

The Influence of Value-Based Management Implementation, Profitability, and Company Size on Company Value

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Abstract: This research is motivated by the need to understand the most relevant indicators in explaining firm value in emerging markets, particularly following changes in investor behavior post-pandemic that increasingly emphasize long-term value creation. This study aims to analyze the effect of *Market Value Added* (MVA), *Economic Value Added* (EVA), *Cash Value Added* (CVA), profitability, and firm size on firm value. The study uses a quantitative causal-associative approach with panel data of 51 manufacturing companies listed on the Indonesia Stock Exchange during 2019–2024, resulting in 306 firm-year observations. The sample was selected purposively, while the analysis was conducted using panel data regression with a *Fixed Effect Model* after undergoing Chow and Hausman tests, multicollinearity tests, and heteroscedasticity tests. The results show that MVA and *Return on Assets* (ROA) have a positive and significant effect on firm value. Conversely, EVA, CVA, and firm size do not show a significant effect. Simultaneously, all independent variables have a significant effect on firm value, with the model's explanatory power reaching 17.51% based on the *R-squared value*. These findings suggest that markets respond more to market-based value creation and asset efficiency than to indicators based on cost of capital, cash flow, or asset size. Therefore, companies need to prioritize asset optimization and shareholder wealth creation, along with transformation mark.

Keywords: *Value-Based Management, Economic Value Added, Cash Value Added, Profitability, Company Value*

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INTRODUCTION

Corporate decision-making has undergone a significant shift since the COVID-19 pandemic, with companies worldwide, and particularly in Indonesia, rethinking how value is created and maintained. This paradigm shift is evident in the changing focus of investors, as they no longer evaluate company performance solely based on short-term accounting profits but also consider the company's ability to create long-term economic value (*long-term value creation*) (Kaczmarek, 2024) . This fundamental shift has renewed attention to the Value-Based Management (VBM) approach in modern finance literature as a comprehensive framework that integrates operational, investment, and financing decisions toward the primary goal of increasing company value (Oke & Ajeigbe, 2024).

The Indonesian capital market was not immune to the impact of the pandemic. The post-pandemic period brought significant turmoil, with the IDX Composite Index the hardest hit. The manufacturing sector, long considered one of the backbone industries of the national economy, was hit hardest as global supply chains were disrupted and consumer habits changed. However, something unexpected emerged: a small number of

manufacturing companies were not only able to weather the uncertainty but actually experienced increased company value. (Baby & Mia, M, Pitchay, 2024) . This difference suggests something worth delving deeper into: the specific fundamental characteristics that distinguish companies that are able to transform crises into value creation from those that merely absorb the shock.

Currently, two versions of Value-Based Management (VBM) studies coexist. The older version treats Economic Value Added (EVA) as a standalone measure of value creation, sufficient to capture firm performance. The newer, and increasingly dominant, version combines EVA with Market Value Added (MVA) and Cash Value Added (CVA), and considers corporate sustainability and stakeholder governance as part of the assessment (Kaczmarek, 2024). However, what remains largely unchanged is the source of the evidence: systematic reviews still show that empirical work on VBM is largely concentrated in developed countries, particularly Europe and the United States. Whether the conclusions drawn there apply to markets like Indonesia remains an open question, requiring careful empirical testing rather than assumptions (Ahmad, H, Muslim & Syahrah, 2022).

There are also methodological gaps in the existing literature. Previous studies have generally examined EVA, MVA, and CVA separately, leaving limited empirical evidence on whether each measure retains its explanatory power when examined simultaneously. Combining these measures in a single model provides additional insights because each represents a different dimension of value creation. EVA reflects economic profit after considering the cost of capital, MVA represents market-based value creation, while CVA focuses on cash-based value creation (Oke & Ajeigbe, 2024) . Therefore, a simultaneous examination allows this study to identify the relative contribution of each measure to firm value while controlling for other variables. However, because EVA, MVA, and CVA are conceptually interrelated measures of value creation, high correlations among them are likely. Therefore, multicollinearity diagnostics are incorporated into the empirical analysis to assess whether the simultaneous inclusion of these variables affects the stability and interpretation of the regression estimates. (Mariyani et al., 2023).

In this study, the implementation of value-based management (VBM) refers to the application of a value-creation orientation in decision-making and corporate performance management. VBM places shareholder value creation as its primary objective and uses value - based performance measures to evaluate a company's success in generating economic value exceeding its cost of capital. (Weissenrieder, 1997) . In line with this framework, this study does not measure VBM implementation directly through policies, incentive systems, or internal managerial practices, but operationalizes it through value-based performance indicators, namely *Economic Value Added (EVA)*, *Market Value Added (MVA)*, and *Cash Value Added (CVA)*. EVA represents value creation from the perspective of economic profit after accounting for the cost of capital, MVA reflects the added value recognized by the market through the difference between the company's market value and invested capital, while CVA measures the company's ability to generate operating cash flows that exceed its capital needs or costs (Berzakova et al., 2015) . Previous research also grouped EVA and MVA as VBM variables that can be used together with accounting indicators to evaluate company performance and value creation (Oke & Ajeigbe, 2024) . Thus, these three indicators are treated as empirical proxies for the results or performance of VBM implementation, not as direct measures of the company's internal managerial processes.

Not all studies agree on what actually drives firm value up or down, and profitability sits squarely at the heart of the disagreement. Several researchers have come to the same basic claim: firms generating strong earnings tend to be valued by investors, who interpret strong profitability as a sign of better days ahead (Sihombing & Lestari, P.A., Erlina, Iskandar, 2025). Data from Indonesian firms tell a similar story (Dewi & Ekadjaja, 2020). Research looking at listed manufacturing firms found that profitability, along with liquidity and firm size, has significant explanatory power, a finding consistent with our understanding of how domestic capital markets operate. There is a second layer to profitability's role, one that goes beyond a simple direct relationship (Suprpto et al., 2025). Exploring how *Return on Assets* (ROA) and *Return on Equity* (ROE) function not as endpoints, but rather as channels the path through which corporate strategy translates into corporate value, in other words, generating revenue is at the heart of how strategy pays off.

However, not all evidence points in the same direction. Other studies find statistically insignificant relationships, a pattern that may be due more to industry-specific dynamics, competitive intensity, or broader macroeconomic conditions than to weaknesses in the underlying theory (Sangadji & Hermuningsih, S., Rinofah, 2025). Firm size also tells a mixed story. Some researchers argue that larger firms enjoy easier access to capital markets and benefit from economies of scale, both of which increase firm value, while others argue that the additional managerial complexity that comes with size can easily erode efficiency and, thus, firm value (Kaulika & Imranudin, 2025). The picture becomes even more complicated when investment decisions are allowed to moderate the interactions between capital structure, firm size, profitability, and firm value, a reminder that these relationships behave more dynamically in practice than previous models assume (Kaulika & Imronudin, 2025).

Theoretically, the literature on firm value has long relied on shareholder theory, which is built around the premise that maximizing shareholder wealth is the primary objective of a firm. However, this perspective arguably falls short of capturing how the interests of a broader range of stakeholders shape value creation in today's business environment (Donaldson, 2023). Therefore, incorporating stakeholder theory into the discussion becomes particularly relevant in the post-pandemic era, a period in which sustainability and corporate social responsibility considerations have become highly influential in how the market values companies (Schoenmaker & Schramade, 2024).

Based on the gaps and inconsistencies identified in previous studies, this study offers three main contributions. First, this study simultaneously examines EVA, MVA, and CVA in a single empirical model to assess whether each measure provides distinct information in explaining firm value. Second, this study focuses on manufacturing firms listed on the Indonesia Stock Exchange during the 2019–2024 period, providing evidence from an emerging market context that has been relatively underexplored in previous studies. Third, this study uses a Value-Based Management perspective to explain how different dimensions of value creation, represented by economic profit, market-based value, and cash-based value, relate to firm value.

Within the Value-Based Management (VBM) framework, EVA, MVA, and CVA are positioned as distinct but complementary value-based performance measures, rather than as direct measures of managerial VBM implementation. EVA represents internal economic value creation by measuring whether operating profits exceed the cost of capital. MVA reflects value creation from a market perspective by comparing the firm's market value to the capital provided by shareholders, while CVA reflects cash-based value

creation by assessing the firm's ability to generate operating cash flows relative to its capital requirements. Because these three measures capture different dimensions of value creation, they are included simultaneously as separate independent variables rather than combined into a single composite measure. This simultaneous inclusion allows the study to examine whether economic, market-based, and cash-based value creation provide distinct explanatory information about firm value.

Strip away accounting conventions, and what Economic Value Added (EVA) really asks is a simple question: after paying for capital employed, calculated through the Weighted Average Cost of Capital (WACC), does the company still earn net operating profit after tax (NOPAT)? A positive answer means yes, the company earned more than its cost of capital. Two theoretical lenses help explain why this is important. Signaling Theory frames a positive EVA as a message to the market that management knows how to use capital well; Agency Theory frames it as evidence that managers are actually acting in the interests of owners rather than their own. Because this metric explicitly accounts for equity capital, something that traditional accounting earnings ignore, EVA provides a more complete picture of value creation, and studies have linked it to stronger shareholder returns over the long term (Agrawal et al., 2019; Chen et al., 2023).

If we shift our perspective from internal accounting to the market itself, we arrive at Market Value Added (MVA), the difference between what shareholders have invested in a company and the current market value of the equity. Signaling Theory and the Efficient Market Hypothesis (EMH) both treat this difference as a kind of verdict: the market's collective assessment of a company's growth direction, competitive position, and prospects (Quintiliani, 2018). A high MVA reading means the market is betting on the company's cash flows and profitability remaining stable in the future. What makes MVA useful is its forward-looking nature, capturing growth expectations and qualitative signals that the backward-looking balance sheet cannot capture. In other words, if MVA increases, shareholder wealth and overall market valuation tend to increase (Zumente, I., Bistrova, 2021).

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Evidence regarding the partial role of MVA in firm value continues to grow. Gilbert Rely (2024) is one data point among several others, which finds a positive and significant relationship between MVA and stock returns, which is interpreted as market expectations actually playing a role in driving equity values higher. Rio & Viviana (2020), in a similar area, treats MVA as a reliable measure of how value creation impacts return to what shareholders actually own. Specifically in Indonesia, Saparingga et al. (2024) provide figures to support the claim that MVA alone has a significant impact on firm value among manufacturers. Given how closely the Indonesian manufacturing sector follows market sentiment, macroeconomic growth, supply chain stability, and things like that Positive

market readings, reflected in high MVA, could be the driving force behind significantly higher valuations. This reasoning leads to the following hypothesis:

H1: Market Value Added (MVA) has a positive and significant influence on company value.

International evidence supports the partial explanatory power of EVA. Writing in Sustainability, Kaczmarek (2024) found that companies with positive EVA figures were valued at higher valuations, a pattern strong enough to suggest that EVA is a true predictor and not simply a coincidental correlation. Oke & Ajeigbe (2024), reached similar conclusion specifically for stock returns arguing that rational investors tend to favor companies whose operational efficiency is based on solid fundamentals rather than accounting tricks. Indonesia provides its own confirmation, with Surtinah (2024). Positive EVA is associated with higher stock prices among listed companies there. This is not surprising in a sector like manufacturing, where capital intensity is commonplace and the ability to generate returns higher than the cost of capital carries a significant weight. Considering the theory in light of this evidence, the following hypothesis naturally emerges:

H2: Economic Value Added (EVA) has a positive and significant influence on company value.

Unlike measures that rely on accounting profits, Cash Value Added (CVA) asks a more fundamental question: are incoming cash flows truly sufficient to meet investors' expectations for their capital? The Boston Consulting Group developed this metric to answer precisely that question, comparing operating cash flow to the Weighted Average Cost of Capital (WACC) rather than to reported profits (Fernandez, 2002). Two theories converge here: Signaling Theory and Free Cash Flow Theory both argue that a positive CVA reading tells the market something real about a company's financial condition, not something that can be disguised through accounting choices (Bukvic, 2016). This resistance to manipulation is CVA's advantage: because cash is harder to fake than profits, it provides a clearer picture of whether a company is truly able to cover its operations, pay dividends, and fund positive NPV projects without resorting to expensive external borrowing (Laghari & Ahmed, 2023).

The empirical evidence strongly supports the importance of CVA. Makhija & Trivedi (2020) found a strong positive relationship between CVA and market performance in UK and US companies, suggesting that investors do not ignore this cash-based signal. Yamana & Topal (2024) all came to nearly the same conclusion, linking positive CVA to tangible gains in economic profitability and shareholder value. Hejazi (2007) further strengthened this argument by showing that CVA outperforms traditional price-to-earnings ratios in explaining stock returns. Evidence from Indonesia itself suggests a consistent story. Saparingga et al. (2024) tracked the relationship between CVA and stock returns during and after the COVID-19 pandemic, finding that the relationship remained positive and significant even when conditions changed drastically. Achyatun et al. (2025) also found that manufacturing companies listed on the IDX that maintained positive CVAs tended to experience increases in market value in a manner clearly appreciated by investors. Especially for manufacturing companies, where capital intensity is high, generating operating cash flows exceeding the cost of invested capital stands out as an important marker of long-term business sustainability. Taking this theoretical foundation into account in the empirical record, the following hypothesis is proposed:

H3: Cash Value Added (CVA) has a positive and significant influence on firm value.

Simply put, profitability is simply a company's report card on how well it converts operations into revenue. Signaling theory and the Resource-Based View both point to the same conclusion: when Return on Assets (ROA) or Return on Equity (ROE) is strong, investors read it as evidence of a clear competitive advantage and a brighter future (Sihombing & Lestari, PA, Erlina, Iskandar, 2025) . What that revenue performance actually signals, underneath, is how well management is maximizing the value of its assets and equity.

Data consistently supports this. Sihombing et al. (2025) linked profitability through ROA and ROE to significant increases in firm value in the manufacturing sector, a result anticipated by Dewi & Ekadjaja (2020) in their study of IDX-listed manufacturing companies, where profitability emerged as a key driver of value. Suprpto et al. (2025) further developed this finding, showing that ROA and ROE are not only correlated but also active mechanisms. The channels through which corporate strategy actually generates higher market value. This doesn't just happen: investors are attracted to profitable companies because profitability signals future dividends and capital gains, and they factor these expectations into their prices. Based on this, the following hypothesis is proposed:

H4: Profitability has a positive and significant influence on firm value.

Size, in the context of a company, stands for two things: the extent of its operations and the complexity of its organization. Two theories help understand what this means for a company's value. Pecking Order Theory and economies of scale both suggest that larger size should mean easier access to capital markets, stronger financial strength, and operational efficiencies that arise simply from its size (Nursetya & Hidayati, 2021) .

However, the data refuses to settle this question in a single way. Take Rahayu et al. (2019) , for example, who found that firm size has a significant impact on profitability and value among Indonesian manufacturers, a point that supports the "bigger is better" view. Sihombing et al. (2025) , despite working in the same field, reached opposite conclusions, and Agency Theory offers a straightforward explanation: size breeds managerial complexity, and complexity has a way of insidiously eroding efficiency. Kusumaningrum & Iswara (2022) add weight to this negative side, confirming a nearly identical pattern. Even with fragmented evidence, much of the field still leans toward the "bigger is better" interpretation: economies of scale and easier access to financing, according to the thinking, send a reassuring signal to the market as firms grow. Based on this, the following hypothesis is proposed:

H5: Company size has a positive and significant influence on company value.

RESEARCH METHODS

Quantitative research is research whose results will be analyzed using statistical methods to answer descriptive, causal, or predictive questions and to test hypotheses. (Sekaran, 2013) . This study uses a quantitative causal-associative approach to examine the effect of Value-Based Management implementation, operationally represented by Market Value Added (MVA), Economic Value Added (EVA), and Cash Value Added (CVA), along with profitability and firm size, on firm value. The population consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2024. The sample selection follows a purposive approach , with apply these five criteria (Table 1).

Table 1. Sample Determination Criteria

NO.	Information	Number
1	Manufacturing companies that continue listed on the Indonesia Stock Exchange (IDX) for 2019–2024 period .	222
2	Companies that do Initial Public Offering (IPO) or removed (Delisting) from the stock exchange list for 2019–2024 period	(69)
3	Companies that do not get profit	(80)
4	Companies that are consistent serve report finance they in currencies other than the Indonesian Rupiah (IDR), so that potential cause fluctuation bias mark swap .	(7)
5	Companies that do not own transaction affiliate	(15)
	Amount sample	51
	Amount total observations (51 × 6)	306

Based on criteria determination sample in table 1, then amount sample in study This are 51 companies with amount observation for 6 years (2019-2024), then observed quantity to 306.

Table 2. Definitions Operational Variables

Classification	Variables	Measurement
Depends	Company Values	PBV = Market Price per Share / Book Value per Share
Independent	MVA	(Market Price per Share × Number of Shares Outstanding) – Total Equity
Independent	EVA	NOPAT – (Invested Capital × WACC)
Independent	CVA	Operating Cash Flow – Operating Cash Flow Demand
Independent	Profit	ROA = Net Profit/Total Assets
Independent	Company Size	SIZE = Ln (Total Assets)

Company value is the capital market's and investors' perception of a company's success rate and growth prospects, as reflected in its stock price. *Price to Book Value (P/BV)* is measured by dividing the closing stock price at the end of the observation period by the book value per share. The book value per share is obtained by dividing the total equity recorded on the statement of financial position by the total shares outstanding during the same period.

The market added value is A market-based measure of value creation that reflects the difference between the market value of a company's equity and the accumulated equity capital invested by shareholders. MVA is measured by calculating the difference between the market value of a company's equity and the amount of equity capital contributed by shareholders. The market value of equity is obtained by multiplying the number of shares outstanding by the closing share price at the end of the observation period. This result is then subtracted from the total equity recorded in the company's statement of financial position.

Value- added economy is A financial performance measure that assesses the creation of a company's net economic value in a period by taking into account all costs of capital *used* to fund operations. EVA is measured by subtracting the cost of capital from net operating profit after tax. The first step is to determine net operating profit after tax, which is then subtracted from the weighted average cost of capital multiplied by total invested capital. Total invested capital includes all interest-bearing liabilities plus the company's total equity.

cash added value is A real cash flow-based value creation indicator that measures a company's ability to generate net operating cash flow in excess of the required rate of return on gross investment. CVA is measured by subtracting the cost of capital from the company's net operating cash flow. This variable is calculated by taking the cash flow from

operating activities figure from the cash flow statement and then subtracting the weighted average cost of capital from total gross investment. Total gross investment is calculated from the accumulation of all company assets before deducting depreciation and amortization.

Return on assets is A financial performance ratio that measures the efficiency and ability of a company to optimize the use of all its assets to generate net profit after tax. ROA is measured by dividing net profit after tax by the company's total assets for the same period. This result is then multiplied by 100 to produce a ratio in percentage form, reflecting the efficiency of all asset utilization.

Company size is a scale that classifies the size of a company based on its capacity or total assets. Company size is proxied using the natural logarithm of total assets to reflect the company's financial wealth base and operational capacity. Company size is measured by taking the natural logarithm of total assets recorded in the end-of-period financial position statement. The natural logarithm transformation is used to smooth and simplify very large nominal total asset data to ensure a more balanced distribution without altering the proportions of the original data.

The relationship between these variables is depicted in the following panel data regression specification:

$$Y_{it} = \alpha + \beta_1 MVA_{it} + \beta_2 EVA_{it} + \beta_3 CVA_{it} + \beta_4 PROF_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}$$

Data processing in study This done using Stata software with method panel data regression. First stage is a statistical test descriptive for give description general about characteristics of the research data. Next, a model selection test was conducted which included the Chow Test and the Hausman Test to determine the most appropriate panel data regression model. Then, an assumption test is carried out classical which includes multicollinearity test and heteroscedasticity test. The final stage is analysis panel data regression using the Fixed Effect Model (FEM) as the selected model, which was continued with coefficient test determination (R^2), simultaneous test (F test), and partial test (t test).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The research results section presents the findings obtained through data processing and analysis. Before conducting further testing, descriptive statistical analysis was conducted to provide an overview of the data characteristics for each research variable. This analysis included the minimum, maximum, mean, and standard deviation values, as presented in the following table.

Table 3. Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
year	306	2021.5	1.710623	2019	2024
ID	306	26	14.74371	1	51
pbv	306	3.227876	6.756668	0	60.67
mva	306	4632880	3.75e+07	-1.42e+08	2.73e+08
Eva	306	132608.4	2251795	-1.95e+07	1.22e+07
CV	306	1348230	4856755	-1.42e+07	4.37e+07
road	306	8.98634	7.447615	-4.94	41.62
ln	306	1.60e+07	3.67e+07	0	2.72e+08

This study uses panel data from 51 manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2024 period, resulting in a total of 306 observations. Descriptive statistical analysis shows that the study variables have diverse

distribution characteristics. The mean logarithm of firm value is 2021.5 with a standard deviation of 1.710, indicating significant variation in firm value among the study samples. The independent variables also show a normal distribution pattern, with a Jarque-Bera probability value of 0.0000 ($p < 0.05$), indicating that the data do not meet the assumption of normality (Jarque & Bera, 1987).

Panel Data Regression Model Selection

Selecting the appropriate estimation model means running the data through a series of specification tests, starting with the Chow test.

Table 4. Chow Test

Test Effect	Statistics	df	Probability	Selected Model
Cross-section F/Chow Test	36.10	(50, 250)	0.0000	Fixed Effect Model

The Chow test produced a p-value of 0.0000 ($p < 0.05$), indicating that the Fixed Effect Model (FEM) is superior to the Common Effect Model (CEM).

Table 5. Hausman Test

Test Effect	Statistics	df	Probability	Selected Method
Hausman test	84.54	5	0.0000	Fixed Effect Model

Furthermore, the Hausman test yielded a p-value of 0.0000 ($p < 0.05$), proving that the FEM was more appropriate than the Random Effects Model (REM). Based on these two tests, the model chosen for further analysis was the Fixed Effects Model (FEM), which takes into account the individual heterogeneity of each company in the sample without the need for a Lagrange Multiplier Retest (Nisrina Nur Fadhilah, Destria Kurniati, 2022)

Table 6. Multicollinearity Test Results

	mva	Eva	CV	road	In
mva	1,0000				
Eva	0.1409	1,0000			
CV	-0.2856	0.2300	1,0000		
road	0.4587	0.2324	-0.1420	1,0000	
In	-0.3951	0.2983	0.6872	-0.1699	1,0000

Classical assumption testing indicates that the data regression model meets all necessary statistical requirements. Based on the results of the multicollinearity test using the correlation matrix, there were no correlations exceeding the general limit of 0.80, thus indicating the absence of multicollinearity problems among the study variables.

The correlation between other independent variables is below 0.80. For example, the correlation between EVA and MVA is 0.1409, CVA with EVA is 0.2380, CVA with MVA is -0.2856, ROA with MVA, EVA, and CVA are 0.4587, 0.2323, and 0.1420, respectively. Then, LN with MVA, EVA, CVA, and ROA are -0.3951, 0.2983, 0.6872, and -0.1699, respectively. Therefore, there is no indication of strong multicollinearity in the research variables.

Table 7. Heteroscedasticity Test Results

Testing	Chi-square statistics	Probability	Conclusion
Heteroscedasticity Test	932.41	0.0000	Not occur heteroscedasticity

Based on the results of the Heteroscedasticity Test in Table 6, the chi-square value obtained was 932.41 with a probability value of 0.0000. This probability value is smaller than the significance level of 0.05 ($0.0000 < 0.05$), so H_0 is rejected. Thus, it can be concluded that No there are symptoms of heteroscedasticity in the research model.

Table 8. Effect Model Regression Results Still

Variables	Coefficient	Standard Error	t- Statistics	Probability.	Information
MVA	2.69E-08	7.40E-09	3.64	0.000	Significant
EVA	5.70E-08	8.61E-08	0.66	0.509	Not significant
CVA	-3.37E-08	3.73E-08	-0.90	0.367	Not significant
ROA	0.1553214	0.0349072	4.45	0.000	Significant
LN	2.65E-08	2.15E-08	1.23	0.219	Not significant
Constant	1.320549	0.4411294	2.99	0.003	

Table 9. Summary Effect Model Regression Still

Information	Mark
Amount observation	306
Amount company / group	51
R-squared Within	0.1751
R-squared Between	0.5290
R-squared Overall	0.4684
F-statistic	10.61
Prob > F	0.0000

The results of panel data regression analysis with the Fixed Effect Model show an R-squared value of 0.1751, which means that 17.51% of the variation in company value over time in each company can be explained by the independent variables in the model, while the remaining 82.49% is influenced by other factors outside the model.

Furthermore, the model feasibility test results showed an F-statistic value of 10.61 with a Prob > F of 0.0000. A probability value of less than 0.05 indicates that the independent variables simultaneously have a significant effect on company value. Thus, the regression model used is suitable for analyzing the effect of Value Based Management implementation, profitability, and company size on company value.

Individual Hypothesis Testing Results (t-Test)

The results of the individual parameter significance test show interesting findings regarding the influence of each variable on firm value:

H1: Market Value Added (MVA) has influence positive significant to mark company to company manufacturing companies listed on the Indonesia Stock Exchange 2019-2024. Based on results testing show MVA variables have the regression coefficient is 7,400 with a t-statistic of 3.64 and a p-value of 0.000. A probability value smaller than the 5% or 10% significance level indicates that MVA has a significant effect on firm value, so the hypothesis that MVA has an effect on firm value is accepted.

H2: Added value economy or Economic Value Added (EVA) does not own influence to mark company in the company manufacturing companies listed on the Indonesia Stock Exchange 2019-2024. Based on results testing show EVA variable has regression coefficient of 8.610 with t-statistic 0.66 and p-value 0.5, which means that EVA does not influential on firm value at the 5% and 10% significance levels. Shows that EVA does not influential to mark company, so that the hypothesis stating that EVA has an effect on company value is rejected.

H3: Cash added value or Cash Value Added (CVA) is not own influence to mark company to company manufacturing listed on the Indonesia Stock Exchange 2019-2024. Based on results testing show The CVA variable has a regression coefficient of -3.730, a t-statistic value of -0.90, and a p-value of 0.367. A probability value greater than the 5% significance level indicates that Cash Value Added (CVA) does not own influence on

company value, so the hypothesis stating that CVA has an effect on company value is rejected.

H4: Return on Assets (ROA) has influence positive to mark company to company manufacturing companies listed on the Indonesia Stock Exchange 2019-2024. Based on results testing show variables ROA own the regression coefficient is 0.3490 with a t-statistic value of 4.45 and a p-value of 0.000. A probability value smaller than the 5% or 10% significance level indicates that ROA has a positive effect. significant on firm value, so the hypothesis stating that ROA has an effect on firm value is accepted.

H5: Size company no own influence to mark company in the company manufacturing companies listed on the Indonesia Stock Exchange 2019-2024. Based on results testing show firm size variable has regression coefficient of 2,150 with a t-statistic of 1.23 and a p-value of 0.219 ($p > 0.05$). A probability value greater than the 5% significance level indicates that firm size No own influence on company value, so the hypothesis stating that firm size has an effect on company value is rejected.

The economic interpretation of these findings is that larger manufacturing firms tend to face challenges in operational efficiency and strategic flexibility. Large firms often experience higher agency costs, greater organizational complexity, and difficulty adapting to rapid market changes. Furthermore, large manufacturing firms in Indonesia often have unproductive or underutilized assets, so large total assets do not always translate into high market value. Investors value companies that generate high returns from their assets, rather than simply having large assets (Jensen & Meckling, 1976).

Discussion

The Influence of Market Value Added (MVA) on Firm Value

The results of the study indicate that *Market Value Added* (MVA) has a positive and significant effect on company value, which theoretically supports *Signaling Theory* and the concept of *Value-Based Management*. MVA reflects the accumulated added value that a company has successfully created beyond the total capital invested by shareholders and creditors. When MVA is positive and increasing, the market responds to it as a signal that management has successfully created wealth for shareholders (*wealth creation*), thus increasing stock prices and market valuations such as *Tobin's Q*. This finding is reinforced by Salam (2023). who found that MVA was able to capture the company's future growth expectations more comprehensively. However, different results were shown by R. Agustin & R. Rochmawati (2025) found that in developing financial markets with high volatility, the influence of MVA can be insignificant because investor decisions are dominated more by short-term macroeconomic sentiment than long-term value creation indicators . This ineffectiveness of MVA is also explained by (Al-awawdeh, H, Al-Sakini, 2018) in the case of the Jordanian capital market (Amman Stock Exchange), where the exchange is not yet efficient in determining stock prices. As a result, bank stock prices on the exchange do not reflect the true value of the company. Many bank shares *are* undervalued and continue to decline, even though their *fundamental* financial condition remains healthy and without problems.

The Influence of Economic Value Added (EVA) on Firm Value

Economic Value Added (EVA) has no significant effect on firm value. The results of the study indicate that *Economic Value Added* (EVA) has no significant effect on firm value. Theoretically, this finding can be explained by information asymmetry and the complexity of EVA calculations in the eyes of capital market participants. Although EVA is conceptually superior because it takes into account the cost of capital, investors and

market analysts tend to rely more on conventional accounting profit information presented directly in financial statements. This finding is in line with studies Biddle et al., (1997) , who proved that accounting profit has a stronger relationship with stock returns and company value than EVA. In line with this, Kyriazis & Anastassis (2007) also found that net profit and operating profit were more relevant in explaining a company's market value than EVA.

Recent empirical evidence suggests a similar pattern, although it does not necessarily indicate that EVA is completely unrelated to market value. Altaf (2016) found that EVA is positively and significantly related to *Market Value Added* (MVA) in manufacturing and service firms in India, but operating profit still has higher explanatory power. Similarly, Ejaz et al. (2018) on non-financial companies in Pakistan as well as Sura et al. (2026) on the manufacturing industry in India confirmed that conventional indicators such as *Earnings Per Share* (EPS), *Return on Equity* (ROE), and *Return on Assets* (ROA) are superior to EVA in explaining stock returns, with the contribution of additional information (*incremental information content*) from EVA being relatively limited.

The Effect of Cash Value Added (CVA) on Firm Value

The Cash Value Added (CVA) variable in this study was found to have no significant effect on firm value. These results indicate that, in the sample and period studied, cash flow-based value creation has not been statistically reflected in firm value as measured by PBV or Tobin's Q. However, these results need to be interpreted with caution because previous studies that tested CVA generally used stock returns, not PBV or Tobin's Q, so the results are not entirely comparable. As related evidence, Saparingga et al. (2024) found that CVA had a positive effect on stock returns in food and beverage subsector companies during and after the COVID-19 pandemic. Prihatiningsih et al. (2025) also reported a positive and significant effect of CVA on stock returns of PT Bank Rakyat Indonesia for the period 2014–2023. These differences in results may indicate that the relationship between CVA and market performance depends on the proxy used, sample characteristics, and observation period. For capital-intensive companies, Hall , (2024) found that Tobin's Q is the most appropriate measure of value creation, with ROA as the value driver; this finding does not test CVA directly, so it cannot be used as evidence that CVA has a positive effect.

The Effect of Return on Assets (ROA) on Firm Value

Return on Assets (ROA) has been shown to have a positive and significant effect on firm value, confirming the Resource-Based View (RBV) and Signaling Theory perspectives. ROA reflects a company's operational capabilities in optimizing all assets to generate net profit. A high level of profitability provides a positive signal (*good news*) to the market that the company has operational efficiency and solid financial prospects, which ultimately stimulates stock demand and increases firm value. This finding aligns with Firms & Akhmadi (2021) , which demonstrated that profitability has a positive effect on firm value and that this relationship becomes stronger when a company implements a higher dividend policy. Similar results were also shown by Irawan et al. (2022) found that profitability and dividend policy had a positive and significant effect on firm value in companies included in the LQ45 index. Thus, this study supports the argument that a consistent increase in ROA can improve market valuation (*firm valuation*). However, Mariana and Suryadi (2024) provide a comparative perspective that ROA does not always have a significant effect on company value. In their research, ROA does not have a direct effect on company value and dividend policy also has no significant effect, although

dividend policy can mediate the relationship between ROA and firm value. This finding suggests that increased profits may not be immediately appreciated by the market if they are not accompanied by a clear and transparent profit distribution policy that mitigates investor concerns about the *agency costs of free cash flow*. *Pecking Order Theory* can be used to explain the relationship between profitability and firm value. Firms with high profitability tend to prioritize the use of internal funds derived from retained earnings before seeking external funding. This preference can reduce reliance on debt, suppress funding costs, and ultimately reduce potential agency costs. From this perspective, high ROA not only reflects a firm's ability to manage assets efficiently but also demonstrates the quality of managerial decision-making. The market can then respond to this competence by increasing the firm's valuation (Myers & Majluf, 1984).

The Influence of Firm Size on Firm Value

Firm size *has* been shown to have no significant effect on firm value. This finding suggests an offsetting effect *between* the benefits of economies of scale and managerial complexity. Although large firms have a broad asset base and easier access to capital markets, their size can also increase bureaucracy, managerial inefficiency, and agency costs. These results are in line with Dang et al. (2017), but different from the findings Nursetya & Hidayati (2021) showed that firm size influences firm value, including through profitability as an intervening variable. These findings indicate that large firms can benefit from economies of scale and have a stronger capacity to create value. Conversely, Uddin et al. (2022) found that firm size negatively impacts firm value, which can be attributed to increased organizational complexity and coordination costs in large firms. This finding aligns with Wahyudi & Sholahuddin (2022), who found that firm size has no partial impact on firm value. Thus, the size of total assets does not always imply an increase or decrease in company value. Furthermore, large manufacturing companies in Indonesia often have unproductive or underutilized assets, so large total assets do not always translate into high market value. Investors value companies that are able to generate high returns from their assets, rather than simply having large assets (Jensen & Meckling, 1976).

Meanwhile, Agency Theory is more relevant in explaining the relationship between firm size and firm value. Growth in firm scale tends to widen the separation between ownership and management. This separation can increase the likelihood of conflicts of interest between shareholders and management. If corporate governance mechanisms are unable to address this gap, the increased agency costs that accompany firm growth can actually reduce firm value (Shleifer & Vishny, 1997).

From a *Value-Based Management perspective*, EVA, MVA, and CVA are three instruments designed to measure shareholder value creation. However, the results of this study indicate that the three cannot be treated as completely interchangeable measures. These differences may be caused by several factors. First, investors in Indonesia may be more accustomed to using accounting indicators, such as ROA and ROE, in assessing company performance. Second, the application of EVA relies heavily on accurate WACC estimates, while the availability of reliable inputs is often a constraint. Third, MVA and CVA, which are designed to capture long-term value creation, may reflect different dimensions of value than share price-based firm value. Stock prices can change rapidly in response to breaking news or information, while MVA and CVA tend to reflect a more long-term performance perspective. (Tripathi et al., 2023)

CONCLUSION AND RECOMMENDATIONS

Research result conclude that *Market Value Added* (MVA) and *Return on Assets* (ROA) have an effect positive and significant to mark company. Findings This prove its validity *Signaling Theory*, *Value-Based Management*, and *Pecking Order Theory*. On the other hand, *Economic Value Added* (EVA), *Cash Value Added* (CVA), and size company No influential significant to mark company. This result confirm that capital market assessment in Indonesia is more influenced by accumulation creation mark term long market -based and level profitability operational, compared with indicator based cash flow as well as calculation complex capital costs. While That does not significance influence size company indicates existence effect each other eliminate between efficiency scale economy and improvement cost agency consequence complexity organization.

Implications theoretical from study This show that instrument *Value-Based Management* No can each other replace in explain market valuation, especially in developing markets where the players Still focus on ratio accountancy conventional. In practical, management company should focus strategy on optimization use asset for increase ROA as well as creation riches holder share through MVA, not just do expansion of total risk assets enlarge cost agency. In addition, the high investor dependence on performance accountancy traditional demand management for increase transparency delivery information about measurement mark plus term long use reduce asymmetry information in the capital market.

Study furthermore recommended for integrate variables mediator or moderators, such as policy dividends, governance companies, and market efficiency, in order to clarify mechanism the influence of EVA, CVA, and size company to mark company. Researchers next can also do analysis comparative based on industrial clusters such as compare sector capital intensive with sector finance as well as use proxy alternative market performance like reward results share for catch dynamics term short. For regulators and associations profession, it is recommended for push standardization reporting indicator creation mark based cost of capital so that investors can evaluate prospects company in a way more comprehensive.

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