The feasibility of the model is met and reassures our findings, that Economic Value Added (EVA) and Earning Per Share (EPS) together can account for the variance of Stock Returns, with strong predictive power. EVA has a positive and significant effect on Earning Per Share (EPS). EVA has a positive and significant direct effect on Stock Returns. EPS also has a positive and significant effect on Stock Returns. The evaluation of the mediation pathway parameters found that there

was a positive and significant indirect effect of EVA on Stock Return through EPS, although the mediation effect of EPS was at a moderate level of mediation ability, but EPS contributed significantly in the predictive quality between EVA and Stock Return. EVA comprehensively complements EPS can be used to predict the rate of Return on Shares. The findings of this study are empirical evidence that EVA can fill the gap in the use of traditional perspective financial ratios and is able to complement EPS in explaining and predicting the upward and downward trend of Return on Stock in Telecommunication Companies operating in Indonesia.

The contribution of this research can broaden scientific insights on EVA, EPS and Return on Shares, especially related to management performance measured by financial performance that correlates with shareholders and stakeholders. The combination of EVA and EPS has the potential to become an important financial instrument in investment that has a more comprehensive ability to assess stock performance, one of which is seen from Stock Returns. The implication is that the success of the practice is that predictive accuracy will affect the investment strategies and decisions of investors, financiers and company owners where the performance of the company's management is the main focus that is a concern in the stakeholder analysis and decision-making process. This study only identifies and tests the relationship between EVA and EPS in predicting and influencing Stock Returns, with the object of limited research conducted on three Telecommunication companies in Indonesia for 6 years or 24 quarters from 2017-2022, as well as the weakness of researchers from methodological aspects in exploring the development of EVA, EPS and Returns Stocks need to be strictly implemented. Future research is seen as needing to add a concept that can predict the Return on Stock of companies listed on the IDX by expanding the number of research samples, as well as with a combination of research objects of more than three companies and supported by more precise methodological aspects, so that more ideal research findings are produced and are able to provide outputs that can guarantee their usefulness for all interested parties.

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