

Financial Performance Assessed From Economic Value Added (EVA) and Market Value Added (MVA) Cases in the Cosmetics Sub-Sektor and Household Needs Listed On the BEI

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Abstract

Assessment of financial performance is an activity that is very important for companies, especially investors as a material consideration in making investment decisions. The methods used to measure financial performance include the economic value added and market value added. The purpose of this study is to determine of financial performance using EVA and MVA method in the cosmetics sub-sector and household need listed on the BEI and what factors cause negative eva and mva value in the company. The analysis technique used is quantitative descriptive analysis with samples of 3 companies. The results of the study indicate that PT. Akasha Wira Internasional Tbk has a negative EVA value for 2013-2015 year and positive value for 2016-2017 year. Whereas, MVA is positive value for 2013-2016 year and negative value in 2017 year. PT. Martina Berto Tbk has EVA and MVA which are negative value during the study period, namely 2013-2017 year. PT. Unilever Indonesia Tbk has EVA and MVA which are positive value during the study period, namely 2013-2017 year. EVA is negative value because the rate of return on net operating profit after tax (nopat) is less than capital charges. Whereas, MVA is negative value because value of the company is less than invested capital.

Keywords

Economic Value Added (EVA); Market Value Added (MVA)



I. Introduction

The development of today's business world requires companies to improve their performance in order to be able to compete and maintain their existence in the local market and global market. Stakeholders require investors to need financial statement analysis to improve the company's financial performance as a basis for increasing investment so love. Romdonny and Rosmadi (2019) stated that the development of business organizations depends on the quality of the products they produce. The better the product produced and useful, the more consumers will enjoy it, especially to meet their daily needs. The quality of products that are in great demand by consumers can be seen from several factors including packaging, price, quality, and benefits obtained by consumers. With good product quality it will have an impact on consumer loyalty and increase revenue for producers. The products that have good quality will have an impact on increasing consumer loyalty.

Financial assessment in general can be done using several financial analysis tools, one of which is financial ratio analysis. In practice, the financial ratio analysis used has many functions and uses for the company in decision making, not that the financial ratios made have reached 100% real conditions and financial position (Kasmir, 2010: 103). Using financial ratio analysis has a major disadvantage, namely not considering the risks associated with the company related to involving the cost of capital. To overcome the

weaknesses of financial ratio analysis, the concept of financial improvement based on added value is developed, namely Economic Added Value (EVA) and Value Added Market (MVA).

The use of financial ratio analysis has a major weakness, namely not paying attention to the risks faced by the company by ignoring the cost of capital. To overcome the weaknesses of financial ratio analysis, the concept of measurement financial performance based on value added namely economic value added and market value added was developed.

Cosmetics are a product that is used in the human body to beautify, cleanse, promote attraction, or change appearance without affecting body functions (Hasibuan et al, 2019). The cosmetics and household needs sub-sector is part of the consumer goods industry sector listed on the Indonesia Stock Exchange. In 2018, cosmetic companies face a tough challenge. In addition to increasing competition between companies, the number of imported products has become a distinct obstacle for cosmetic companies in revenue. In 2017, the majority of shares in cosmetic companies declined.

The decline in shares was also experienced by PT. Martina Berto Tbk (MBTO) experienced a decline of 27.01% to level 135 in trade at the beginning of 2017. PT. Kino Indonesia Tbk (KINO) closes 2017 with the share price at the level of 2,120 or decreases by 30.03% since the opening of the first day in 2017, (source: m.bisnis.com).

PT martika Tbk is a cosmetics and household company that manufactures and markets cosmetic goods and traditional medicines (herbal medicine). The following is the calculation of the value of eva and mva of PT. Martina Tbk in 2013 until 2017 can be seen through the following table:

Table 1. Economic Value Added PT. Martina Berto Tbk

Year	NOPAT	Invested Capital	WACC	Capital Charges (IC x WACC)	EVA
2013	27.931	498.085	5,8%	28.889	(958)
2014	11.814	507.699	5,3%	26.908	(15.094)
2015	(13.344)	499.838	2,2%	10.996	(24.340)
2016	30.854	554.675	6,6%	36.608	(5.754)
2017	(20.807)	528.422	4,1%	21.665	(42.472)

Source: PT. Martina Berto Tbk (data processed) Expressed in millions of rupiah

From table 1 it can be seen that PT. Martina Berto Tbk from 2013-2017 shows a negative EVA value. Although EVA has increased in 2016 but EVA can be seen as a negative value where according to Rudianto in Sari and Wijyantini (2018: 70) $EVA < 0$ or negative EVA indicates that there is no process of adding economic value to the company.

Table 2. Market Value Added PT. Martina Berto Tbk

Year	Number of shares outstanding (millions of sheets)	Stock price (rupiah)	The value of the company (millions of rupiah)	Invested Capital (millions of rupiah)	MVA (millions of rupiah)
2013	1.070	305	326.350	498.085	(171.735)
2014	1.070	200	214.000	507.699	(293.699)
2015	1.070	140	149.800	499.838	(350.038)
2016	1.070	185	197.950	554.675	(356.725)
2017	1.070	135	144.450	528.422	(383.972)

Source: PT. Martina Berto Tbk (data processed)

From table 2 it can be seen that MVA at PT. Martina Berto Tbk in 2013 until 2017 continues to show negative values. According to Young and O'Byrne in Sari and Wijyantini (2018: 70). <0 or negative MVA shows that the issuer has not succeeded in increasing the value of capital. That is, the management has not had a good performance.

1.1 Problem Statement

The following below is a research problem statement:

1. $EVA < 0$ or EVA is negative at PT Martina Berto Tbk from 2013 to 2017.
2. $MVA < 0$ or MVA is negative at PT Martina Berto Tbk from 2015 to 2017.

1.2 Research Questions

Based on the background and identification of the problems above, the formulation of the problems to be discussed by the authors in this study are:

1. What is the financial performance if you use the Economic Value Edited (EVA) and Market Value Added methods in assessing financial performance?
2. In assessing financial performance what factors influence the company?

1.3 Purpose of the Study

Based on This research problem can be formulated as follows:

1. To find out how to report the financial performance of cosmetics sub-sector companies and household needs on the IDX.
2. To find out what factors influence the value of EVA and MVA negatively on companies in the cosmetics sub-sector and household needs listed on the IDX.

II Research Method

Population is a complete group of elements, usually in the form of people, objects, transactions, or events where we are interested in learning or becoming the object of research. The population in this study were all companies in the cosmetics and home necessities sub-sector on the IDX for the 2013-2017 period as many as 5 companies.

Samples are a portion of the population that is the actual source of data in research that is taken using certain methods. The sample in this study are 3 cosmetic sub-sector companies and household needs that are listed on the IDX with the following criteria:

1. Is a cosmetics and household needs sub-sector company that includes annual reports on the IDX for the period 2013-2017.
2. Have complete data for research for the 2013-2017 period.

Table 3. List of Sample Company Names

No	Company Code	Company Name
1	ADES	PT. Akasa W. Intr Tbk
2	MBTO	PT. Martina Berto Tbk
3	UNVR	PT. Unilever Indonesia Tbk

Source: www.sahamok.com

Data Analysis Techniques

The analysis technique carried out in this research is quantitative descriptive analysis, interpreting data so that it can make complete information for solving research problems. Stages - stages of data analysis:

1. Obtain the required data from the annual financial report for the period 2013-2017.

2. Calculating EVA and analyzing it based on MVA benchmarks.
EVA = NOPAT - (WACC x Invested Capital) formula
3. Calculating Market Value Added (MVA) and analyzing it.
MVA Formula = Company Value - Invested Capital
4. Draw conclusions based on the results of these calculations.

III. Discussion

Findings

What is the financial performance of the cosmetic and household sub-sector companies listed on the IDX if they use the method of Economic Value Added (EVA) and Market Value Added (MVA)? It can be seen that the financial performance of the Cosmetics and Household Purposes Sub Sector Companies Registered on the IDX has not been good, which can be seen as a negative EVA value at PT. Akasha Wira International Tbk in 2013 until 2015. Negative EVA was also experienced by PT. Martina Berto Tbk in 2013 until 2017. According to Rudianto in Sari and Wijyantini (2018: 70) EVA <0 or EVA is negative means there is no process of adding economic value to the company, in the sense that the profit generated cannot meet the expectations of creditors and shareholders of the company (investors). Whereas, for negative value of MVA experienced by PT. Akasha Wira International in 2017 and PT. Martina Berto Tbk in 2013 until 2017. According to Young and O'Byrne in Sari and Wijyantini (2018: 70) MVA <0 or MVA is negative, which means that the company has not succeeded in increasing the value of capital invested by funder.

What factors influence the negative value of economic value added and market value added Cosmetics Sub-Sector Companies and Household Needs Registered on the IDX? that PT. Askha Intr. Tbk experienced negative EVA in 2013-2015 and PT. Martina Berto Tbk experienced negative EVA in 2013-2017. EVA <0 or EVA is negative because the after-tax operating profit (NOPAT) is smaller than the capital cost or Capital Charges (WACC x IC) resulting in a negative EVA (Sawir, 2009). "This condition is consistent with the research conducted by Meutia Dewi (2017) regarding the assessment of financial performance using the EVA method at PT. Krakatau Steel Tbk where in 2016 EVA is negative because the after-tax operating profit (NOPAT) is smaller than the capital cost (Capital Charges). Capital costs that exceed the rate of return on OPAT (operating profit after tax) are what cause EVA to be negative in 2016 ". Although the value of EVA is still negative but by entering EVA values into the company's financial statements, investors can see the true value of the company. To be able to create added value the company can be done by means of companies must be able to increase operating profit without additional capital. Because, if NOPAT increases while the cost of fixed capital, then the company EVA also increases. Meanwhile, MVA <0 or MVA is negative experienced by PT. Akasha Wira International Tbk in 2017 and PT. Martina Berto Tbk in 2013-2017. This negative value of MVA is caused because the Company Value (Circular Share x Stock Price) is smaller than the value of Invested Capital which results in a negative MVA. Where according to Keown in Firdausi et al (2017: 1417) mva is the value of the company minus the invested capital. If the MVA is negative, it means that the company does not succeed in increasing the value of capital invested by funders because the value of the company is smaller than the capital invested. The assessment of financial performance with the MVA method is needed by investors to see the extent to which a company ability to manage invested capital is greater. So to create market added value can be done by increasing the value of the company and controlling the amount of capital invested. That way, MVA will increase.

IV. Conclusion

Based on the calculation of eva and mva, the overall financial performance of cosmetics companies shows a performance that has increased and decreased (fluctuated). Financial performance of PT. Unilever Indonesia Tbk is the best compared to PT. Akasa Intr Tbk and PT. Martina Berto Tbk. This is indicated by the EVA and MVA values which are always positive and have increased every year during the study period. Second is PT. Akasha Wira International Tbk which shows a fairly good eva and mva value where the company managed to create positive EVA values in 2016-2017 and positive MVA in 2013-2016. Meanwhile, PT. Martiana Berto Tbk shows poor financial performance. This can be seen from the EVA and MVA values which are always negative during the study period.

EVA value < 0 or negative is due to the rate of return on net operating profit after the tax generated by the company is smaller than the cost of capital. This means that company management has not been able to create added value for the company and has not been able to meet the expectations of providers of funds, especially shareholders. Whereas MVA < 0 or negative value due to company value of capital invested by company funders, which means that the company has not succeeded in increasing the value of capital invested by funders, which means that management has reduced the company's wealth and wealth of shareholders.

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