

**ANALYZING THE FINANCIAL PERFORMANCE OF PT. ASTRA INTERNATIONAL TBK PERIOD 2015-2019 USING ECONOMIC VALUE ADDED (EVA)****ANALISA KINERJA KEUANGAN PT. ASTRA INTERNATIONAL TBK PERIODE 2015-2019 DENGAN MENGGUNAKAN NILAI TAMBAH EKONOMIS (EVA)**

By:

**Bela K. Mahipe<sup>1</sup>**

<sup>1</sup>International Business Administration, Management Program  
Faculty of Economics and Business  
Sam Ratulangi University Manado

E-mail:

[belamahipe@gmail.com<sup>1</sup>](mailto:belamahipe@gmail.com)

**Abstract:** Financial performance is an indicator of the company's success in managing the finance functions. EVA method is very good to measure financial performance because it can describe the actual of company value. This study uses descriptive studies with the aim to provide an overview of the aspects that are relevant in this case to help managers make decisions for the company. Objective of this study is to examine the economic value added (EVA) approach, which is a value-based performance measurement method, and the calculation of this approach from the methods used to measure financial performance. In this context, an application has been presented for the examination and comparison of holdings and investment companies in terms of economic value, using annual financial statement data of PT. Astra International. The samples used in this study were the financial statements of PT. Astra International Tbk from 2015 to 2019.

**Keywords:** economic value added, financial performance

**Abstrak :** Kinerja keuangan merupakan indikator keberhasilan perusahaan dalam mengelola fungsi keuangan. Metode EVA sangat baik untuk mengukur kinerja keuangan karena dapat menggambarkan aktual nilai perusahaan. Penelitian ini menggunakan studi deskriptif dengan tujuan untuk memberikan gambaran tentang aspek-aspek yang relevan dalam hal ini untuk membantu manajer membuat keputusan bagi perusahaan. Tujuan penelitian ini adalah untuk memeriksa pendekatan nilai tambah ekonomi (EVA), yang merupakan metode pengukuran kinerja berbasis nilai, dan perhitungan pendekatan ini dari metode yang digunakan untuk mengukur kinerja keuangan. Dalam konteks ini, sebuah aplikasi telah dihadirkan untuk pemeriksaan dan perbandingan pemotongan dan perusahaan investasi dalam hal nilai ekonomis, menggunakan data laporan keuangan tahunan PT. Astra International. Sampel yang digunakan dalam penelitian ini adalah laporan keuangan PT. Astra International Tbk dari tahun 2015 hingga 2019.

**Kata kunci:** nilai tambah ekonomi, kinerja keuangan

## INTRODUCTION

The company as a form of organization generally has a specific goal to be achieved in order to meet the interests of its members. Success in achieving the objectives of the company is the achievement of management. Assessment of achievement or performance of a company is measured because it can be used as a basis for decision making both internal and external parties. A company grows and develops along with the increased activity of running a company. Construction of the company's growth demands the ability and expertise of managers in the conduct of its business, including the ability to make decisions to the problems faced by the company. One goal of the company is to get the optimum benefit and advantage for investors. Responsibility to the whole becomes very important investors so that it is demanding the company to weigh all of the strategies that were taken and the impact to investors. Investors are constantly looking for ways to formulate more accurate performance measures to help better evaluate and predict the profits of a company. Companies tend to produce more profitable larger return on investment.

To be able to find out the advantages of the company then every company must have a company's financial reports. The company's financial reports can be used as information to assess the financial performance of the company. The financial statements of the company have not been able to provide meaningful information, due to the historical nature of financial statements i.e. presents data or information that has been going on. So that the required processing back financial statements to be able to organize the information contained in the financial statements by conducting an analysis of the financial reports, so as to provide a more systematic and accurate.

PT. Astra International Tbk (ASII) notes net profit down 25 percent in 2015. The company posted a net profit down to Rp 14.46 trillion in 2015 from the same period of the previous year of Rp 19.19 trillion. Net profit was down it pushed revenue slumped 9 percent to Rp 184.19 trillion in 2015. By looking at the performance of that, earnings per share were down 25 percent to Rp 357 in 2015 than in the same period of the previous year of Rp 474. Along with the development experienced by the company, then companies need to conduct analysis of financial performance, it is meant to know position or financial condition occurs on the company. In 2016, PT. Astra International (ASII) notes their earnings per share decreased 22% to Rp 77, PT. Astra International Tbk consolidated net income declined 41.9% to Rp 7 trillion, while the net profit was down 22% to Rp 3.1 trillion.

As for the tools that can be used to assess a company's financial performance is the EVA (Economic Value Added) that can be used as a tool for measuring the financial performance of companies that successfully developed the experts in the study of the investment company. Economic Value Added is a measure of economic profit. Economic Value Added is calculated as the difference between the Net Operating Profit After Tax (NOPAT) and the opportunity cost of invested Capital. This opportunity cost is determined by multiplying the Weighted Average Cost of debt and equity Capital (WACC) and the amount of Capital employed. The formula for Economic Value Added is  $EVA = NOPAT - WACC * Capital$  alternatively, we can calculate Economic Value Added by multiplying Capital by the difference between the Return on Capital (ROC) and the WACC.  $EVA = Capital * (ROC - WACC)$  the two formulas are strictly equivalent and allow us to view EVA from different perspectives. Researchers began to study Economic Value Added, or EVA, which was introduced in 1991 by Stern Stewart & Co in their book, "The Quest for Value". Stern Stewart & Co devised EVA as a better alternative to evaluate investment projects within the corporate finance field. It later came to be considered as a performance metric for investor use.

### Research Objectives

The Objective of this research is to identify the financial performance of PT. Astra International Tbk based on the Economic Value Added in period of 2015-2019.

## THEORETICAL REVIEW

### Financial management

Financial management means the management and control of money and money-related operations within a business (Lasher, 2010:6). That is why the financial management is needed by the company to manage all the financial activities in order to maintain the economics value. Financial management is the process of planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization.

### Financial performance

Financial performance is an analysis aimed to look whether the company has managed its financial based on rules or not (Fahmi, 2014). The benefit of financial performance analysis is to give the information about company prospect in a financial perspective and as an important part of running a growing business. Many businesses fail because of poor financial management in performance.

### Financial statement

According to Harvey (2012), financial statement is a report of basic accounting data that helps investors understand a firm's financial history and activities. Financial statements for businesses usually include income statements, balance sheets, statements of retained earnings and cash flows. It is standard practice for businesses to present financial statements that adhere to generally accepted accounting principles (GAAP) to maintain continuity of information and presentation across international borders. Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing or investing purposes.

### Economic value added

According to Young and O'Byrne (2001:17), the sense of the EVA is based on the idea of an economical advantage, stating that wealth is only created when a company includes operational and capital costs. Economic value added (EVA) is the operating profit after tax is reduced by the cost of capital from all over the capital to generate profit. Operating profit after tax result describes the creation of the value (value) in the company, while the cost of capital can be defined as a sacrifice that is issued in the value creation (Steward, 1997:10).

### Previous Research

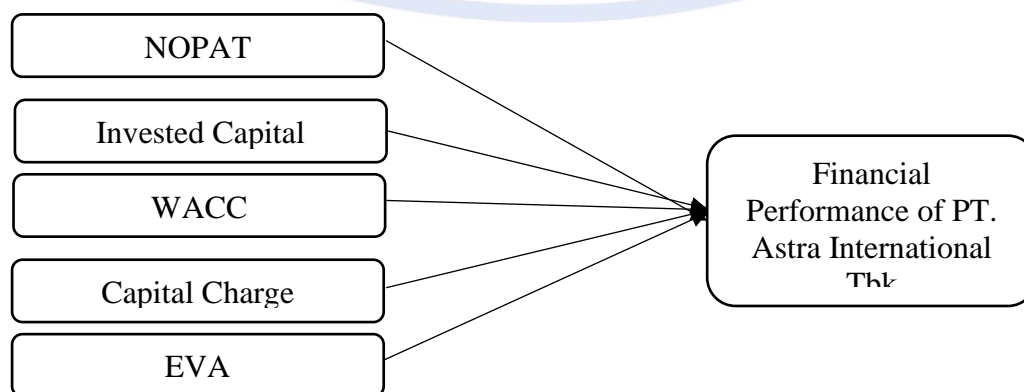
This study shows the importance of analysis of financial performance of Public Sector Undertaking. The concept of economic value added was given by the Stern Stewart & Co. in order to measure the surplus value created by investment in 1991.

This paper attempts to make an analysis of the performance of selected companies using Economic Value Added (EVA). Under the study of this research, three companies from Indian Aviation Industry have been considered – Interglobe Aviation Ltd, Jet Airways, SpiceJet. Financial Statements and information of these companies have been analysed for the calculation of EVA and it is further used as a factor for calculation of value of these companies in order to support and provide convenience to investor decision making.

The purpose of the authors conducted this study is to determine the financial performance of companies using EVA method showed positive or negative development in the period 2014 - 2016. This study uses descriptive quantitative analysis method. Methods of data analysis in the form of numbers which are then described as the cause of the variables of the study. The result of EVA method analysis to measure financial performance shows positive development within 3 years ie  $EVA > 0$ , hence has happened value added economics and company financial performance can be said good.

### Conceptual Framework

To provide a clear and systematic overview, the following picture presents a research framework and as a guideline in the overall research that will be conducted.



**Figure 1. Conceptual framework**

*Source: Authors, 2020*

**RESEARCH METHOD****Type of Research**

The research in this study is a quantitative method and will be collected from secondary data. In this study, the type of research is required the existence of data to complete the research, does it mean to know the financial performance of the company through analyzing financial statements.

**Population**

This research carried out in population is the entire group, events, or things that the researcher desires to investigate Sekaran and Bougie (2009:4). Based on that, this research population is all financial statement of PT. Astra International Tbk.

**Sample**

According to Sekaran and Bougie (2009) sample is a subset of a population that comprises some members selected from it. This research has used judgment sampling method. Based on that the sample that is used in this research are the financial statement of PT. Astra International Tbk from 2015-2019.

**Data Collection Method**

This research uses secondary data from data from books and journals also financial statement of PT. Astra International Tbk.

**Library Research**

The researcher also collects the necessary data by way of reading literature, reference materials, courses, and research results that are relevant to the case that will be discussed.

**Company Documentation**

This data is obtained through the Indonesia stock exchange official site <https://www.astra.co.id/> by taking the financial reports data and annual reports of PT. Astra International Tbk.

**Secondary Data**

Secondary data is the data already collected in some other context than the present study (Robson and Mc Cartan, 2016).

**Operational Definition of Research Variables****Table 1. Definition of Research Variables**

No.	Variables	Definition	Indicator
1.	Financial Statement	The basic document which provides information and recommendation about the financial position, performance and changes at PT Astra International Tbk period 2015-2019	- Balance sheet - Income statement - Cash flow

Source: Author's, 2020

**Data Analysis Method****Economic Value-Added Analysis**

EVA is a financial management method used to measure economic profit. The company welfare only created when a company able to pay all operating costs and capital costs (Tunggal, 2001). ). EVA can be useful as a performance guidance tool, rather than simply as a measurement tool, provided it is associated with the indicators of activities that create or destroy value in the firm (Bahri, St-Pierre, & Sakka, 2011).

**RESULTS AND DISCUSSION****Results**

The value of EVA from 2015 to 2019 has a positive value which means PT. Astra International Tbk producing value from the funds invested in it and a positive EVA shows a project is generating returns in excess of the required minimum return

**Net operating after tax**

The result show the value of NOPAT as great as the profit obtained which means more profit then higher NOPAT of PT. Astra International Tbk.

**Invested capital**

The result show the value of Invested Capital is in good condition during last 5 years from 2015-2019.

**Capital charge**

The computation of the economic profit of a business by its finance department involves subtracting its capital charge from its net operating profit.

**Economic value added**

The result shows the company creates added value and the welfare of the shareholders and the company in achieving success shows a profit for shareholders. Although the value of Economic Value Added experience fluctuations but  $EVA > 0$  and a positive value means that the management of the company has succeeded in creating economic added value for the company, so the company is in good shape.

**Table 2. Net Operating After Tax**

Year	Profit	Income Tax	NOPAT
In Billion Rupiah			
2015	19,630	4,017	15,613
2016	12,104	446	11,658
2017	14,394	617	13,777
2018	34,995	7,623	27,372
2019	34,054	7,433	26,621

Source: Data Processed, 2020

Table 2 shows that the significant value of the NOPAT is in 2018 reach 27,372 billion as the company gained profit of 34,995 billion meanwhile, the lowest value occurred in 2016 which reached 11,658 billion only made a profit of 12,104 billion throughout the year. So it can be stated that NOPAT does not have a problem during the last 5 years.

**Table 3. Invested Capital**

Year	Total Liabilities & Equities	Current Liabilities	Invested Capital
In Billion Rupiah			
2015	245,435	76,242	169,193
2016	68,438	20,359	48,079
2017	77,990	19,792	58,198
2018	344,711	116,467	228,244
2019	351,958	99,962	251,996

Source: Data Processed, 2020

Table 3 shows that the significant value of Invested Capital is in 2019 reach 251,996 billion meanwhile the lowest value in 2016 only reach 48,079 billion. So it can be stated that ongoing capital investment tends to reduce earnings growth in the short term.

**Table 4. Weighted Average Cost of Capital**

Year	Capital Levels (D)	Cost of Debt (Rd)	1 - Tax	E	Re	WACC
2015	48,44%	3,21%	0.795365	51,55%	12,33%	0.0759
2016	46,57%	5,30%	0.822451	53,42%	13,08%	0.2185
2017	47,09%	5,02%	0.793431	52,90%	14,81%	0.0971
2018	49,41%	5,76%	0.782169	50,58%	15,69%	0.1016
2019	46,93%	6,71%	0.781729	53,06%	14,25%	0.1002

Source: Data Processed, 2020

Table 4 shows that in 2016 has the highest value of WACC reach 0.2185 in 2016 and the lowest is in 2017 which only reach 0.0971 which means for PT. Astra International Tbk to decide to increase its use of cheaper financing sources. For instance, PT. Astra International Tbk may issue more bonds instead of stock because it can get the financing more cheaply.

**Table 5. Capital Charge**

Year	WACC	Invested Capital	Capital Charge
		In Billion Rupiah	
2015	0.0759	169,193	12,841
2016	0.2185	48,079	10,505
2017	0.0971	58,198	5,651
2018	0.1016	228,244	23,189
2019	0.1002	251,996	25,249

Source: Data Processed, 2020

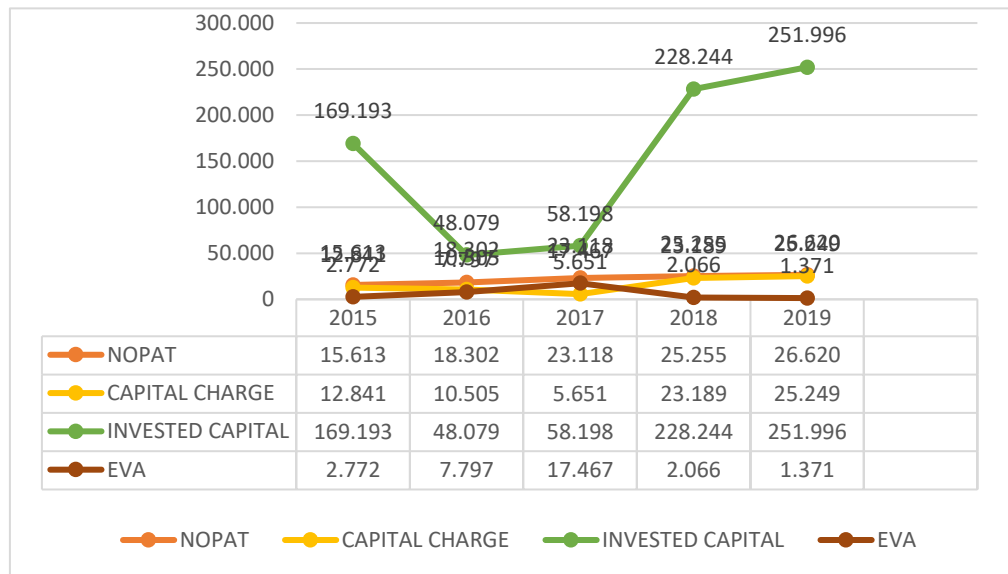
Table 5 shows the value of Capital Charges that poured shows results fluctuations throughout the year can be seen from the year 2019 with obtaining the highest value 25,249 billion. The lowest values occur in numbers 5,651 billion in 2015, rising capital costs occurred due to operating capital issued by the company also increased during the year 2015-2019.

**Table 6. Economic Value Added**

Year	NOPAT	Capital Charge (In Billion)	EVA
2015	15,613	12,841	2,772
2016	18,302	10,505	7,797
2017	23,118	5,651	17,467
2018	25,255	23,189	2,066
2019	26,620	25,249	1,371

Source: Data Processed, 2020

Table 6 shows the value of EVA from 2015-2019 has a positive value which means PT. Astra International Tbk is able to produce from the funds invested in it and generate return in excess of required minimum return.



**Figure 2. Nopat, Capital Charge, Invested Capital & Eva Ratio**

*Source: Data Processed, 2020*

**2015-2019**

After calculating Net Operating Profit After Tax, Invested Capital, Weighted Average Cost of Capital, Capital Charges and Economic Value Added the companies sampled. The next step is to calculate Economic Value Added from overall calculations in the table for all the companies of the year 2015-2019 of PT. Astra International Tbk that generate positive Economic Value Added value. PT Astra International Tbk is able to create positive EVA or  $EVA > 0$  during a period of 5 years, in 2019 the EVA from PT Astra International Tbk is negative or 0 meaning  $< EVA$  but does not occur the process of adding economic value for the company within the meaning of the resulting profits do not meet the expectations of the shareholders. This result shows the overall economic value added generated by PT Astra International Tbk for the period of 2015-2019 been good to the owner of the company.

**Discussion**

In this research, the data was collected from secondary data who were categorized by gender, age, and revenue per month. This research aims to find out whether there is a significant influence of customer experience which are education experience, entertainment experience, esthetics experience and escapism experience on customer loyalty partially and simultaneously. And the result are education experience, entertainment experience, esthetic experience and escapism experience have significant influence on customer loyalty simultaneously. But as partially entertainment experience and esthetic experience doesn't has significant effect on customer loyalty while education experience and escapism experience has significant effect on customer loyalty.

**Net Operating After Tax**

Net operating after tax (NOPAT) NOPAT is the net profit after tax and measure the profit the company earned and net operating (Young & O'Byrne, 2001). Net operating after tax is profit gained from the operation of the company after deducting income taxes, but including financial cost. Based on the result of the result shows that are significant difference during year 2011 to 2016 if measure using NOPAT. The results are in accordance with the results from Analysis the Financial Performance of Corporations with the Methods Economic Value Added to PT Kalbe Farma Tbk shows that the value of the NOPAT is experiencing fluctuations with the highest value in 2019 reach 26,620 billion, as the company gained profit of 34,054 billion. The lowest values occur in the year 2016 reach 11,658 billion and only gained a profit of 12,104 billion during the year. The result show the value of NOPAT as great as the profit obtained which means more profit then higher NOPAT of PT. Astra International Tbk.

### **Invested Capital**

Based on the results of calculation of capital operation is experiencing fluctuations because the operating capital in the year 2017 is decreased 58,198 billion over the previous year which reach 169,193 billion. This decreased occurred throughout the year until the year 2018 has increased reach 228,244 billion. The calculation of capital operation in pour level it can be seen that the operating capital in the year 2016 has the lowest only 48,079 billion. In 2019, the Invested Capital reach 251,996 billion has the highest value which means the capital operation is in good condition. PT. Astra International Tbk reach the highest Invested Capital with 251,996 for last 5 years from 2015 to 2019.

### **Capital Charge**

The computation of the economic profit of a business by its finance department involves subtracting its capital charge from its net operating profit. Capital Charges was obtained with the multiplying WACC with invested capital. Capital charges shows how big the chance of capital that has been injected the creditors and shareholders. Capital Charges is the cash flow needed to replace the investors over risks of venture capital invested. (Amin w. Single, 2001:3). The value of Capital Charges that poured shows results fluctuations throughout the year can be seen from the year 2019 with obtaining the highest value 25,249 billion. The lowest values occur in numbers 5,651 billion in 2015, rising capital costs occurred due to operating capital issued by the company also increased during the year 2015-2019. This means the highest value in 2019 shows that how big is the chance of capital that has been injected by the creditors and shareholders.

### **Economic Value Added**

After calculating Net Operating Profit After Tax, Invested Capital, Weighted Average Cost of Capital, Capital Charges and Economic Value Added the companies sampled. The next step is to calculate Economic Value Added from overall calculations in the table for all the companies of the year 2015-2019 of PT. Astra International Tbk that generate positive Economic Value Added value. Positive EVA indicates that the rate of return generated by a company exceeds the cost of capital or the rate of return demanded by investors over its investments. While a negative EVA indicates that the rate of return demanded by investors or total cost of capital is greater than the operating profit after tax earned, so that the company's financial performance is not good. This situation shows that only the most successful companies do not create value for the owners of capital. Where the company is not able to realize the goal of the company is to maximize corporate value. Negative EVA indicates that the value of the company is reduced as a result of return investors demanded. The negative EVA due to the costs for financing capital measured by capital charge is greater than the company's NOPAT obtained.

For the company going public is able to create economic value added is one proof that the company is able to provide a rate of return for investors who infuse capital. So is also the case in PT. Astra International Tbk, creating economic added value is something that is very important especially for PT. Astra International Tbk is a general trading company in Indonesia. The value of the Economic Value Added at PT Astra International Tbk during a period of 5 years' experience a fluctuation. In 2015, EVA of PT. Astra International Tbk reaching 2,772 billion which is located on the third-lowest position. Instead in 2017, EVA of PT. Astra International Tbk managed to the first position 17,467 billion as the company gained profit of 14,394 billion shows that the financial performance has a good performance. Instead in 2018, the value of financial report has decreased to 2,066 billion shows that the financial performance has the second-lowest value during a period of 5 years. EVA of PT. Astra International Tbk has extremely decreased to 1,371 billion in 2019.

PT Astra International Tbk is able to create positive EVA or  $EVA > 0$  during a period of 5 years, in 2019 the EVA from PT Astra International Tbk is negative or 0 meaning  $< EVA$  but does not occur the process of adding economic value for the company within the meaning of the resulting profits do not meet the expectations of the shareholders. The lowest Economic Value Added occurs in the year 2019 down to 1,371 billion, this is due to the increasing of capital operations that affect the high cost of capital so that the value of Economic Value Added decreased. This result shows the overall economic value added generated by PT Astra International Tbk for the period of 2015-2019 been good to the owner of the company. This means the company creates added value and the welfare of the shareholders and the company in achieving success shows a profit for shareholders. Although the value of Economic Value Added experience fluctuations but  $EVA > 0$  and a positive value means that the management of the company has succeeded in creating economic added value for the company, so the company is in good shape. The results of the calculation of the Economic Value Added (EVA) can also be affected by the higher cost of capital, capital issued the smaller value of EVA. The economic value of the company will rise if the company is more efficient in the efficient use of capital.



**CONCLUSION AND RECOMMENDATIONS****Conclusions**

1. Based on the results of the research, the value of the Economy Value Added (EVA) have a significant effect on the value of the company at PT. Astra International Tbk period 2015-2019
2. Based on the results, the analysis show that the financial performance of PT. Astra International Tbk higher when viewed from Economic Value Added method based on the calculation of NOPAT, WACC, Invested Capital, and Capital Charge.

**Recommendation**

1. From the results, it is seen that the value of Economic Value Added (EVA) tends to increase and decrease. To maintain performance, then the PT. Astra International Tbk need to increase company profit and minimize the cost of capital, so the Economic value Added (EVA) increased to the optimum, and can bring prosperity to the shareholders.
2. For the company to further improve its financial performance, so the perception of the investors towards the development of the company in the future can be well guarded. The company is required to be increase the profits of the company, and the company is also expected to be pay attention to EVA the better, because this tool shows the financial risk of the company which will affect the interest of investors in investment decisions.

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