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Economic Value Added (EVA) And Market Value Added (MVA) As Financial Performance Measurement Tools (Study Of Telecommunication Companies On The IDX 2018-2022)

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ABSTRACT

Economic Value Added (EVA) and Market Value Added (MVA) are important for measuring financial performance based on value. The purpose of this study is to analyze and measure the financial performance of Telecommunication Companies listed on the IDX using the Economic Value Added and Market Value Added methods in 2018- 2022. The results showed that based on the analysis of the company's financial performance with the EVA method, the companies TLKM, ISAT, EXCL, TBIG, TOWR, BALI, LINK and IBST have an average positive value, which means that the company has succeeded in creating economic added value for the company. While the average FREN company shows a negative EVA value which explains that the company cannot provide economic added value to the company. In the analysis of the company's financial performance with MVA, the companies TLKM, ISAT, EXCL, TBIG, TOWR, BALI, LINK, and IBST for the period 2018 – 2022 produce positive values, so the management shows good performance and has been able to create and add wealth for shareholders and the company. Meanwhile, the FREN company during the 2018-2022 period shows a negative value where management is unable to create or increase wealth for shareholders.

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1. INTRODUCTION

Financial performance is the success of an organization or company in generating profits through the application of appropriate and accurate financial practice rules, by analyzing and evaluating the financial statements of a company, with the aim of providing information to company management and investors in determining company policy (Siska Ardiani & Sriwardany, 2021). By analyzing the financial statements, it can be seen the state and financial development of the company which determines the economic results achieved and the weaknesses of the company (Ambarwati & Suswardji, 2021). So it can be concluded that performance measurement is a benchmark or for company

management in determining company policy, whether the company's performance is good in terms of finance and non-finance.

Measuring financial performance based on financial statements is often done using financial ratios. The advantage of this measurement is that it is easy to calculate when historical data is available. The weakness is that this method does not take into account the element of the cost of own capital in the resulting profit, resulting in the report not displaying actual profit, because to calculate actual profit, the company must calculate the cost of capital, and the cost of equity and the cost of capital financed from debt (Saputra et al., 2019). To overcome the weaknesses of ratio analysis, the concept of EVA and MVA emerged because it can be used to accurately measure company performance by taking into account the interests of shareholders. This concept shows how much actual expenditure is incurred in relation to the company's operating capital (Longdong & Tawas, 2021); (Indah & Rahyuda, 2017).

Value-added performance measurement is intended to provide realistic performance measurements to support the presentation of financial statements and facilitate users of financial statements in making decisions both regarding investment and performance improvement plans. The concepts in question are Economic Value Added (EVA) and Market Value Added (MVA) (Puspita et al., 2015). These two value-added methods can be used as a better benchmark for capital owners whether the company makes a profit or loss on the capital it invests because it influences external parties to invest in the company in the form of investment (Longdong & Tawas, 2021); (Rahayu & Dana, 2016). Investors use MVA to determine whether a company can increase shareholder profits, while EVA is used to create company value (Jayaprawira et al., 2022).

The importance of measuring financial performance using EVA and MVA is that EVA and MVA can harmonize different interests between shareholders and company management as agents based on agency theory (J.H.vH. de Wet, 2012). The study of Economic Value Added (EVA) and Market Value Added (MVA) is important because it helps financial managers make investment decisions and determine financing sources to maximize company value. The advantage of using Economic Value Added (EVA) as a method for measuring financial performance is that it can be used to evaluate the financial performance of a company based on added value, taking into account the cost of capital required by the company. While the advantages of Market Value Added (MVA) are that this method can assess the condition and performance of a company from an external perspective by calculating the difference between the market value of a share and the book value of the share (Saladin et al., 2023). The main difference between EVA and MVA is that EVA measures the economic value added of a company, while MVA measures the market value of a company. There are also differences in the results of the calculation of the two methods, namely the results of calculations with the economic value added method (EVA) are positive, indicating a high return from the cost level (Mardiyanto, 2013). The company with a high MVA has a market value greater than its book value, which means that the company is considered better in the market than its book value (Krisdiyanti & Sundarta, 2023). The Economic Value Added (EVA) method was first developed by G. Bennet Stewart & Joel M. Stren, a financial analyst from the Stren Stewart & Co company in 1993 (Yulyawati et al., 2020). EVA is a risk-adjusted internal performance measure that considers the company's total weighted average cost of capital. It provides positive results when the company generates operating profit after tax that exceeds its cost of capital (J.H.vH. de Wet, 2012). EVA is net operating profit after tax minus the cost of capital. The cost of capital includes the interest cost of external capital and the cost of equity capital (Silvia & Wangka, 2022). According to (Adhitama & Abdul Muis, 2021) the EVA method is a tool used to see the overall value added in a company. EVA focuses on added value by considering investment costs, besides that EVA can encourage companies to direct funds to a low cost of capital as well (E. Retno Maninggarjat et al, 2022). The use of EVA in performance measurement allows

management to know the added value generated by the company from investments that can be measured by reducing the cost of capital incurred due to investments made (Tarumidi & Mirosea, 2023).

MVA is a comparison of the company's market value with the total capital invested in the company. Market value is the market value of all capital requirements imposed by the capital market on a company on a certain date (Siregar et al., 2022). Meanwhile, according to (Silvia & Wangka, 2022) MVA is the difference between the capital invested in the company and the profit that can be taken now, meaning the difference between book value and market value of the company's overall capital demand. Market value (MVA) is a reference for the management of a company, regardless of whether it produces significant added value or not (Bani Zamzami & Arya Andika Tanadinata, 2023).

Research (Bakar, 2010) has analyzed financial performance using EVA, Refined Economic Value Added (REVA), Financial Value Added (FVA), and MVA methods on five telecommunication companies in Indonesia. They are PT Telkom, PT Indosat, PT XL Axiata, PT Bakrie Telecom, and PT Mobile 8 Telecom. The results showed that each measurement method produced inconsistent assessments on the five telecommunications companies. This is because there are several factors that affect the results of the study, namely the five telecommunications companies studied have different financial performance, the four methods used do not provide consistent results and there are differences in the financial management policies of each company. Meanwhile, in research conducted by (Crysdayanti, 2019) which analyzed financial performance using EVA and MVA methods at PT Telekomunikasi Indonesia Tbk. The results showed that PT Telekomunikasi Indonesia managed to obtain economic added value for five years from 2013-2017.

From the results of these two studies, it can be concluded that there are gaps in the results obtained. Therefore, researchers want to explore further assessment to get the results of the extent of the development of financial performance in telecommunications companies on the IDX from year to year using the Economic Value Added and Market Value Added methods.

2. RESEARCH METHOD

This type of research uses quantitative methods, which aim to provide an overview of the company's financial performance. Quantitative research according to (Sugiyono, 2018: 13) is a research method based on positivistic (concrete data), research data in the form of numbers that will be measured using statistics as a calculation test tool, related to the problem under study to produce a conclusion. This study uses secondary data, namely data obtained, processed and presented by other parties or indirectly from the first source (company) in a finished form in the form of publications. The data collection method used is the documentation method, which is data collection that is not directly aimed at research subjects, but through documents. The objects to be studied in this study are telecommunications companies that go public in Indonesia, which are listed and active in sales transactions on the Indonesia Stock Exchange in 2018-2022 which include PT Telkom Indonesia Tbk (TLKM), PT Indosast Tbk (ISAT). PT XL Axiata Tbk (EXCL), PT Tower Bersama Infrastructure Tbk (TBIG), PT Sarana Menara Nusantara Tbk (TOWR), PT Bali Towerindo Sentra Tbk (BALI), PT Link Net Tbk (LINK), PT Smartfren Telecom Tbk (FREN), PT Inti Bangun Sejahtera Tbk (IBST).

2.1 Economic Value Added

According to (Siregar et al., 2022), the indicators of the EVA measurement results are: a)If EVA>0, it indicates economic value added for the company, b)If EVA=0, it means that it shows a balanced position because profits are used to pay obligations to funders,

shareholders or creditors, c) If EVA <0, then there is no addition of economic value to the company. The following is the formula for calculating EVA (Aprillia, 2023):

a. Net Operating After Tax (NOPAT) NOPAT = EBIT (1-tax)
b. Invested Capital (IC)
   IC = Total Debt and Equity - Short Term Debt
c. Weighted Average Cost of Capital (WACC) WACC = {(Wd x Kd) (1-Tax) + (We x ke)} Description:
   Capital Level (D) = Total Debt/Total debt and Equity X 100% Cost of debt (Rd)= Interest Expense/Total debt X 100%
   Tax rate = Tax expense / Profit after tax X 100%
   Level of capital and Equity (E) = Total Equity / Total debt and Equity X 100%
   Cost of equity (Re) = Profit after tax / Total Equity X 100%
d. Capital Charges
   CC = WACC X Invested Capital
e. Economic Value Added (EVA) EVA = NOPAT - Capital Charges

2.2 Markt Value Added

According to (Sundari et al., 2023), performance assessment and MVA measurement results are asfollows: a) MVA>0, means that management has successfully created added value by increasing the market value of the shares issued, or the company can sell shares in the market at a premium, b) MVA = 0, means that management has not been able to create added value by increasing the value of shares or decreasing their value, because the share price on the market (share price) is equal to the accounting value (share per share), c) MVA<0, means that management is not able to get added value by increasing the market value of the shares issued.

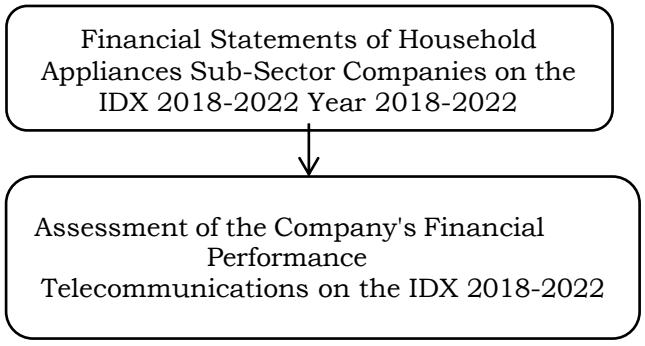
According to Sartono (2015) the calculation of MVA can be done using the formula: MVA = MVE-BVE

Description:

MVE = Share price x Number of shares outstanding

BVE = Number of shares outstanding x Nominal value of shares

2.3 Research Model



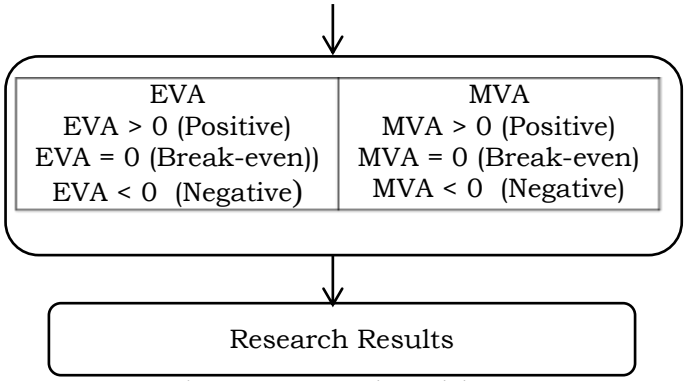


Figure 1. Research Model

3. RESULT AND DISCUSSION

2.1 Economic Value Added (EVA) Analysis

The following are the results of the calculation of Economic Value Added for the company PT Telkom Indonesia Tbk, PT Indosast Tbk, PT XL Axiata Tbk, PT Tower Bersama Infrastructure Tbk, PT Sarana Menara Nusantara Tbk, PT Bali Towerindo Sentra Tbk, PT Link Net Tbk, PT Smartfren Telecom Tbk, PT Inti Bangun Sejahtera Tbk for the period 2018 to 2022.

Table 1 Results of EVA Value Calculation

Company Code	Year				
	2018	2019	2020	2021	2022
TLKM	-3,093	18,580	6,420	6,114	4,549
ISAT	14,539	23,687	24,337	23,182	30,612
EXCL	-1,399	7,66	14	628	660
TBIG	293	1,008	792	779	1,107
TOWR	327	2,398	939	1,830	1,596
BALI	23	91	50	80	90
LINK	-10	54	267	121	133
FREN	-667	169	-1,079	-688	-1,084
IBST	171	221	90	142	111

Source: Data processing results 2023

Based on the calculation of Economic Value Added (EVA), the companies ISAT, TBIG, TOWR, BALI, IBST for the period 2018 to 2022 produce an Economic Value Added value greater than zero or positive value, where the operating profit generated i s greater than the capital charges or costs that must be paid by the company to the sharesholders of the company. This illustrates that the company's management can provide economic added value to the company's shareholders.

EVA of TLKM, EXCL and LINK companies in 2018 is negative, this indicates that the company's performance is not good, where the company cannot add to the economic value of the company's shareholders. This is due to the ability to generate profits (profits) that are not so good and plus the high cost of capital of the company so that it affects the amount of costs imposed on the capital invested by the company. While the EVA value from 2019 to 2022 obtained a positive value, which means that the company's performance is in good condition so that the company can provide economic value to the company's shareholders.

The FREN company produces an average EVA value of negative value, only for 2019 it is positive. The negative EVA value is because the cost of capital is greater than the profit generated by the company so that the company cannot provide economic added value to the company's shareholders, so it can be said that the performance of the FREN company is not good.

3.2 Market Value Added (MVA) Analysis

The following are the results of the calculation of MVA in the company PT Telkom Indonesia Tbk, PT Indosast Tbk, PT XL Axiata Tbk, PT Tower Bersama Infrastructure Tbk, PT Sarana Menara Nusantara Tbk, PT Bali Towerindo Sentra Tbk, PT Link Net Tbk, PT Smartfren Telecom Tbk, PT Inti Bangun Sejahtera Tbk for the period 2018 to 2022.

Table 2 MVA Calculation Results

Company Code	Year				
	2018	2019	2020	2021	2022
TLKM	321,952,203,950,000	343,745,891,602,000	278,364,828,646,000	350,680,246,764,000	321,952,203,950,000
ISAT	8,612,784,595,915	15,269,353,135,000	26,897,970,825,000	33,146,994,350,000	33,011,146,012,500
EXCL	30,567,566,809,780	32,598,279,290,150	28,156,812,953,900	32,924,751,562,320	26,781,998,556,600
TBIG	15,859,899,611,500	27,414,969,328,450	36,477,769,106,450	66,385,008,373,850	51,657,958,734,600
TOWR	34,525,035,208,000	40,556,626,875,000	48,463,893,750,000	56,881,306,875,000	55,605,941,250,000
BALI	5,644,680,118,000	4,210,013,975,000	3,068,982,150,000	3,364,076,587,500	3,246,038,812,500
LINK	14,604,717,043,200	11,051,934,568,240	6,613,981,568,040	11,166,462,387,600	7,215,252,619,680
FREN	-517,108,580,085,674	-645,610,077,724,820	-775,247,029,650,468	-928,325,034,399,763	-1,017,567,176,754,150
IBST	10,537,058,430,600	8,139,202,185,175	9,118,608,257,250	7,193,568,736,275	7,126,023,489,925

Source: Data processing results 2023

Based on the calculation of Market Value Added, the MVA value for telecommunications companies is on average positive. In the company TLKM, ISAT, EXCL, TBIG, TOWR, BALI, LINK, IBST for the period 2018 to 2022. The reason MVA is positive is because the company can increase the value of profits and capital invested by investors. A positive MVA illustrates that the company's financial performance is in good condition because the company is able to create market added value. This will attract investors to invest in the company with the hope that the company's management will be able to increase the wealth of the company and shareholders during the 2018-2022 period.

However, for the FREN company, the period 2018 to 2022 shows a negative value. This is because the market value of shares, the company is smaller than the book value of shares in the company. This shows that management cannot or is unable to increase the market capitalization value of the shares issued.

4. CONCLUSIONS

Financial performance analysis based on the Economic Value Added (EVA) method for companies TLKM, ISAT, EXCL, TBIG, TOWR, BALI, LINK, IBST on average produces a positive value, which means the company has succeeded in creating added value. However, the average FREN company produces a negative EVA value, which indicates that the company is unable to create economic added value for the company.

Analysis of financial performance based on the Market Value Added method for companies TLKM, ISAT, EXCL, TBIG, TOWR, BALI, IBST for the period 2018 - 2022 gets positive MVA results. So the company can increase the value of the company's shareholder capital. Meanwhile, for the FREN company during the 2018-2022 period, it shows a negative MVA value.

These two methods of measuring financial performance can illustrate that the telecommunications companies studied have different financial performance and these

two methods do not provide consistent answers to the consistent performance ratings of the nine telecommunications companies. Factors that affect the value of value-added-based measures are differences in company policies and financial management of the nine telecommunications companies listed on the Indonesia Stock Exchange from 2018 to 2022.

In the research conducted, there are several limitations that can be an opportunity for future research, namely: a) Measurement limitations, EVA and MVA measurements are based on certain assumptions such as the cost of capital and the expected rate of return. These assumptions can affect measurement results and cause bias, b) Limitations of interpretation, EVA and MVA can provide useful information about company performance, but interpretation of measurement results can be subjective and depends on the perspective used.

This research is expected to be a reference and enrich knowledge for further research, especially regarding performance assessment using the Economic Value Added and Market Value Added methods. As well as a reference for investors to consider decisions in investing.

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