

Financial Performance Analysis Using the Economic Value Added (EVA) Method at PT. Telecommunications (Persero) Tbk On the Indonesian Stock Exchange for the Period 2017-2022

¹Nurfarhana, ²Abdi Akbar, ³Anwar Ramli, ⁴Anwar, ⁵Andi Mustika Amin

^{1,2,3}Faculty of Economics/ Management/ Makassar State University

nurfarhanahana30a@gmail.com

Abstract

This study aims to determine the financial performance of PT. Telecommunications Tbk. This type of research is the Quantitative method. The population in this study are all financial statements from 2017-2022. The sample is the balance sheet and income statement. Data collection is done through the method of documentation, namely collecting information about the company PT. Telekomunikasi Tbk, in the form of financial reports through the official website of the Indonesia Stock Exchange. The data analysis technique used is Economic Value Added (EVA) analysis which is obtained from the difference between the NOPAT value and the WACC value. The results of this study indicate that the financial performance at PT. Telecommunications (Persero), Tbk. The period from 2017 to 2022 when measured using Economic Value Added (EVA) obtained positive results, meaning that PT. Telecommunications is able to create added economic value for investors who have invested their capital, and a level of compensation that is higher than the cost of capital. This reflects the company's financial performance in good condition because it has met investors' expectations and has the best financial performance.

Keywords: Financial Performance, Economic Value Added (EVA)

INTRODUCTION

In Indonesia's current economy is constantly changing and not fixed by technological developments, the business world needs to continue to compete to maintain its survival. And any business created to generate profits or profits and maximize the wealth of shareholders. What's more, a business is established with the aim of maintaining the existence of the business in a reasonable manner so that the business can develop for the business carried out in the future.

Analysis Financial performance is a rigorous process of assessing, checking, calculating, measuring, interpreting, and finalizing a company's financial data over a specified period of time. Measurement of financial performance can not be separated from the financial statements of a company.

Where A financial report is a report that shows the current state of a company or a certain time period (for a profit and loss statement) and on a certain date (for a balance sheet).

Where The balance sheet describes the statement of financial position which consists of assets, liabilities and equity. Meanwhile, the income statement describes a statement that describes the results of business activities in an accounting period.

Technique measurement of a company's financial performance to overcome the above problems is the Economic Value Added (EVA) which was developed in 1989 by Stern Stewart & Co. The concept of the EVA method is simple: says that a company can increase the welfare of its shareholders if the rate of return is greater than the cost of capital. This can be expressed as a positive EVA value. Conversely, if the EVA value is negative, this indicates a rate of return that is greater than the cost of capital.

Development increasingly modern technology also affects the development of technology. Telecommunications are becoming increasingly sophisticated. The need for telecommunications equipment is very important to establish communication between people. Because telecommunications technology is the right tool and also a solution for those who want to communicate without having to meet face to face.

PT Telekomunikasi Indonesia, Tbk. ("TELKOM") is an information and telecommunication service provider (InfoComm) which provides the most complete services and the largest network in Indonesia. TELKOM, which is 52.09% public and 47.91% owned by the public, provides fixed and wireless telephone services, cellular telephone services, data and Internet services, network and connectivity. directly or through its subsidiaries. As the initial description of PT Telekomunikasi

(Persero) Tbk from its financial reports the development of its own capital, debt and net profit from 2017-2022 as contained in the following table:

Table 1. Financial Data of PT. Telekomunikasi (Persero), Tbk Period 2017-2022 (In Billions of Rupiah).

Year	Owner's equity	%	debt	%	Net profit	%
2017	112,130	-	86,354	-	32,701	
2018	117,303	4	88,893	2	26,979	-17
2019	118,250	8	103,958	16	27,592	2
2020	120,889	2	126,054	21	29,563	7
2021	145,399	20	131,785	45	33,948	14
2022	149,262	26	135,930	3	27,680	-18

Source: www.idk.co.id

Based on the table above, shows fluctuations in net profit over the last six years. It can be seen that in 2018-2021 the company's net profit continues to increase, which has an impact on increasing additional capital. In this case, it can streamline interconnection costs, funding costs and other costs. At the same time, the company's capital increases, which has an impact on increasing the company's net profit. But in 2022 it will decrease. as debt increases in 2022, net profit decreases. ProfitThe company declines and related costs, operational costs, and management costs increase, causing the business to incur additional costs in its activities.

Then it can be seen that the company's equity continues to increase from year to year starting in 2017-2022. In this case, the company can manage its own capital. Because capital is needed for operational costs to obtain net profit, the greater the capital, the greater the income generated.

With If there is an increase in net profit as well as an increase in equity and total debt of a company, it is necessary to measure financial performance to determine the state or financial condition of the company. The valuation of net income tends to increase when measured based on an analysis of economic added value. In this case, the company does not provide information regarding the economic added value of the investment funds to investors, because accounting profits are recognized in the company's financial statements, while economic profits are usually recognized in the company's financial reports and are calculated for internal decision making purposes.

Based on The data shows that PT. Telekomunikasi (Persero), Tbk including companies with high accounting profit. To find out whether financial performance has increased as measured by an analysis of achieving economic added value, it is necessary to carry out an analysis. Based on the description above, the author would like to choose the title: Analysis of financial performance using the Economic Value Added (EVA) method at PT. Telekomunikasi (Persero) Tbk on the Indonesia Stock Exchange for the 2017-2022 period.

1. Financial performance

According to Munawir (2002:30), financial performance is one of the basics of assessing a company's financial position, which is done by analyzing the company's financial ratios.

Results analysis of a company's financial performance can be used by interested parties to understand the current situation and how successful the company is in carrying out its activities. Fabozzi (2000:775) clarifies that performance measurement must also involve calculating the returns earned by financial managers over a certain period of time.

According to Fahmi (2013:66) for company management, there are many benefits from implementing work measurement assessments, namely:

- 1) Manage organizational operations effectively and efficiently through maximum employee motivation.
- 2) Help in making decisions related to employees such as: promotions, transfers and dismissals.
- 3) identify staff training and development needs, and provides criteria for selecting and evaluating employee training programs.
- 4) Give feedback to employees on how superiors measure financial performance.

- 5) Give the basis for the distribution of rewards for the benefits derived from performance reviews to guide the implementation of evaluation actions for the establishment of an organization in accordance with the expectations of the parties in particular, both the company's management and its auditors.

2. Financial statements

Report Financials will reflect the company's business performance at a certain time and the company's operations over the past period of time. However, the true value of financial statements is that they can be used to estimate future profits and dividends. From an investor's point of view, predicting the future is the core of financial statement analysis, while from a management point of view, financial statement analysis will be very helpful in helping predict future conditions and is a starting point for planning steps to improve business performance in the future.

According to Kasmir (2016:11) the objectives of financial reports are as follows:

- 1) Provide information regarding the type and amount of assets (treasury) currently owned by the company.
- 2) Provide information regarding the type, amount of debt and current capital owned by the business.
- 3) Provides information regarding the type and amount of income earned during a certain period of time.
- 4) Provide information about the type and amount of costs incurred by the company within a certain period.
- 5) Provide information regarding changes that occur in the assets, liabilities and capital of the company.
- 6) Provide information regarding the performance of the company's management within a certain period of time.
- 7) Provide notes on financial statements.
- 8) Other financial information

Financial reports include:

- 1) The financial position report (balance sheet) is a systematic report regarding the assets, liabilities and capital of a company at a certain time. The statement of financial position is divided into several sections, namely: current and fixed assets, short-term and long-term liabilities (debt), and equity (equity).
- 2) An income statement is a financial report that reflects the amount of profit or loss experienced by a business during a certain period of time.
- 3) Statement of changes in equity is the part of the financial statements that informs the company about the increase or decrease in assets over a certain period of time.
- 4) A cash flow statement (state of cash flow) is prepared to show changes in cash during a period and provide reasons for these changes in cash by showing where and where the cash came from, and how it was used.
- 5) Save reports or financial statements

3. Economic Value Added (EVA)

Economic Value Added (EVA) serves as a benchmark for the amount of added value created to meet shareholder expectations over a certain period of time. (Single, 2001:2).

EVA is an indicator of the added value of an investment. If the company tries to create added value for its shareholders, it will show a positive EVA value. (Agnes, 2001:48). EVA is a method for measuring the actual profitability of a company and controlling it properly based on investors' opinions (Makelainen, 2005).

EVA is determined by two factors, namely net profit after tax and cost of capital.

Profit after-tax operations describe the result of value creation in a business, while the cost of capital can be understood as the sacrifice to create that value.

RESEARCH METHODS**A. Research variables and research design**

In this research, a single variable is used. This research variable is the financial performance of PT. Telecommunications (Persero), Tbk on the Indonesia Stock Exchange.

B. Definition of Operating Variables

1. Performance financial is a description of the company's financial position at PT. Telekomunikasi (Persero) Tbk for the 2017-2022 period by measuring and evaluating the company's success in generating profits.
2. *Economic Value Added* (EVA) is a measuring tool for evaluating the financial performance of PT Telekomunikasi (Persero) Tbk for the 2017-2022 period by taking into account the cost of capital per investor's capital or invested capital to get added value.

C. Variable Measurement

Measurement The transformation is carried out based on Economic Value Added (EVA) analysis calculations using the time series method. This means comparing the economic value added (EVA) from year to year in this research, especially the 2017-2022 period.

D. Population and Sample

1. The population in this research is all financial reports at PT. Telecommunications (Persero) Tbk for the last six years, namely the 2017-2022 period.
2. The sample in this research is the balance sheet and profit and loss report at PT Telekomunikasi (Persero) Tbk for the 2017-2022 period.

E. Data Collection Techniques

The data collection method in this study is the documentation method, namely collecting information about the company PT. Telekomunikasi (Persero) Tbk, in the form of financial reports through the official website of the Indonesia Stock Exchange namely www.idx.co.id.

F. Data Analysis Techniques

Technique The data analysis used in this research is quantitative analysis which means that the data analysis can be calculated.

Writer using the financial performance analysis method with the Economic Value Added (EVA) method with the formula:

1. Calculate NOPAT (net operating profit after tax)

NOPAT is operating profit after deducting income taxes, but includes financial expenses and non-cash accounting items such as depreciation charges.

NOPAT can be obtained from a company's profit report, namely data regarding net profit after tax and the amount of interest expense incurred by the company.

NOPAT is calculated as follows:

$$\text{NOPAT} = \text{EBIT} (1 - \text{tax})$$

where:

- a) EBIT = Earnings Before Interest And Tax

- b)
$$\text{taxes} = \frac{\text{Beban Pajak}}{\text{Laba Sebelum Pajak}}$$

2. Calculation of investment capital

Capital invested can be obtained from the company's balance sheet, namely data on total debt, total equity, short-term interest-free loans including commercial debt, liabilities, trade payables and customer advances.

$$\text{Capital invested} = (\text{Total debt and equity}) - \text{Short term debt}$$

3. Calculate WACC (weighted average cost of capital).

WACC is the total cost of each capital component, namely short and long term loans and principal payments as a percentage of the company's capital structure.

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

Information:

$$\text{a) Capital Level (D)} = \frac{\text{Total Hutang}}{\text{total hutang dan Total Ekuitas}}$$

$$\text{b) Cost Of Debt (rd)} = \frac{\text{Beban Bunga}}{\text{Total Hutang}}$$

$$\text{c) Capital \& Equity Level (E)} = \frac{\text{Total Ekuitas}}{\text{Total Hutang dan Total Ekuitas}}$$

$$\text{d) Cost Of Equity (re)} = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Ekuitas}}$$

$$\text{e) Taxes} = \frac{\text{Beban Pajak}}{\text{laba bersih sebelum pajak}}$$

4. Calculating Capital Charges

Cost capital is the cash flow required to reimburse investors for the business risks of invested capital. The cost of capital is the rate of return that a company must earn on investment in a project to maintain the stock's market value.

$$\text{Capital Charges} = \text{WACC} \times \text{Investment capital}$$

5. Calculating EVA ((Economic Value Added)

EVA measures business performance by looking at all the capital expenditures that a business uses to generate profits.

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

Or

$$\text{EVA} = \text{NOPAT} - (\text{WACC} \times \text{Invested Capital})$$

Economic value added (EVA) criteria according to Wijayanto in Nurmala (2016: 181) are as follows:

1. If $\text{EVA} > 0$, then there has been added value in the company
2. If $\text{EVA} < 0$, then it shows that there is no economic value added process for the company.
3. If $\text{EVA} = 0$, it indicates a breakeven position because all profits have been used to pay the obligations of the funders, both creditors and shareholders.

RESULTS AND DISCUSSION

1. Calculating NOPAT (Net Operating Profit After Tax)

Table 2. Analysis of Net Operating Profit After Tax (NOPAT) of PT. Telecommunications (Persero) Tbk. 2017-2022.

Year	Profit before interest and tax (Ebit) (a)	Tax (Tax) (b)	Nopat C = (ab)
2017	42,659,000	23.34%	32,702,000
2018	36,405,000	25.89%	26,979,000
2019	37,908,000	27.21%	27,593,000
2020	38,775,000	23.75%	29,565,000
2021	43,678,000	22.27%	33,950,000
2022	36,339,000	23.82%	27,683,000

Source: Processed Data for 2023

Based on NOPAT calculation results at PT. Telecommunications (Persero) Tbk. From 2017 to 2022, we saw NOPAT fluctuate. In 2017 the NOPAT value was IDR 32,702,000, in 2018 the NOPAT value decreased by IDR 26,979,000. Meanwhile, in 2019-2021 there were consecutive increases of IDR 27,593,000, IDR 29,565,000 and IDR 33,950. This is because the company reduces costs incurred such as connection fees, finance costs, other income, depreciation costs while the company's income increases so that it affects the company's profit increase. However, in 2022, NOPAT will decrease again, namely IDR 27,683,000. This is because companies can rationalize their expenses such as marketing costs, operational costs and telecommunications services.

2. Count Invested Capital

Table 3. Analysis of Invested Capital (IC) PT. Telecommunications (Persero) Tbk. 2017-2022.

Year	Total debt and equity (a) (Million Rp)	Short term debt (b) (Million Rp)	Invested capital (c) = (ab) (Million Rp)
2017	198,484,000	45,376,000	153,108,000
2018	206,196,000	46,261,000	159,935,000
2019	221,208,000	58,369,000	162,839,000
2020	246,943,000	69,093,000	177,850,000
2021	277,184,000	69,131,000	208,053,000
2022	275,192,000	70,388,000	204,804,000

Source: Processed Data for 2023

Based on the calculation results of Invested Capital PT. Telecommunications (Persero) Tbk. From 2017 to 2022. It can be seen that Invested Capital has fluctuated. In 2017 the IC value was IDR 153,108,000. Furthermore, in 2018-2021 the IC value has increased successively, namely Rp. 159,935,000, Rp. 162,839,000, Rp. 177,850,000 and in 2021 it is Rp. 208,050,000. Until 2022 Invested Capital has decreased by IDR 204,804,000. Because the risk-free interest rate is higher than the market rate of return. Therefore, the ability of PT. Telekomunikasi (Persero) Tbk from 2017 to 2022 in creating company performance through Invested capital analysis can be said to be not good,

3. Calculating WACC (Weight Average Cost of Capital).

Table 4. Calculation of the Weighted Average Cost of Capital (WACC) PT. Telecommunications (Persero) Tbk 2017-2022

Year	D (%)	Rd (%)	taxes (%)	E (%)	Re (%)	WACC (%)
2017	43.50%	3.20%	23.34%	56.49%	29.16%	17.54%
2018	43.11%	3.94%	25.89%	56.88%	22.99%	14.34%
2019	47%	4.07%	27.21%	53.00%	23.53%	13.86%
2020	51.04%	3.58%	23.75%	48.95%	24.45%	13.36%
2021	47.54%	3.31%	22.27%	52.45%	23.34%	13.46%
2022	45.76%	3.20%	23.82%	54.23%	18.54%	11.17%

Source: Processed data for 2023

Based on the results of PT. Weight Average Cost of Capital (WACC) calculations. Telecommunications (Persero) Tbk, from 2017 to 2022, it can be seen that WACC is experiencing

fluctuations. In 2017 it can be seen that the average cost WACC was 17.54%. In 2018 WACC decreased to 14.34%, this was due to a decrease in the company's cost of equity. From 2019 to 2022, it continues to experience a significant decline, namely 13.86%, 13.36%, 13.46% and in 2022 it will be 11.17%.

Therefore, the ability of PT. Telekomunikasi (Persero) Tbk, 2017 to 2022 in creating company performance through WACC analysis can be said to be not good, especially in 2017 because of the high WACC value so that the rate of return on investment or projects is still smaller than the company's WACC value.

4. Calculating Capital Charges

Table 5. PT Capital Charge Calculation. Telecommunications (Persero) Tbk 2017-2022

Year	WACC (a) (%)	Invested Capital (b) (Million Rp)	Capital Charge (c) = (axb) (Million Rp)
2017	17.54%	153,108,000	26,855,143
2018	14.34%	159,935,000	22,934,679
2019	13.86%	162,839,000	22,569,485
2020	13.36%	177,850,000	23,760,760
2021	13.46%	208,053,000	28,003,933
2022	11.17%	204,804,000	22,876,606

Source: Processed Data for 2023

Based on the table above, it shows that the Capital Charge value of PT. Telecommunications (Persero) Tbk from 2017 to 2022 fluctuates. Where in 2017 the value of the Capital Charge was IDR 26,855,143, then in 2018-2019 the value of the Capital Charge decreased sequentially by IDR 22,943,679 and IDR 22,569,485. then in 2020-2021 there was an increase of IDR 23,760,760 and IDR 28,003,933, and in 2022 it again decreased by IDR 22,876,606.

5. Calculating Economic Value Added (EVA)

Table 6. PT. Economic Value Added (EVA) Calculation Results. Telecommunications (Persero) Tbk 2017-2022.

Year	EVAs (Million Rp)
2017	5,846,857
2018	4,044,431
2019	5,023,515
2020	5,804,240
2021	5,946,067
2022	4,806,394

Source: Processed Data for 2023

Based on the table above shows the results of financial performance analysis using Economic Value Added (EVA) at PT. Telecommunications (Persero) Tbk from 2017 to 2022 will experience many fluctuations. In 2017 the EVA value was IDR 5,846,857, in 2018 the EVA value fell to IDR 4,044,431 and in 2019-2021 the EVA value increased to IDR 5,023,515, IDR 5,804,240 and IDR 5,946,067, this was due to the high NOPAT value relative to the low cost of capital compared to other years' EVA values, in 2022 the EVA value will fall again to IDR 4,806,394, because this year's NOPAT value is similar to the relatively low cost of capital. It can also be seen that the EVA value obtained in 2017 to 2022 is positive, meaning that the company's after-tax profit is higher than the cost of capital.

RESEARCH RESULTS AND DISCUSSION

After data analysis was carried out using the Economic Added Value (EVA) method, where Economic Added Value (EVA) is a method that uses capital costs in its calculations at PT. Telecommunications (Persero) Tbk. Based on the data above, it can be seen that the Economic Value Added (EVA) of PT. Telecommunications (Persero), Tbk in the 2017-2022 period tends to increase and EVA has a positive value > 0 (positive), which means that in this position the company

leadership has succeeded in creating added economic value for the company. This means that the after-tax operating profit earned by the company over the last six years has increased more than the total cost of capital issued by the company, so that the company's financial performance is at a good level.

This is in accordance with the basic discussion on this matter, that the company's financial performance is good, as evidenced by profits that tend to increase when measured based on accounting profit. Conversely, if it is measured based on economic profit, even though it calculates EVA minus the cost of capital, the results show that the value of EVA tends to increase.

PT. Telekomunikasi (Persero), Tbk for the 2017-2022 period is measured using the economic value add (EVA) method, the results tend to increase and have a positive value, indicating good financial performance, showing a positive value ($EVA > 0$) which means that the Company can offer economic added value to investors who have invested their capital, as well as rewards that are higher than the cost of capital. This reflects the company's good financial position and meets investor expectations.

CONCLUSION

Based on the results of research and discussions carried out by researchers regarding the financial performance analysis of PT Telekomunikasi (Persero), Tbk using the Economic Value Added (EVA) method for the period 2017 to 2022, the researcher can conclude: Based on the 2017 to 2022 EVA analysis carried out by PT Telekomunikasi (Persero), Tbk's financial performance is in good condition and tends to increase with a value greater than zero or positive EVA. This means that increasing EVA can be said to be good because the company can create added economic value for the company and maximize company profits because it has met investors' investment expectations and has the best performance.

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