



Analysis of the Use of Economic Value Added (EVA) to Measure Financial Performance at PT. Astra Agro Lestari Tbk Listed on the Indonesia Stock Exchange (BEI)

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ABSTRACT This research aims to determine the use of Economic Value Added (EVA) to measure financial performance at PT. Astra Agro Lestari Tbk. period 2019 to 2023. This research uses quantitative analysis methods using secondary data sources with documentation data collection techniques, data analysis techniques using EVA (Economic Value Added) which consists of NOPAT and capital charges. The research results show that in 2019 the financial performance of PT. Astra Agro Lestari Tbk is said to be not good, because the EVA value produced is negative ($EVA < 0$). In 2020-2023 the financial performance of PT. Astra Agro Lestari Tbk. is said to be good because the resulting EVA value is positive ($EVA > 0$). Keywords: <i>Economic Value, Financial Performance, Stock Exchange</i>			

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INTRODUCTION

Assessment of financial performance in general can be carried out using several financial analysis tools, one of which is using financial ratios, for example profitability ratios, liquidity ratios, solvency ratios and leverage ratios. However, there are problems that arise when using ratio analysis, namely that there is not an optimal ratio to achieve the goal of maximizing shareholder wealth. In its application, financial ratio analysis has several weaknesses, namely that it cannot satisfy the wishes of management, especially creditors and shareholders.

With these problems and weaknesses, there is a tool that has been successfully developed by experts in company investment studies that can be used as a tool for measuring company financial performance, namely Economic Value Added (EVA).

According to Suropto in Niyati and Lubis (2019) EVA is the best measure of financial performance to explain a company's economic profit, compared to other measures. EVA is also a performance measure that is directly related to shareholder prosperity over time. EVA is one of the methods used to measure a company's financial performance to determine added value, which added value is used by capital owners as a reference in determining investment in a company. Effective and efficient financial performance measurement using the Economic Value Added (EVA) method where This method can cover the weaknesses of financial ratio analysis, so that this method can help and complement each other in the process of measuring financial performance in the company. The benefit of EVA is that it serves as a benchmark for assessing financial performance for capital owners who are interested in investing their capital in the company.

The advantage of the EVA method is that it can stand alone without requiring comparisons from other companies. This encourages value creation and fair assessment of the company's financial performance which is measured by considering the weighted measure of capital used as a reference for decision making. This method must be applied in the company as a complement or support for the company's financial reports. If financial reports and EVA are used simultaneously, companies can measure their financial performance more accurately and completely.

RESEARCH METHODOLOGY

This research uses descriptive analysis techniques, which means this research is carried out by explaining, describing and analyzing the data obtained regarding the problems studied. The descriptive analysis technique used to analyze the data is by:

1. Collect financial data related to research
such as financial position statement data, profit and loss, reports of changes in fund equity cash flow statement during the research period.
2. Using a financial performance measurement method in the form of the Economic method Value Added (EVA) is measured using NOPAT, Invested Capital, WACC and Capital Charges. The Economic Value Added (EVA) criteria are as explained on page 24 of this thesis.

The formula for calculating EVA is:

$$\text{EVA} = \text{NOPAT} - \text{Capital charges}$$

Information :

- a. NOPAT (Net Operating After Tax)

NOPAT is the level of profit obtained from capital invested in the company. The NOPAT formula is:

$$\text{NOPAT} = \text{EBIT} - \text{Tax}$$

b. Capital Charges

Capital Charges are cash flows used to reimburse investors for the business risks of invested capital. The formula for Capital Charges is:

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

c. Invested Capital

Invested capital is the result of translating estimates in the balance sheet to see how much capital is invested in the company by creditors and the capital invested in the company. The Invested Capital formula is:

$$\text{Invested Capital} = \text{Total debt} + \text{Total Equity} - \text{Short Term Debt}$$

d. WACC (Weighted Average Cost of Capital)

One other important component of EVA is WACC (Weighted Average Cost of Capital), which is equal to the sum of the costs of each component of capital, short-term debt, long-term debt, and shareholder equity weighted based on the relative proportion of the company's capital structure at market value. The WACC formula is:

$$\text{WACC} = \{(D \times r_d)(1-T)\} + (E \times r_e)$$

RESULT AND DISCUSSION

RESULT

Economic Value Added (EVA) Analysis

The following are the results of research measured using EVA at PT. Astra Agro Lestari Tbk. namely as follows:

1. Calculation of Net Operating Profit After Tax (NOPAT)

NOPAT is the level of profit obtained from capital invested in the company. The NOPAT formula is:

$$\text{NOPAT} = \text{EBIT} - \text{Tax}$$

Based on the NOPAT calculation results of PT. Astra Agro Lestari Tbk. in table that the NOPAT value from 2019-2023 experienced fluctuations. The lowest NOPAT value was obtained in 2019, this was due to the very small EBIT value obtained. The highest NOPAT value was obtained in 2021, this was caused by the very high EBIT value generated. The greater the company's profit, the greater the NOPAT generated. The resulting NOPAT will affect the amount of EVA. If the NOPAT value is greater than the cost of capital, then the resulting EVA will be positive. But on the other hand, if the NOPAT value is smaller than the cost of capital, EVA will be negative.

2. Invested Capital (IC) Calculation

Invested capital is the result of translating estimates in the balance sheet to see how much capital is invested in the company by creditors and the capital invested in the company. The Invested Capital formula is:

$$\text{Invested Capital} = \text{Total debt} + \text{Total Equity} - \text{Short Term Debt}$$

Based on the results of PT Astra Agro Lestari Tbk's invested capital calculations. Table shows that the value of invested capital from 2019-2023 has fluctuated. This is obtained from total debt plus total equity then subtracting the company's short-term debt. The lowest value of invested capital will be obtained in 2021 and the highest will be in 2022. The greater the value of invested capital will affect the value of the resulting capital charges, which means it will have an impact on the value of the EVA produced.

3. Calculation of Weighted Average Cost of Capital (WACC)

WACC (Weighted Average Cost of Capital) is the sum of the costs of each capital component, short-term debt, long-term debt and shareholder equity, weighted based on the relative proportion of the company's capital structure at market value. The WACC formula is:

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

In calculating WACC several components are required, namely the level of capital from debt, cost of debt, tax level, level of equity and cost of equity.

a. Calculating the level of capital from debt (D)

The capital level of debt is used to measure the size of the amount debt used to run the business.

Based on the results of capital level calculations Lestari Tbk. Table 4.6 above shows that the capital level value of debt has fluctuated from 2019-2023. In 2019 it was 30%, in 2020 there was an increase of 31%. In 2021 experiencing from PT Astra Agro's debt 47 decreased to 30%, in 2022 it will decrease again to 24% and in 2023 it will also decrease to 22%.

b. Calculating Cost of Debt/Cost of Debt (rd)

Calculating the Cost of Debt is used to determine the cost of debt used by the company.

Based on the results of calculating the cost of debt of PT Astra Agro Lestari Tbk. Table above shows that the cost of debt in 2019 to 2021 is 1%, in 2022 it is 0% and in 2023 it will again be 1%.

c. Calculating the Tax Rate (T)

Calculating the tax rate is done to measure how much tax the company incurs on the profits it has earned.

Based on the calculation results of the capital level of PT's debt. Astra Agro Lestari Tbk. In table 4.8 above, the capital level value of debt has fluctuated from 2019-2023. In 2019 it was 63%, in 2020 it fell to 39% and in 2021 it decreased again to 29%. In 2022 it will decrease to 26% and in 2023 it will increase to 27%.

d. Calculating the Equity Level (E)

Equity level calculations are used to determine how much capital a company needs to carry out its business activities.

Based on the calculation results of PT's equity level. Astra Agro Lestari Tbk. Table above shows that the equity level from 2019 to 2023 experienced fluctuations. In

2019 it was 70%, and in 2020 it decreased by 69%. In 2021 it increased to 70% and increased again in 2022 to 76% and in 2023 it increased to 78%.

e. Calculating Cost of Equity (re)

Calculating the cost of equity is done to determine the level of return that investors expect on the capital they invest in a company.

Based on the results of calculating the cost of equity of PT. Astra Agro Lestari Tbk. The table above shows that the cost of equity from 2019 to 2023 will fluctuate. In 2019 it was 1%, it increased in 2020 to 5% and in 2021 it increased again to 10%. In 2022 it will decrease to 8% and in 2023 it will decrease to 5%.

4. WACC calculation

The formula for finding WACC is as follows:

$$WACC = \{(D \times r_d)(1-T)\} + (E \times r_e)$$

Based on the results of PT. WACC calculations. Astra Agro Lestari Tbk. The table above shows that the WACC from 2019 to 2023 experienced fluctuations. The lowest WACC value was obtained in 2019 and the highest WACC value was obtained in 2021. The higher the WACC value, the worse the company's performance, and vice versa, the lower the WACC value, the better it will be for the company because it will have a positive effect on the EVA value. which is obtained.

5. Calculation of Capital Charges

Capital Charges are cash flows used to reimburse investors for the business risks of invested capital. The formula for Capital Charges is:

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

Based on table which shows that the capital charges value of PT. Astra Agro Lestari Tbk. from 2019 to 2023 there will be fluctuations. In 2019, the value of capital charges generated was the lowest and the highest was generated in 2021. The value of capital charges greatly influences the value of EVA produced.

6. Calculation of Economic Value Added (EVA)

EVA is a financial performance measurement carried out for consider the expectations of shareholders and creditors with the aim of measuring the profits generated. The EVA formula is:

$$EVA = \text{NOPAT} - \text{Capital charges}$$

Based on the EVA calculation results of PT. Astra Agro Lestari Tbk. The table above shows that EVA from 2019 to 2023 experienced fluctuations. In 2019 EVA was negative, while from 2020 to 2023 it was positive. This is because the profit generated in 2019 was the lowest among the following years.

DISCUSSION

Financial performance measurement can be done using Economic Value Added (EVA). EVA is a measurement of the Company's financial performance that takes into account the expectations of shareholders and creditors by measuring the Company's profit by taking into account the Company's cost of capital. EVA aims to determine the added value resulting from capital invested by shareholders in the Company.

Table shows a summary of the EVA calculation results for PT financial performance analysis. Astra Agro Lestari Tbk. For the 2019-2023 period, results were obtained where the Economic Value Added (EVA) value in 2019 was negative and from 2020 to 2023 it was positive but experienced fluctuations. The following will explain in detail each analysis, namely as follows:

1. NOPAT (Net Operating Profit After Tax)

NOPAT is the level of profit obtained from capital invested in the company. Nopat is obtained from EBIT minus tax expense.

Based on table it shows that NOPAT at PT. Astra Agro Lestari Tbk. experienced fluctuations from 2019 to 2023. The lowest NOPAT value was obtained in 2019, this was due to the very small EBIT value obtained. The highest NOPAT value was obtained in 2021, this was due to the very high EBIT value generated. The rise and fall of NOPAT is caused by EBIT and tax burden. If EBIT is higher than the tax burden, the NOPAT value will be higher so it will affect the size of the EVA value and the result will be positive. Financial performance of PT. Astra Agro Lestari Tbk if seen from the NOPAT value The result is good because the NOPAT value obtained is positive.

2. IC (Invested Capital)

Invested capital is the result of translating estimates in the balance sheet for see how much capital is invested in the company by creditors and the capital invested in the company.

Based on table it shows that Invested Capital in PT. Astra Agro Lestari Tbk. from 2019 to 2023 there will be fluctuations. This is because the amount of debt and equity fluctuates and the amount of short-term debt also fluctuates. The lowest invested capital value will be obtained in 2021 and the highest in 2022.

The greater the value of invested capital, the greater the value of capital charges as a deduction from NOPAT, so it will affect the company's financial performance because if the value of capital charges is greater than NOPAT, it will have a negative value, which means that there is no added value to the company. If seen from the value of invested capital, the financial performance of PT. Astra Agro Lestari Tbk. It can be said to be good because the value obtained is positive.

3. WACC (Weighted Average Cost of Capital)

WACC (Weighted Average Cost of Capital) or weighted average cost of capital is the sum of the costs of each capital component, short-term debt, long-term debt and shareholder equity, weighted based on the relative proportion of the company's capital structure at market value.

Based on table, it shows that WACC at PT. Astra Agro Lestari Tbk. from 2019 to 2023 it experiences fluctuations and shows positive values. This is caused by the rise and fall of the cost of equity. The higher the WACC value, the worse the company's performance. The lower the WACC value, the better it will be for the company and will have a positive effect on the EVA value.

4. CC (Capital Charges)

Capital Charges are cash flows used to reimburse investors for the business risks of invested capital. Capital charges are obtained from the invested capital value multiplied by the WACC value.

Based on the table, it shows that the capital charges value of PT Astra Agro Lestari Tbk. experienced fluctuations from 2019 to 2023. This was caused by the value of invested capital and WACC which also experienced fluctuations. The lowest capital value was obtained in 2019, while the highest value was obtained in 2021. The value of capital charges greatly influences the EVA value, the smaller the value of capital charges, the greater the Economic Value Added (EVA) value produced by the company and vice versa, the greater it is. the value of capital charges, the smaller the Economic Value Added (EVA) value produced by the company.

5. EVA(EconomicValue Added)

EVA is a financial performance measurement carried out to consider the expectations of shareholders and creditors with the aim of measuring the profits generated.

Based on the table, it shows that the Economic Value Added (EVA) value of PT Astra Agro Lestari Tbk. in 2019 it was negative because the NOPAT value was smaller than the capital charges value. This means that the financial performance of PT. Astra Agro Lestari Tbk. in 2019 it can be said to be not good because the available profits cannot meet the expectations of capital owners, so there is no increase in company value. From 2020 to 2023, the EVA value of PT Astra Agro Lestari Tbk. has a positive value because the NOPAT value is greater than the capital charges value. This means that the financial performance of PT. Astra Agro Lestari Tbk. It can be said to be good because there is a process of adding value to the company. Thus, the use of Economic Value Added (EVA) to measure PT's financial performance. Astra Agro Lestari Tbk can be said to be effective because using EVA can describe the level of financial performance of PT. Astra Agro Lestari Tbk.

CONCLUSION

Based on the research that has been carried out, the author obtained the results of the Economic Value Added (EVA) analysis to measure the financial performance of PT Astra Agro Lestari Tbk for the period 2019 to 2023, namely in 2019 the EVA value was < 0 or the EVA value was negative, which means that the company's financial performance said to be bad, because there is no added value and the profits generated cannot meet the expectations of capital owners. Meanwhile, from 2020 to 2023, the EVA value is > 0 or the EVA value is positive, which means that financial performance is said to be good because there is added value to the company and it has succeeded in creating value for fund providers.

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Based on the research results and conclusions presented, the author provides the following suggestions:

1. For investors, it is hoped that through the results of this research, investors can consider and also be able to choose more carefully in making investment decisions. With the EVA method, investors can find out how much return they will receive.
2. For company management, it is best to improve the financial performance of PT Astra Agro Lestari Tbk. and trying to increase profits, so that the value of EVA produced can increase every year and not experience winter.
3. For future researchers, it is hoped that they can develop research by adding additional years of research related to Economic Added Value (EVA). And you can add other methods, for example Market Value Added (MVA) and Financial Value Added (FVA).

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