

FUNDAMENTAL FACTORS, ECONOMIC VALUE ADDED, AND OTHER FACTORS DETERMINING STOCK RETURN

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Abstract: *The purpose of this research is to obtain empirical evidence about the effect of operating cash flow, investing cash flow, financing cash flow, market to book ratio, earnings per share, price earnings ratio, economic value added and market value added on stock return. The population used in this research are non-financial companies listed in Indonesia Stock Exchange from 2018 to 2020. The sample used for this research consists of 143 listed non-financial companies. The sampling technique used purposive sampling method and analyzed using multiple regression method. The result of this research shows market to book ratio has positive effect toward stock return, add the other independent variables such as operating cash flow, investing cash flow, financing cash flow, earnings per share, price earnings ratio, economic value added and market value added have no effect toward stock return.*

Keywords: stock return, fundamental factors, economic value added, market value added

Abstrak: Tujuan ini adalah untuk memperoleh bukti empiris tentang pengaruh arus kas operasi, arus kas investasi, arus kas pendanaan, market to book ratio, laba per saham, price earnings ratio, economic value added dan market value added. Populasi yang digunakan dalam penelitian ini adalah perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia dari tahun 2018 hingga 2020. Sampel yang digunakan dalam penelitian ini terdiri dari 143 perusahaan non-keuangan yang terdaftar. Teknik pengambilan sampel menggunakan metode purposive sampling dan dianalisa menggunakan metode regresi berganda. Hasil penelitian menunjukkan market to book ratio berpengaruh positif terhadap return saham, sedangkan variabel independen lainnya seperti arus kas operasi, arus kas investasi, arus kas pendanaan, laba per saham, price earnings ratio, economic value added dan market value added tidak berpengaruh terhadap return saham.

Kata kunci: return saham, faktor-faktor fundamental, economic value added, market value add

INTRODUCTION

Capital market has very important role in a country; especially it helps the growth of economic in the country. Along with the growing business in Indonesia that is also supported by the development of stock market, stocks become an alternative investment and widely used in capital market because it can provide more profits and does not require much funds compared to bonds (Santoso et al. 2020). Main reason for this investment is to get return. Before conducting some investments, investors have to make sure that they are going to invest their money in a good chosen company and one way is by looking at company's financial performance (Hasyim and Ardityasari, 2020).

As reported by CNN Indonesia, Jati (2016) stated that PT Telekomunikasi Indonesia (TLKM) won the title of the best BUMN company for the category of non-financial companies in telecommunications and broadcasting sectors. This award describes PT Telekomunikasi Indonesia could give a proof that this company is able to conduct positive financial performance in the midst of national and global economics dynamics which assessed based on eight criteria such as annual return, three-years sales growth, return on equity and others. During September 2016, PT Telekomunikasi Indonesia recorded profit in the amount of Rp 14, 732 billion rupiah, it means increase 27,6% from previous year profit which was Rp 11,545 billion rupiah. While in the first nine months of 2016, the revenue of PT Telekomunikasi Indonesia grew 13.8% from Rp 75.75 billion rupiah in 2015 to Rp 86.19 billion rupiah in 2016.

This achievement requires sufficient funding for non-financial company to survive and compete in national and global market. Therefore, in order to fulfil the need of fund, the company sells its shares to investors through capital market. When the investors are interested to invest their money, it means company gains investors trust that will lead in increasing of firm value and stock price that also

lead into stock return increasing. For investors, they could know company's financial performance by looking at company's financial statement that can be measured by using technical analysis and fundamental analysis (Sorongan 2016).

After the global crisis in 2018 which lead investors considers long term investment, they are looking for investments which has better prospect (Laurens, 2018). That is why some investors prefer to conduct some fundamental analysis through financial ratio. Nevertheless, using financial ratios in measuring company performance is not able to measure the performance in term of company value (Ramadhani and Sipayung, 2016). It means the profit that company reported only in term of internal operations and finances only and it does not include cost of capital element. Therefore, regarding the weakness of financial ratio that has been explained above, the experts developed the measurement of company performance by using economic value added (EVA) and market value added (MVA) method. According to Alexander and Destriana (2013) stated that the measurement using economic value added (EVA) is more relevant with company operation, which is including the calculation of company cost of capital. It also helps management to make sure that a business unit can add shareholder value.

Based on the explanation above, it could be seen that understanding the factors that affect the stock return of the company will be useful for investors to conduct decision making process for the company and it remains relevant in the business world which is changing from time to time. For that reason, further research is carried out to get better understanding about factors like financial ratio, economic value added (EVA), market value added (MVA) towards stock return as dependent variable.

Signaling Theory

Connelly et al. (2011) stated that information would lead people to change their behavior, even it is imperfect information. The provider of information can choose what and how the information will be displayed while the recipient can choose acts about how to interpret that information. The relationship between this theory with this research topic is company use their financial statement as a signal about their company's financial condition to investors to obtain investment decision in the future whether it is positive signal or negative signal. Hasyim and Ardityasari (2020) stated that market will react toward positive value of the report. Investor will invest their money to company that they think can provide greater added value for capital. Therefore, the company that is able to create positive return means the company has good asset management. Changes in share price when the information is announced can be an indicator as market reactions. The reason is because the participants in the market receive the information and interpret also analyse it as good or bad news. If it is considered as good news, then the demand of shares will increase and will be followed by increasing in stock price and stock return.

Stock Return

According to Julianto and Syafarudin (2019) stated that stock return is the result from investment activity or trading of stock in a certain of period, which the result capital gain or from capital loss. When the company invests on fix assets then the result will be expected from profit, whereas when the company buy ordinary shares, the result will be expected on the form of dividend payment and capital gain. When company has high stock return, it will attract more investors to invest their money. Stock return is divided into two categories, one is realized return and another one is expected return. Cahyani and Sembiring (2019) stated that realized return is obtained and calculated

based on historical data. Moreover, this return is one of measurements for company performance while good company performance indicates the ability of company to achieve their goals.

Operating Cash Flow and Stock Return

The amount of operating cash flow is generated from operating activities of the company. The information from operating cash flow can be an indicator to determine whether company can generate enough cash flow from operating activity to pay loans, company's operational capability, pay dividends and also make new investment without depending on the source of external financing (Kasmiati and Santosa, 2019). This result is in line with research conducted by Harahap and Effendi (2020), Ernayani et al. (2018) and Putra and Widaningsih (2016) stated that there is positive relationship between operating cash flow and stock return. However, research conducted by Yulianti and Diyani (2018) and Sitorus et al. (2021) stated that operating cash flow has no effect on stock return. It indicates the investors do not consider the information regarding operating cash flow.

H1: There is an effect of operating cash flow to stock return.

Investing Cash Flow and Stock Return

Investing cash flow reflects on cash receipt of the company and expenditures from investing activities to generate company's income. It also can be considered to assess the performance of the company in the future by investors (Cahyani and Sembiring, 2019). Yulianti and Diyani (2018) stated that cash flow from investing activities has no effect on company stock return. Investing activities includes purchase or sales fixed assets or other investment. But because it is not routine and might happen just once a year, it is not really affecting the company profit. Thus, it will not affect the company stock return. This is in line with research conducted by Cahyani and

Sembiring (2019) and Ernayani et al. (2018). However, Kasmiati and Santosa (2019) mentioned that investment cash flow has negative effect on stock return of the company. Putra and Widaningsih (2016), Harahap and Effendi (2020), and Nurchayati and Nasaroh (2017) stated that cash flow from investing activities has positive effect on stock return. Investors responds on the increasing of investing cash flow and consider it before making investment decision.

H2: There is an effect of investing cash flow to stock return.

Financing Cash Flow and Stock Return

Weygandt et al. (2015, 646) stated that financing cash flow is from cash receipt and cash payment from financing activities that company conducted. It involves in activity to obtain cash from issuing debt and repaying the amount of money that company borrowed from other parties. It also involves in activity to obtain cash from shareholders, repurchasing the cash and also paying its dividends. Kasmiati and Santosa (2019) stated that financing cash flow has positive effect on company stock return. If the company has high cash flow from financing activities, it can be an indicator that the company has higher profitability in the future. Then it will lead in increasing of company stock return. This is in line with Putra and Widaningsih (2016), Harahap and Effendi (2020), and Nurchayati and Nasaroh (2017) that also stated there is positive relationship between financing cash flow and stock return.

However, Yulianti and Diyani (2018) stated that financing cash flow has negative effect on company stock return. The increasing amount in cash outflow from financing activities indicates that dividend payment. Thus, when cash flow from financing activities is low, that will lead in increasing stock return of the company. Nurmalasari and Yulianto (2015) and Ernayani et al. (2018) stated that financing cash flow has no effect on company stock return.

H3: There is an effect of financing cash flow to stock return.

Market to Book Ratio and Stock Return

Market to book ratio is measuring market share price to its book value of the share. The book value of the share is the historical data that reflected on company performance (Meilinda and Destriana, 2019). The higher market to book value ratio will give positive effect on stock return and vice versa (Yulianti and Diyani, 2018). Because when the company has high market to book ratio means that investors will also value the company highly. It also reflects the prosperity level of other shareholders which means the management has optimally used funds from investors. Then it will attract more investors which cause the increasing of stock demand. At last, it will lead the increasing of share price and then stock return will also increase. This result is in line with research conducted by Ferdaous and Barua (2020) and Ayuba et al. (2018).

Meilinda and Destriana (2019) stated that high on market to book ratio, it does not guarantee that the company has a good value because it happens from some activities that are conducted by investors like selling stock when the price is high and buying stock when the price is low. That result implies that market to book value ratio has no effect on stock return. However, Emamgholipour et al. (2013) stated that there is negative relationship between market to book ratio and stock return.

H4: There is an effect of market to book ratio to stock return.

Earnings per Share and Stock Return

Earnings per share is the amount of company's earned from each of outstanding common stock in certain period (Gitman and Zutter, 2015). Earnings per share also can be a measurement of company's past operational performance and it will help the management to make decision regarding on company's future operational performance (Yap and Firnanti,

2018). Elfiswandi et al. (2020) stated that earnings per share has positive effect on stock return. The ability of the company to provide high per share will impact on the increasing of company stock return. Because when the company has high earnings per share, it indicates that the company has more cash that they can use it to reinvest in the business or also can distribute it to shareholders on the form of dividend payment. This result is in line with Amyulianthy and Ritonga (2016), Hapsoro and Syahriar (2021).

Research conducted by Anwaar (2016) stated that earnings per share has negative effect on company stock return. When earnings per shares increases, then for the investors who want the short-term gain that they will get from its dividends will tend to sell their stocks in the market. Then it will cause over supply that will affect company stock return. This result is in line with Jasman and Kasran (2017) and Santoso et al. (2020). However, Yap and Firmanti (2018) and Tjahjono (2013) stated that earnings per share has no effect on stock return. That is because some companies do earnings management action that can decrease the interest of investors to invest their money in the company. Some investors tend to avoid the using of earnings per share in conducting analysis for their investment decision.

H5: There is an effect of earnings er share to stock return.

Price Earnings Ratio and Stock Return

Price earnings ratio is ratio that indicates the future growth of the company and also this ratio is between price of share and income of each share (Silitonga 2019). Julianto and Syafarudin (2019) stated that price earnings ratio has positive effect on stock return. When the company has higher price earnings ratio, it indicates that income per share is also higher as well and will also affect company stock return. This result is in line with Bintara and Tanjung (2020), Silitonga et al. (2019) and Santoso et al.

(2020). Research conducted by Emamgholipour et al. (2013) stated that there is negative relationship between price earnings ratio and stock return.

However, Tjahjono (2013) stated that price earnings ratio has no effect on company stock return. This happens because price earnings ratio is the result from demand and supply activity in the stock market. This is also being supported by the act of income smoothing by management that will affect the value of price earnings ratio of the company. Some investors tend to avoid the use of price earnings ratio as one the ratios for consideration regarding investment decision. This result is in line with research conducted by Yap and Firmanti (2018) and Hapsoro and Syahriar (2021) that price earnings ratio has no effect on the stock.

H6: There is an effect of price earnings ratio to stock return.

Economic Value Added and Stock Return

Economic value added is one of measurements to measure company's operating performance that is generating profits without neglecting the interest of the owner of the company (Pernamasari, 2020). The measurement of economic value added needs the calculation of cost of capital. Alexander and Destriana (2013) stated that economic value added has positive effect on company stock return. When economic value added increases, it means the company profit can cover up its cost of capital. This result is in line with the research conducted by Amyulianthy and Ritonga (2016) and Silalahi and Manullang (2021). Narayan and Reddy (2018) and Reza et al. (2019) stated that economic value added has negative effect on the stock return. The increasing in economic value added (EVA) will result in decreasing of the stock return. However, Sunarya (2018) and Silitonga et al. (2019) stated that there is no relationship between economic value added and stock return. That is because the investors regarding their research object was very

confidence based on fundamental points that can bring benefits to them.

H7: There is an effect of economic value added to stock return.

Market Value Added and Stock Return

Market value added reflects on how much value added that can be capitalized and maximizes the value of capital used within a company. Moreover, market value added also reflect the ability of the management in creating or increasing shareholders wealth. That is why market value added can be defined as the accumulated company performance from several investment that has been conducted (Trisnawati, 2009). Alexander and Destriana (2013) and Hasyim and Ardityasari (2020) stated that market value added has positive effect on the stock return. It indicates the increasing on expected return by investors trough stock price. When stock price is higher, then the expected

return will be higher too. Silalahi and Manullang (2021) shows the different result that market value added has negative effect on company stock return. However, research conducted by Sunarya (2018) stated that there is no relationship between market value added and stock return. Investors prefer to use fundamental points in making investment decision. This result is in line with research conducted by Andhika and Yunita (2016) and Silitonga et al. (2019).

H8: There is an effect of market value added to stock return.

RESEARCH METHOD

The population used in this research is non-financial companies listed in Indonesia Stock Exchange from 2017 to 2020. This research uses purposive sampling method in choosing the samples. The sample selection is summarized in table 1 below:

Table 1 Sample Selection Procedure

Criteria Description	Total Firms	Total Data
1. Non-financial companies that are consistently listed in Indonesia Stock Exchange from 2017 to 2020.	463	1389
2. Companies do not consistently published financial statement ending on 31 st December from 2017 - 2020.	(32)	(96)
3. Companies do not publish financial statement in IDR currency from 2017 to 2020.	(81)	(243)
4. Companies do not consistently earn profit during 2018 -2020.	(189)	(567)
5. Companies conduct stock split during 2018 - 2020	(11)	(33)
6. Companies have Zero Cash Flow during 2017 - 2020.	(5)	(15)
7. Companies stock price have not changed since 2017 - 2020.	(2)	(6)
Number of sample companies used	143	429

Stock Return is benefits that can be obtained by investor from conducting investment activities (Suciati, 2018). This return earned from the time selling of shares that is higher than purchase price and the difference can be considerate as gain (capital gain) but at the time selling stock but the stock price decreases from its purchase price, the investors will get loss (capital loss). In this research, stock return is dependent variable

and it uses ratio scale. Investors can measure this stock return by using this formula below (Yuliarti and Diyani, 2018):

$$SR = \frac{(P_t - P_{t-1})}{P_{t-1}}$$

Where SR is Stock Return, Pt is closing price period t and Pt-1 is closing price period t-1 (previous period).

Operating Cash Flow is from cash inflow and outflow from operating activities (Subramanyam 2014, 419). The measurement of operating cash flow is using ratio scale that can be defined in this following formula (Yuliarti and Diyani, 2018):

$$CFO = \frac{CFO_{(t)} - CFO_{(t-1)}}{CFO_{(t-1)}}$$

Where CFO is operating cash flow, CFO(t) is cash flow from operating activities period t and CFO(t-1) is cash flow from operating activities period t-1 (previous period).

Investing Cash Flow is cash inflow and cash outflow from investing activities. Investing activities means the activities of acquiring and disposing noncash assets. Such as purchase or sales of property, plant and equipment or other securities (Subramanyam 2014, 419). The investing cash flow uses ratio scale and can be calculated by using this formula below (Yuliarti and Diyani, 2018):

$$CFI = \frac{CFI_{(t)} - CFI_{(t-1)}}{CFI_{(t-1)}}$$

Where CFI is investing cash flow, CFI(t) is cash flow from investing activities period t and CFI(t-1) is cash flow from investing activities period t-1 (previous period).

Financing Cash Flow is cash inflows and cash outflows from financing activities that consists of conducting by contributing, withdrawing or servicing funds in order to support business activities (Subramanyam 2014, 419). This variable uses ratio scale and can be calculated by using the following formula (Yuliarti and Diyani, 2018):

$$CFF = \frac{CFF_{(t)} - CFF_{(t-1)}}{CFF_{(t-1)}}$$

Where CFF is financing cash flow, CFF(t) is cash flow from financing activities period t and CFF(t-1) is cash flow from financing activities period t-1 (previous period).

Market to Book Ratio (MBR) is one of market ratio which is related with company market value (Gitman and Zutter 2015, 132). This ratio asses the view of investors about company's performance. Company with higher market to book ratio shows the company has higher level of investors' confidence in the future performance of the company. This measurement is using ratio scale and can be calculated by using this following formula (Yuliarti & Diyani, 2018):

$$MBR = \frac{\text{Market price per share of common stock}}{\text{Book value per share of common stock}}$$

Earnings per Share (EPS) reflects on the successful of the company to obtain profits which is considered very important for investors in the ability of the company to generate profits in time to time (Santoso et al. 2020). This measurement is using ratio scale and can be calculated by using this following formula as follows (Santoso et al. 2020):

$$EPS = \frac{\text{Net Income}}{\text{Number of Shares}}$$

Price Earnings Ratio (PER) is one of the market ratio that measures the amount of investors are willing to pay of each dollars reported by company (Gitman and Zutter 2015). Silitonga et al. (2019) stated that this measurement indicates the future growth of the company and also shows how high of share that is bough by investors compare to earnings per share. The scale of this measurement is ratio scale and this measurement can be calculated with the following formulation (Santoso et al. 2020):

$$PER = \frac{\text{Current Stock Price}}{\text{Profit Per Share}}$$

Economic Value Added (EVA) measures value concept used that determine how much company wealth that can be created by deducting earnings of the company with its cost of capital. It shows the actual economic profits of

the company in certain period compared to accounting profits (Hasyim & Ardityasari, 2020). The measurement scale that is used in measuring economic value added is ratio scale. Economic value added can be calculated by using this following formula (Sunarya, 2018):

$$EVA = NOPAT - COC$$

Where EVA is economic value added, NOPAT is net operating profit after tax and COC is cost of capital. The steps in calculating NOPAT according to Sunarya (2018) is as follows:

$$NOPAT = \text{Net Profit} + \text{Interest Expense} - \text{Tax}$$

The formula for cost of capital is as follows:

$$COC = \text{Invested Capital} \times WACC$$

According to Pernamasari (2020) stated that invested capital can be formulated as follows:

$$IC = (\text{Total Debt} + \text{Total Equity}) - \text{Short Term Debt}$$

Where, the formula for calculating the value of weighted average cost of capital according to (Pernamasari, 2020) can use this formula below:

$$WACC = ((D \times rd)(1-\text{tax}) + (E \times re))$$

$$D = \frac{\text{Total Debt}}{\text{Total Debt} + \text{Equity}}$$

$$rd = \frac{\text{Interest Expense}}{\text{Total Debt}}$$

$$E = \frac{\text{Total Debt} + \text{Total Equity}}{\text{Total Debt} + \text{Total Equity}}$$

$$re = \frac{\text{Net Profit After Tax}}{\text{Total Equity}}$$

$$\text{tax} = \frac{\text{Tax Expense}}{\text{Net Profit Before Tax}}$$

Where D is capital level, rd is cost of debt, E is equity level, re is cost of equity and tax is tax rate

Market Value Added (MVA) measures company financial performance that shows how much value added to the capital that has been invested by investors as long as the company is still established (Hasyim & Ardityasari, 2020). It is the different between equity market value and equity book value. This measurement is using ratio scale and according to Sunarya (2018) can be calculated by using this following formula below:

$$MVA = EMV - EBV$$

$$EMV = \text{Number of Shares} \times \text{Price per Share}$$

$$EBV = \text{Number of Shares} \times \text{Nominal Value per Share}$$

RESULTS AND DISCUSSION

The result of the descriptive statistics test is shown in the table below:

Table 2 t Test Result

Variable	Coefficient	Significance	Decision	Conclusion
(Constant)	0,0310	0,279		
CFO	0,0002	0,855	H ₁ Not Accepted	No effect
CFI	0,0012	0,276	H ₂ Not Accepted	No effect
CFF	0,0004	0,527	H ₃ Not Accepted	No effect
MBR	0,0242	0,007	H ₄ Accepted	Has effect
EPS	-0,0001	0,181	H ₅ Not Accepted	No effect
PER	0,0003	0,075	H ₆ Not Accepted	No effect
EVA	0,0000	0,708	H ₇ Not Accepted	No effect
MVA	0,0000	0,192	H ₈ Not Accepted	No effect

Source: Data output statistic

Based on table 2 above, the result of t test indicates that operating cash flow (CFO) has significance value is higher than (α) 0.05. Therefore, H_1 cannot be accepted. It implies that operating cash flow has no effect on company stock return. This result is consistent with Yuliarti and Diyani (2018) and Sitorus et al. (2021). However, this result is not consistent with Kasmiasi and Santosa (2019), Harahap and Effendi (2020) and Ernayani et al. (2018) who found positive effect on stock return.

The result of t test indicates that investing cash flow (CFI) has significance value of 0.276. The significance value is higher than (α) 0.05. Therefore, H_2 cannot be accepted. It implies that investing cash flow has no effect on company stock return. This result is consistent with Yuliarti and Diyani (2018) and Ernayani et al. (2018). This result is not consistent with Kasmiasi and Santosa (2019) who found negative effect on stock return, Harahap and Effendi (2020) and Putra and Widaningsih (2016) who found positive effect on stock return.

The result of t test indicates that financing cash flow (CFF) has significance value of 0.527. The significance value is higher than (α) 0.05. Therefore, H_3 cannot be accepted. It implies that financing cash flow has no effect on stock return of the company. This result is consistent Nurmalasari and Yulianto (2015) and Ernayani et al. (2018). This result is not consistent with Yuliarti and Diyani (2018) who found negative effect on stock return, Kasmiasi and Santosa (2019) and Harahap and Effendi (2020) who found positive effect on stock return.

The result of t test indicates that market to book ratio (MBR) has significance value of 0,007. The significance value is lower than (α) 0.05. Therefore, H_4 is accepted. The coefficient (B) value is 0.007 means that market to book ratio has positive effect on stock return. This result is consistent with Yuliarti and Diyani (2018) and Ayuba et al. (2018). When the company has higher market to book ratio then the company will also get a higher stock return.

Higher market to book ratio reflects on higher value added that can be capitalized and maximized in the company. It shows better ability of the management in creating wealth and increase stock return.

The result of t test indicates that earnings per share (EPS) has significance value of 0.181. The significance value is higher than (α) 0.05. Therefore, H_5 cannot be accepted. It implies that earnings per share has no effect on company stock return. This result is consistent with Yap and Firmanti (2018) and Tjahjono (2013). This result is not consistent with Santoso et al. (2020) and Anwaar (2016) who found negative effect stock return, Hapsoro and Syahriar (2021) and Elfiswandi et al. (2020) who found positive effect on stock return.

The result of t test indicates that price earnings ratio (PER) has significance value 0.075. The significance value is higher than (α) 0.05. Therefore, H_6 cannot be accepted. It implies that price earnings ratio has no effect on company stock return. This result is consistent with Yap and Firmanti (2018) and Hapsoro and Syahriar (2021). This result is not consistent with Santoso et al. (2020) and Silitonga et al. (2019) who found positive effect on stock return, Emamgholipour et al. (2013) who found negative effect on stock return.

The result of t test indicates that economic value added (EVA) has significance value of 0.708. The significance value is higher than (α) 0.05. Therefore, H_7 cannot be accepted. It implies that economic value added has no effect on company stock return. This result is consistent with Silitonga et al.(2019), Sahara (2018) and Sunarya (2018). This result is not consistent with Amyulianthy and Ritonga (2016) and Huda et al. (2015) who found positive effect on stock return, Narayan and Reddy (2018) and Reza et al. (2019) who found negative effect on stock return.

The result of t test indicates that market value added (MVA) has significance value of 0.192. The significance value is higher than (α)

0.05. Therefore, H_8 cannot be accepted. It implies that market value added has no effect on company stock return. This result is consistent with Silitonga et al. (2019) and Sunarya (2018). However, this result is not consistent with Alexander and Destriana (2013) and Hasyim and Ardityasari (2020) who found positive effect on stock return, Silalahi and Manullang (2021) who found negative effect on stock return.

CONCLUSION, IMPLICATION, LIMITATION

Based on this research, it can be concluded that market to book ratio has positive effect on stock return. On the other hand, operating cash flow, investing cash flow, financing cash flow, earnings per share, price earnings ratio, economic value added and

market value added has no effect on stock return.

There is some limitation in this research. This research only used 3 years period, used 8 independent variables but only one independent variable which is market to book ratio that has an effect toward stock return, there are still many other factors that have an effect to stock return that are not observed in this research. According to the limitation, the recommendations for the next researcher who are going to take the same topic for their research are to add the sample of data, change the independent variables that might have an effect on stock return and extend the research period to gather more accurate result.

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