IJAMESC, Vol. 2 No. 06, December 2024
DOI: https://doi.org/10.61990/ijamesc.v2i6.354 e-ISSN 2986-8645

FINANCIAL LEVERAGE STRATEGY TO IMPROVE COMPANY STOCK PERFORMANCE IN INDONESIA

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Abstract
This research aims to analyze and explore strategies for utilizing financial leverage ratios in improving the performance of company shares traded on the IDX. The sampling technique uses purposive sampling using a cross section data approach of 105 observation sample data from property & real estate sector companies listed on the IDX with the observation period 2020-2023. Meanwhile, the analysis technique uses structural equation modeling. The research results show that the use of financial leverage by companies in the property & real estate sector shows that they are not capable enough to improve the performance of company shares in the secondary market. However, the EVA variable can explain variations in its influence on stock returns indirectly through financial leverage. This indicates that the use of financial leverage is proven to be able to improve current year performance as reflected in the EVA ratio value. Interestingly, company age can also explain variations in its influence on company stock performance. This means that the longer the company is, the greater the opportunity for the company to improve its stock performance.

Keywords: Financial Leverage, Stock Performance, EVA, MVA, Corporate Value

1. Introduction

The stock performance of the property & real estate sector in Indonesia is still quite behind compared to several other company sectors traded on the Indonesia Stock Exchange. Throughout 2022 this sector experienced a significant decline to move in the red zone, touching minus 8 points. In 2023, the movement of this sector's stock performance began to move into the green zone despite growing slightly at 0.41%, (IDX Monthly Statistics 2022-2023).

This phenomenon does not only occur in the property & real estate sector but also in several other sectors, but this sector is the most negatively affected by the covid-19 pandemic, the trend of rising interest rates to the commodity boom which makes material prices increase significantly.

The trend of the property & real estate sector stock index in the past year has fluctuated significantly, the stock performance as of March 1, 2024 was at 690.84 points with the lowest value at 665.43 points and the highest value at 768.85 points.

At the end of 2023, the Fed through the Federal Open Market Committee meeting maintained interest rates at 5.50%, this condition shows that it is getting closer to the terminal rate. The CME FedWatch Tool said that in March 2024, the Fed has the opportunity to cut another 25 bps to reach 60%.

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Figure 1: Trends in Property & Real Estate Stock Indices
Source: idx.co.id, 2024

In response to the Fed's decision, Bank Indonesia responded by easing its interest rate policy by 50 bps to 6%. Overall, the easing interest rate pressure could be a positive catalyst for the performance of this sector in Indonesia as one of the industries that has a considerable multiple effect on national economic growth.

The low growth of global property prices in the negative growth zone throughout 2023 reflects the low demand for property. This unfavorable condition does not sufficiently affect the performance of the property sector in Indonesia, because the property market is not yet connected to the global property market. The property market is still relatively "traditional" and does not involve financial instruments that are global wide.

The relatively high growth of medium and large landed mortgages followed by low NPLs reflects the relatively high demand for houses in both types supported by the improved repayment capacity of end-users.

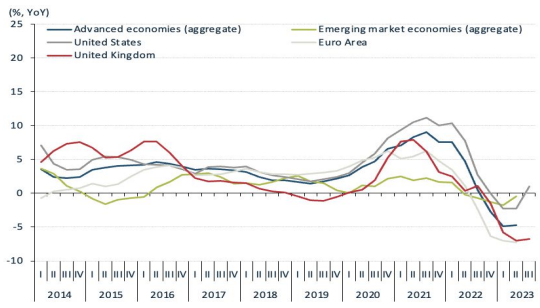

Figure 2: Property Price Development in Major Regions of the World
Source: Bank Indonesia, Analysis The Indonesia Economic Intelligence (IEI)

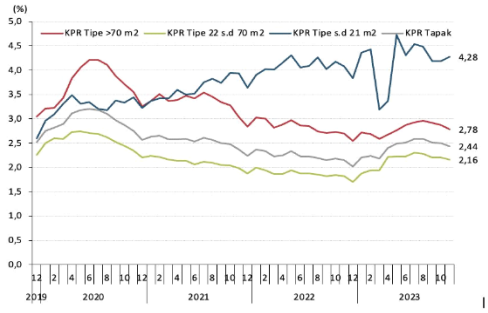

Figure 3: NPL Ratio by House Type
Source: Bank Indonesia, Analysis The Indonesia Economic Intelligence (IEI), 2024

The global real estate industry has an opportunity to start rebuilding the property sector on a firmer foundation, according to a Delloitte survey (2024). Factors ranging from the pandemic-era recovery that changed how and where people work to geopolitical uncertainty and instability from international financial markets.

In addition, the global economy continues to face various headwinds from the ongoing Ukraine conflict, extreme weather disasters, population mitigation trends, weaker-than-expected recovery of the mainland Chinese economy and the risk of continued financial stress due to monetary policy tightening.

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A proactive policy response to the banking turmoil in early 2024, strong consumer demand and stable energy and food prices appear to have eased global political and economic tensions. The upward trend in interest rates and cost of capital remains a concern for the property sector.

The development of property in Indonesia during 2023 is still heavily influenced by domestic economic conditions and policy interventions from the authorities, even though this sector provides a large multiplier impact on the national economy.

Government policies related to the provision of fiscal incentives, PPN-DTP combined with policies related to easing loan to value have proven effective in improving the performance of this sector. This is reflected in the growth performance of economic sectors with property sectors such as the construction and real estate sectors including housing-related household consumption and building investment.

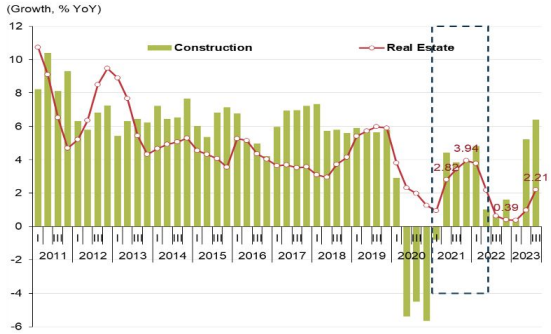

Figure 4. Construction and Real Estate Sector GDP Growth
Source: BPS, Indonesia Economic Intelligence

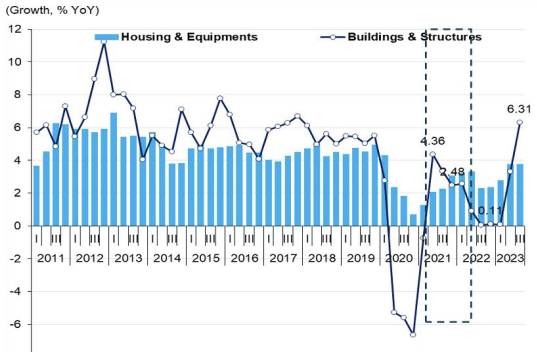

Figure 5. GDP Growth of Housing Expenditure-Consumption and Building Investment
Source: BPS, Indonesia Economic Intelligence

Measurement of the performance of property & real estate sector companies listed on the IDX can be assessed using financial ratios with a value-added approach. A positive EVA ratio indicates the company is able to create economic profit in the current year.

Conversely, a positive MVA indicates that the company is able to generate market added value since the company's shares were first traded. A positive company value also indicates the company's ability to generate value for shareholders and stakeholders.

Starting to improve the performance trend of the property & real estate sector provides an opportunity for management to implement corporate action. Optimizing financial leverage is a strategy for companies to leverage the company's ability to generate economic profit and market profit, including its impact on the company's stock performance in the secondary market.

Based on the description above, the research objectives built to answer the problems of the issues raised in this study are to explore and analyze:

1) The effect of EVA on stock returns.
2) The effect of MVA on stock returns
3) The effect of financial leverage on stock returns.
4) The effect of EVA on financial leverage.
5) The effect of MVA on financial leverage.
6) The effect of EVA on stock returns mediated by financial leverage.
7) The effect of MVA on stock returns mediated by financial leverage.
8) The effect of EVA on stock returns is moderated by firm value.

9) The effect of MVA on stock returns moderated by firm value.
10) The effect of financial leverage on stock returns is moderated by firm value.
11) The effect of the debt value category as a control variable on stock returns
12) The effect of management share ownership as a control variable on stock returns.
13) The effect of company age as a control variable on stock returns

This study contributes to exploring determinant factors that can affect the stock performance of property & real estate sector companies listed on the IDX. Utilization of the leverage value using the financial leverage ratio is considered to increase the company's efforts to optimize its ability to increase current year profit, economic profit and market profit.

2. Theoretical Background

2.1 Literature Review

1) Agency Theory

This theory reflects the relationship that always exists between the owners of capital (principal) and those entrusted to manage that capital (agent). Within the company, this agency relationship will be shown by the relationship between shareholders and company managers, (Shogren, 2022; Joshi & Ruchi, 2023).

Agency theory implies the existence of information asymmetry between managers as agents and shareholders as principals. Information asymmetry arises when managers are more aware of internal information and future company prospects, compared to shareholders and other stakeholders, (Sunarso, 2022; Hoesada, 2022).

2) Signal Theory

This theory is one of the pillar theories in understanding financial management, which is defined as a signal made by the company (manager) to outsiders (investors). The main assumption is that the information captured by the parties is different. The signal given is considered trustworthy by the market if the company really has the conditions as signaled and gets a positive reaction, (Fadli, Vietha & Ghozali, 2022; Hooft & Ute-Christine, 2018).

Signaling theory was developed to answer several corporate policies related to dividend policy, capital structure decisions, (Baker & Gerald, 2011); voluntary disclosure of information, (Aksoy & Umit, 2021); understanding managerial ownership in initial public offerings, (Cumming & Sofia, 2018); and present value accounting, (Wolk, James & John, 2016).

3) Stock Return

Stock returns as income received from investments plus changes in market prices expressed as a percentage of the initial market price of the investment value, (Hartono, 2022; Jensen & Charles, 2019).

Stock returns are calculated using the formulation below where Pt is the stock price of period t, while Pt-1 is the stock price of the previous period of the previous period, (Hanafi, 2021; Handini and Erwin, 2020).

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

4) Economic Value Added (EVA)

EVA as a measure of economic profit can be determined from the difference between net operating profit after taxes and the cost of capital determined through the weighted average of debt and equity, (Stewart, 2013; Hagstrom, 2023).

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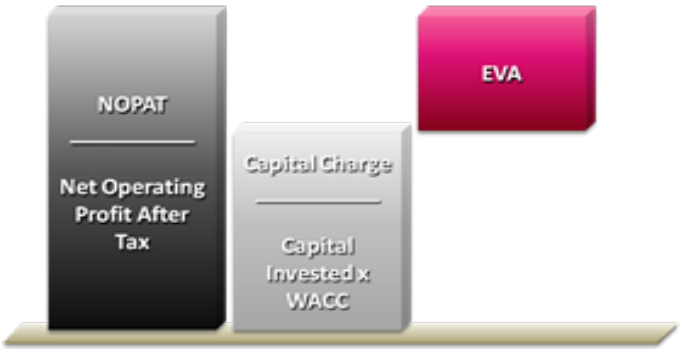


Figure 6. Sternstewart's Economic Value Added Concept

The EVA ratio is calculated using several indicators including net operating after tax, weight average cost of capital and total capital (total debt and equity), (Djaja, 2018; Rizan, Ramadian and Salim, 2023) with the formulation:

EVA = NOPAT - (WACC x Capital)

5) Market Value Added (MVA)

MVA as the difference between the market value of a company (debt and equity) and the amount of capital invested, this ratio is also the single most appropriate measure to assess the company in creating wealth for shareholders, (Darmawan, 2020; Ram, 2019; Sianturi, 2024).

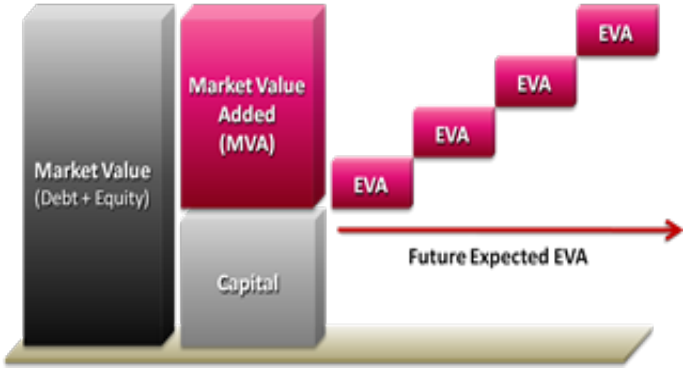


Figure 7. Sternstewart's Market Value Added Concept

The MVA ratio is calculated with the number of shares outstanding, the stock price when traded and the stock price at IPO, (Levy, Faten & Chantal, 2018; Ompusunggu and Sunarto, 2021; Sopi and Tossy, 2023) with the formulation:

MVA = Market Value of Equity - Shareholder Returned Capital

6) Company Value

The market will believe not only in the company's current performance but also in the company's future prospects with an increase in company value, (Karlson, 2015). The existence of company value increases, indicating an increase in the value of company performance and also has an impact on increasing the prosperity of shareholders, (Garcia-Sanchez & Jennifer, 2019).

Firm value can be calculated using the Tobin's Q ratio, by including all assets, it means that the company is not only focused on one type of investor, namely investors in the form of shares but also for creditors because the source of financing for the company's operations is not only from equity but from loans provided by creditors, (McWilliams, Deborah & Siegel, 2019) the formulation is:

$$\text{Tobins}' \text{ Q} = \frac{(\text{EMV} + \text{D})}{\text{TA}}$$

Where EMV is the market value of equity obtained from multiplying the number of shares outstanding by the stock price when traded; total debt is denoted as D; and total assets in TA notation.

7) Financial Leverage

Financial leverage is proxied as debt to equity ratio (DER), which is used to compare the value of total debt with total capital owned to measure the company's ability to fulfill all its obligations using the total capital owned by the company, (Brigham & Houston, 2015). This ratio is calculated by comparing total debt with equity owned by the company, (Hantono, 2018; Anwar, 2019).

$$\text{Debt to Equity} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

2.2 Hypothesis Development

Based on a review of previous research results that are relevant to the issues raised, the hypothesis development in this study includes:

1) The effect of EVA on stock returns

Tikasari & Dwi (2020); Kurniatin (2023); Wijaya (2021), in the findings of their research results state that EVA has a significant effect on stock returns. The hypothesis built in this study is that the EVA variable has a significant effect on stock returns.

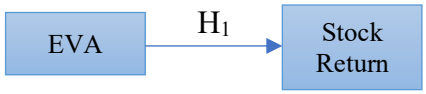


Figure 8. Effect of EVA on Stock Return

2) The effect of MVA on stock returns

Amir et al (2024); Lestari & Sriyono (2021); Mariyani et al (2023), in their research findings, said that MVA has a significant effect on stock returns. The hypothesis built in this study is that the MVA variable has a significant effect on stock returns.

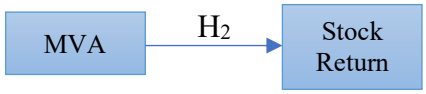


Figure 9. Effect of MVA on Stock Return

3) The effect of financial leverage on stock returns

Ramadhanty & Ayu (2020); Aharon & Yosi (2019); Hong & Nguyen (2021), in their research findings stated that financial leverage has a significant effect on stock returns. The hypothesis built in this study is that the financial leverage variable has a significant effect on stock returns.

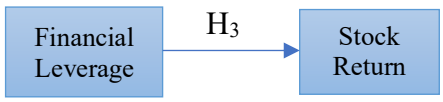


Figure 10. The Effect of Financial Leverage on Stock Returns

4) The effect of EVA on financial leverage

Pambudi (2022), in the findings of his research, said that the EVA variable had a significant effect on financial leverage. The hypothesis built in this study is that the EVA variable has a significant effect on financial leverage.

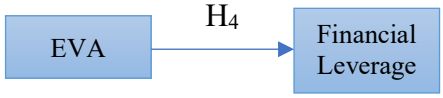


Figure 11. Effect of EVA on Financial Leverage

5) The effect of MVA on financial leverage

Alipour & Mohammad (2015), in their research findings, said that MVA has a significant effect on financial leverage. The hypothesis built in this study is that the MVA variable has a significant effect on financial leverage.

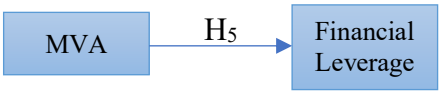


Figure 12. Effect of MVA on Financial Leverage

6) The effect of EVA on stock returns mediated by financial leverage

Kurniatin (2023); Hong & Nguyen (2021); Pambudi (2022), in their research findings stated that EVA has a significant effect on stock returns mediated by financial leverage. The hypothesis built in this study is that the EVA variable has a significant effect on stock returns mediated by financial leverage.

H6

Figure 13. The Effect of EVA on Stock Returns Mediated by Financial Leverage

7) The effect of MVA on stock returns mediated by financial leverage

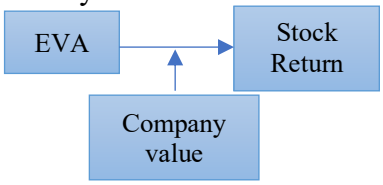
Mariyani et al (2023); Aharon & Yosi (2019); Alipour & Mohammad (2015), in their research results stated that MVA has a significant effect on stock returns mediated by financial leverage. The hypothesis built in this study is that the MVA variable has a significant effect on stock returns mediated by financial leverage.

H7

Figure 14. The Effect of MVA on Stock Returns Mediated by Financial Leverage

8) The effect of EVA on stock returns moderated by firm value

Wijaya (2021); Banusu et al (2024); Kumala (2020); Syahirah & Maya (2016), in their research findings state that EVA has a significant effect on stock returns moderated by firm value. The hypothesis built in this study is that the EVA variable has a significant effect on stock returns moderated by firm value.



H8

Figure 15. The Effect of EVA on Stock Returns Moderated by Company Value

9) The effect of MVA on stock returns moderated by firm value

Mariyani et al (2023); Fatariska and Wikan (2023); Kumala (2020), in their research findings stated that MVA has a significant effect on stock returns moderated by firm value. The hypothesis built in this study is that the MVA variable has a significant effect on stock returns moderated by firm value.

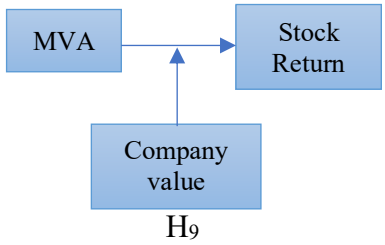


Figure 16. The Effect of MVA on Stock Returns Moderated by Company Value

10) The effect of financial leverage on stock returns moderated by firm value

Hong & Nguyen (2021); Kumala (2020); Murni (2019); in the findings of their research results state that financial leverage has a significant effect on stock returns moderated by firm value. The hypothesis built in this study is that the financial leverage variable has a significant effect on stock returns moderated by firm value.

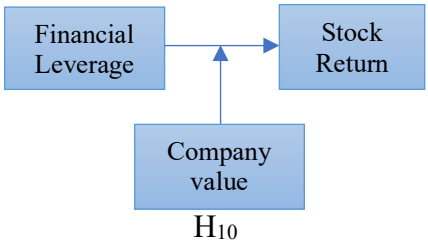


Figure 17. The Effect of Financial Leverage on Stock Returns Moderated by Company Value

11) The effect of the debt value category as a control variable on stock returns

Tikasari & Dwi (2020); Amir et al (2024); Ramadhanty & Ayu (2020), in their research results say that the debt value category has a significant effect on stock returns. The hypothesis built in this study is that the category of debt value as a control variable has a significant effect on stock returns.

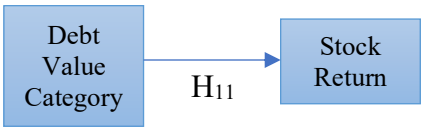


Figure 18. Effect of Debt Value Category as a Control Variable on Stock Return

12) The effect of management share ownership as a control variable on stock returns

Kurniatin (2023); Lestari & Sriyono (2021); Aharon & Yosi (2019), in their research results say that management share ownership has a significant effect on stock returns. The hypothesis built in this study is that management share ownership as a control variable has a significant effect on stock returns.

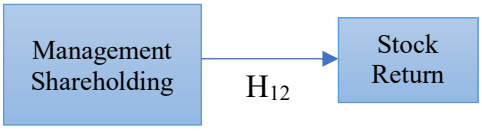


Figure 18. Effect of Management Share Ownership as a Control Variable on Stock Return

13) The effect of company age as a control variable on stock returns

Wijaya (2021); Mariyani et al (2023); Hong & Nguyen (2021), in their research results say that company age has a significant effect on stock returns. The hypothesis built in this study is that company age as a control variable has a significant effect on stock returns.

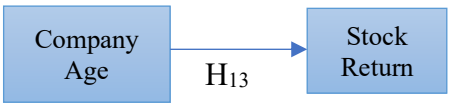


Figure 19. The Effect of Company Age as a Control Variable on Stock Returns

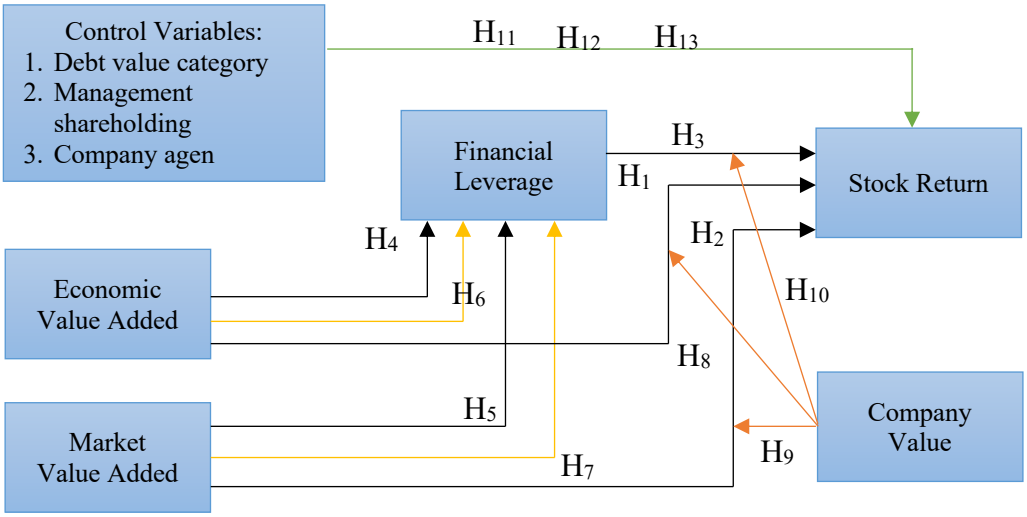
3. Methods

This research uses quantitative methods with an explanatory research approach and associative research type, aiming to analyze the causal influence between the variables studied.

The sample technique uses purposive sampling with a non-probability sampling approach. Data collection uses data on the financial performance reports of companies included in the property & real estate sector that are listed on the IDX and have published audited financial reports from the 2020-2023 period (cross section data).

The analysis technique uses structural equation modeling to obtain statistical test results for direct effects, indirect effects and total effects.

The stock return variable as an endogenous variable, EVA and MVA variables as exogenous variables and financial leverage variables as mediating variables. The control variable consists of the category of debt value with the industry standard proxy value 1 if the debt ratio value DER < 90% and value 0 if the DER ratio value > 90% (Kasmir, 2016); management share ownership with proxy value 1 if public share ownership < 40% and value 0 if public share ownership > 40% (OJK Regulation 56 / POJK.03 / 2016); and the age of the company is calculated from the time the company IPOs on the IDX until this research is conducted, (Ferawati et al, 2021).



Description:

: Direct influence
: Mediation effect
: Moderating effect
: Control effect

Figure 20. Research Design

4. Results and Discussion

4.1 Data Analysis Results

1) Data Normality Test

Table 1. Data Normality Test Results

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
DERNP	,002	4,940	2,344	9,805	6,107	12,774
MVANP	,000	167,252	4,538	18,984	22,397	46,846
EVANP	,000	101,556	6,270	26,230	50,999	106,672
CA	,477	1,544	-,513	-2,148	-,859	-1,797
SHR	,000	1,000	1,576	6,595	,485	1,015
DVC	,000	1,000	-,662	-2,770	-1,562	-3,266
MVA	,000	13,381	-,426	-1,783	-1,789	-3,742
EVA	,000	12,916	-,130	-,543	-1,932	-4,040
DER	,019	4,992	2,313	9,675	6,914	14,461
RS	-,114	1,115	7,219	30,199	61,824	129,314
Multivariate					160,845	53,195

Source: processed data (2024)

Based on Table 1 above, the critical ratio skewness value is obtained in the range of ± 2.58. This shows univariate normality indicates that the data can partially fulfill the elements of normality, while multivariate normality testing shows a value of 53.195, which means that the research data has a normal data distribution pattern.

2) Mahanobis Distance Outlier Test

The chi square value with a degree of freedom of 10 (number of variable indicators) at a significance level of 0.01 (***), the mahalannobis value is 23.209. The result obtained a minimum mahalanobis distance value of 3.209 and a maximum value of 22.946 where no symptoms of outlier data were found.

Tabel 2. Mahalanobis Distance Test

Observation number	Mahalanobis d-squared	p1	p2
31	22,946	,011	,001
29	18,875	,042	,152
69	18,278	,050	,161
30	17,951	,056	,132
5	16,650	,082	,366
87	15,953	,101	,496
6	15,575	,112	,522
104	13,267	,209	,992
7	12,769	,237	,997
97	12,588	,248	,997
105	11,778	,300	1,000
86	11,486	,321	1,000
60	11,183	,343	1,000
62	10,610	,389	1,000
53	10,320	,413	1,000
98	9,737	,464	1,000
84	9,622	,474	1,000
52	9,612	,475	1,000
78	9,353	,499	1,000
61	9,302	,504	1,000

54	9,176	,515	1,000
66	8,907	,541	1,000
55	8,736	,557	1,000
63	8,568	,574	1,000
72	8,529	,577	1,000
85	8,426	,587	1,000
92	8,355	,594	1,000
40	8,272	,602	1,000
17	7,960	,633	1,000
71	7,806	,648	1,000
22	7,729	,655	1,000
18	7,704	,658	1,000
64	7,651	,663	1,000
14	7,614	,666	1,000
43	7,542	,673	1,000
12	7,464	,681	1,000
11	7,421	,685	1,000
15	7,347	,692	1,000
13	7,288	,698	1,000
27	7,221	,704	1,000
96	7,201	,706	1,000
65	7,185	,708	1,000
26	7,172	,709	1,000
2	7,117	,714	1,000
19	6,833	,741	1,000
34	6,786	,745	1,000
103	6,650	,758	1,000
24	6,628	,760	1,000
23	6,597	,763	1,000
35	6,579	,765	1,000
48	6,559	,766	1,000
42	6,470	,774	1,000
25	6,467	,775	1,000
16	6,354	,785	1,000
41	6,354	,785	1,000
49	6,325	,787	1,000
93	6,277	,792	1,000
4	6,213	,797	1,000
95	6,159	,802	1,000
3	6,143	,803	1,000
94	6,141	,803	1,000
1	6,107	,806	1,000
74	5,964	,818	1,000
70	5,936	,821	1,000
9	5,900	,824	1,000
51	5,877	,825	1,000
68	5,740	,837	1,000
67	5,698	,840	1,000

33	5,693	,840	1,000
20	5,423	,861	1,000
32	5,355	,866	1,000
81	5,353	,866	1,000
83	5,245	,874	1,000
101	5,182	,879	1,000
80	5,085	,885	1,000
99	5,042	,888	1,000
91	5,034	,889	1,000
59	4,950	,895	,999
82	4,944	,895	,999
102	4,799	,904	,999
90	4,672	,912	,999
73	4,569	,918	,999
47	4,400	,928	,999
89	4,349	,930	,999
21	4,291	,933	,998
88	4,212	,937	,998
10	4,020	,946	,999
8	3,945	,950	,998
37	3,618	,963	,999
46	3,485	,968	,999
58	3,436	,969	,998
50	3,436	,969	,995
100	3,285	,974	,994
36	3,221	,976	,986
38	3,209	,976	,959

Source: processed data (2024)

3) Determinant of Sample Covariance

The results of the determination test obtained a determinant of sample of covariance matrix value of 4.009. This can be interpreted that there are no symptoms of multicollinearity and singularity in a combination of variables from this research data.

Table 3. Determinant of Sample Covariance Test Results

	DERNP	MVANP	EVANP	CA	SHR	DVC	MVA	EVA	DER	RS
DERNP	,819									
MVANP	11,069	587,942								
EVANP	1,043	114,703	121,292							
CA	-,011	-2,808	-,805	,088						
SHR	-,054	-1,420	-,639	,027	,154					
DVC	-,215	1,616	,602	-,059	-,011	,225				
MVA	1,394	62,147	19,742	-,229	-,487	-,239	37,266			
EVA	-1,264	-7,499	31,130	-,072	-,554	,338	9,172	32,421		
DER	,592	-2,372	-1,397	,066	-,043	-,289	,339	-,969	,702	
RS	-,008	-,096	,075	-,009	,000	,004	,004	,058	-,007	,015
Condition number = 74312,858										
Eigenvalues										
622,073 109,076 32,245 15,912 1,287 ,162 ,095 ,053 ,013 ,008										
Determinant of sample covariance matrix = 4.009										

Source: processed data (2024)

DOI: https://doi.org/10.61990/ijamesc.v2i6.354 e-ISSN 2986-8645

4) Hypothesis Testing

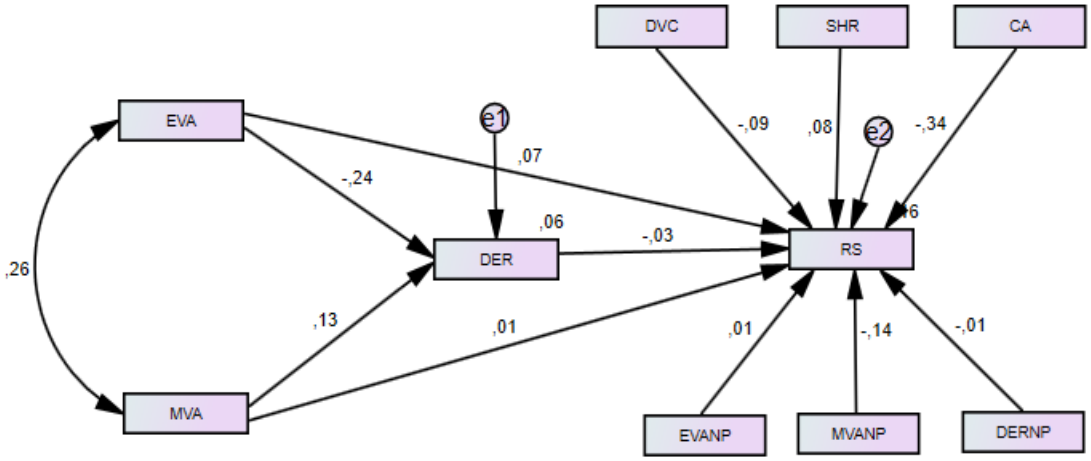


Figure 21. Test Results of Standardized Estimates
Source: processed data (2024)

Based on the results of testing the standardized estimates above, the direct effect, indirect effect and total effect on the model equation path that has been built in this study can be obtained.

Table 4. Direct, Indirect and Total Effect

Variables	Influence Direct	Indirect Effect	Influence Total
EVA	0,002	0,000	0,002
MVA	0,000	0,000	0,000
Financial leverage	-0,004	0,000	-0,004
Debt Value Category	-0,024	0,000	-0,024
Management Shareholding	0,025	0,000	0,025
Company Age	-0,145	0,000	-0,145
Company Value - EVA	0,000	0,000	0,000
Enterprise Value - MVA	-0,001	0,000	-0,001
Firm Value - Financial Leverage	-0,002	0,000	-0,002

Source: processed data (2024)

Based on Table 4 above, it is known that the management share ownership variable is the most dominant variable in explaining the variation in its effect on the stock return performance of property & real estate sector companies listed on the IDX with a direct effect value of 0.025, no indirect effect and a total effect of 0.025.

This indicates that the company's stock performance is largely influenced by the policies carried out by management. This condition is reasonable because management has a lot of information about the company's actual performance, so that when the stock performance is indicated to be corrected, management can control it with the policies put in place.

Table 5. Testing Results of Structural Equation Modeling Analysis

			Estimate	S.E.	C.R.	P
DER	<---	EVA	-,035	,015	-2,402	,016
DER	<---	MVA	,018	,014	1,305	,192
RS	<---	DER	-,004	,088	-,043	,966
RS	<---	EVA	,002	,003	,567	,571

RS	<---	MVA	,000	,002	,121	,903
RS	<---	DVC	-,024	,039	-,603	,547
RS	<---	SHR	,025	,035	,719	,472
RS	<---	CA	-,145	,047	-3,065	,002
RS	<---	EVANP	,000	,001	,098	,922
RS	<---	MVANP	-,001	,002	-,352	,725
RS	<---	DERNP	-,002	,086	-,023	,982

Source: processed data (2024)

Based on the results of statistical hypothesis testing in Table 5 above, a summary of hypothesis testing can be presented in accordance with the research model built in this study.

Table 6. Summary of Statistical Testing Results

Hypothesis	Critical Ratio Value	Sig Probability Value	Decision
H1	0,567	0,571	Rejected
H2	0,121	0,903	Rejected
H3	0,043	0,966	Rejected
H4	-2,402	0,016	Accepted
H5	1,305	0,192	Rejected
H6	t count -0.593	t table 1.659	Rejected
H7	t count 0.000	T table 1.659	Rejected
H8	0,098	0,922	Rejected
H9	0,352	0,725	Rejected
H10	-0,023	0,982	Rejected
H11	0,603	0,547	Rejected
H12	0,719	0,472	Rejected
H13	3,065	0,002	Accepted

Source: processed data (2024)

4.2 Findings and Interpretation

Based on Table 5, it can be explained and interpreted as follows:

1) The effect of EVA on stock returns
   Obtained a critical ratio value of 0.567 < 1.96 or a probability of 0.571 > sig α 0.05. This can be interpreted that the EVA variable has no significant effect on stock returns. The estimate value of 0.002 cannot be interpreted because the direction of causality between the two variables is not significant.
2) The effect of MVA on stock returns
   Obtained a critical ratio value of 0.121 < 1.96 or a probability of 0.903 > sig α 0.05. This can be interpreted that MVA has no significant effect on stock returns. The estimate value of 0.000 cannot be interpreted because the direction of causality between the two variables is not significant.
3) The effect of financial leverage on stock returns
   Obtained a critical ratio value of -0.043 < 1.96 or a probability of 0.966> sig α 0.05. This can be interpreted that the financial leverage variable with the DER ratio proxy has no significant effect on stock returns. The estimate value of -0.004 cannot be interpreted because the direction of causality between the two variables is not significant.
4) The effect of EVA on financial leverage
   Obtained a critical ratio value of -2.402 < 1.96 or a probability of 0.016 < sig α 0.05.

It can be interpreted that EVA has a significant effect on financial leverage with the proxy ratio DER. The estimate value of -0.035 means that if the financial leverage variable decreases by one unit, the EVA value will increase by 0.035 times and vice versa.

5) The effect of MVA on financial leverage
Obtained critical ratio value of -1.305 < 1.96 or probability of 0.192 > sig α 0.05. It can be interpreted that MVA has no significant effect on financial leverage with the proxy ratio DER. The estimate value of 0.018 cannot be interpreted because the direction of causality between the two variables is not significant.
6) The effect of EVA on stock returns mediated by financial leverage
Calculation with Sobel test

$$S_{ab} = \sqrt{b^2.Sa^2 + a^2.Sb^2 + Sa^2.Sb^2}$$

$$t = \frac{a.b}{S_{ab}}$$

A value of 0.002; b value of -0.035; Sa value of 0.003; and Sb value of 0.015. Then the resulting Sab value is 0.0001181 and the calculated t value is -0.59267. The calculated t value of -0.593 < t table $_{(df\ 105,\ sig\ 0,05)}$ 1.659. This can be interpreted that the financial leverage variable with the proxy DER ratio cannot significantly mediate the direction of the influence of the EVA variable on stock returns.
7) The effect of MVA on stock returns mediated by financial leverage
Calculation with Sobel test

$$S_{ab} = \sqrt{b^2.Sa^2 + a^2.Sb^2 + Sa^2.Sb^2}$$

$$t = \frac{a.b}{S_{ab}}$$

A value of 0.000; b value of 0.018; Sa value of 0.002; and Sb value of 0.014. Then the resulting Sab value is 0.0000456 and the calculated t value is 0.000. The calculated t value of 0.000 < t table (df 105, sig 0,05) 1.659. This can be interpreted that the financial leverage variable with the proxy DER ratio cannot significantly mediate the direction of the influence of the MVA variable on stock returns.
8) The effect of EVA on stock returns moderated by firm value
Obtained a critical ratio value of 0.098 < 1.96 or a probability of 0.922> sig α 0.05. This can be interpreted that the firm value variable cannot moderate the direction of the influence of the EVA variable on stock returns. The estimate value of 0.000 cannot be interpreted because the direction of causality between the two variables is not significant.
9) The effect of MVA on stock returns moderated by firm value
Obtained a critical ratio value of -0.352 < 1.96 or a probability of 0.725> sig α 0.05. This can be interpreted that the firm value variable cannot moderate the direction of the influence of the MVA variable on stock returns. The estimate value of -0.001 cannot be interpreted because the direction of causality between the two variables is not significant.
10) The effect of financial leverage on stock returns moderated by firm value
Obtained a critical ratio value of -0.023 < 1.96 or a probability of 0.982> sig α 0.05. This can be interpreted that the firm value variable cannot moderate the direction of the influence of the financial leverage variable with the DER ratio proxy on stock returns. The estimate value of -0.002 cannot be interpreted because the direction of causality between the two variables is not significant.

11) The effect of the debt value category as a control variable on stock returns
Obtained a critical ratio value of -0.603 < 1.96 or a probability of 0.547> sig α 0.05. This can be interpreted that the moderating variable of the debt value category has no significant effect on stock returns. The estimate value of -0.024 cannot be interpreted because the direction of causality between the two variables is not significant.
12) The effect of management share ownership as a control variable on stock returns
Obtained a critical ratio value of 0.719 < 1.96 or a probability of 0.472> sig α 0.05. This can be interpreted that the moderating variable of management share ownership has no significant effect on stock returns. The estimate value of 0.025 cannot be interpreted because the direction of causality between the two variables is not significant.
13) The effect of company age as a control variable on stock returns
Obtained a critical ratio value of -3.065 < 1.96 or a probability of 0.002 < sig α 0.05. This can be interpreted that the moderating variable of company age has a significant effect on stock returns. The estimate value of -0.145 means that if the company age variable is categorized as young since the IPO, the tendency of the company's stock return performance will increase by 0.145 times.

5. Conclusion

The utilization of financial leverage by companies included in the property & real estate sector shows that it is not sufficient to improve the company's stock performance in the secondary market. However, the EVA variable can explain variations in its effect on stock returns indirectly through financial leverage.

This indicates that the utilization of financial leverage is proven to improve the current year's performance as reflected in the acquisition of the EVA ratio value. Interestingly, the age of the company can also explain the variation in its effect on the company's stock performance. This means that the longer the age of the company, the greater the chance that the company can improve its stock performance.

The limitations in this study are that researchers only use the stock performance of property & real estate sector companies listed on the IDX with the observation year 2020-2023. In addition, due to the limited sample of observations, researchers included companies that had positive current year profit values and companies that had negative current year profits.

To get more comprehensive and holistic research results, future researchers can combine several sectors, so that later researchers will get more data with company samples from several business categories listed on the IDX.

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