

EVA and Mva Analysis of State-Owned Enterprises in the Pharmaceutical Sub-Sector of Indonesia Stock Exchange

Ninin Non Ayu Salmah

Fakulty of Economy University of PGRI Palembang

Abstract: This study aims to analyze the economic value added (EVA) and market value added (MVA) obtained by state-owned enterprises in pharmaceutical sub-sector of Indonesia Stock Exchange and to test whether there is difference between EVA and MVA both between objects and between variables. The object of the research is state-owned enterprises incorporated in the pharmaceutical sub-sector of Indonesia Stock Exchange, namely PT. Indofarma (Persero) Tbk and PT. Kimia Farma (Persero) Tbk. Observation period for 3 years from 2014 to 2016. The result of the research is that there is no process of economic value added and there is a decrease of shareholder value of PT Indofarma (Persero) Tbk during 2 observation period but economic value added process and increase of shareholder value of PT Kimia Farma (Persero) Tbk during observation period, there is difference of EVA between state-owned enterprises in pharmaceutical subsector of Indonesia Stock Exchange and there is difference of MVA between state-owned enterprises in pharmaceutical subsector of Indonesia Stock Exchange.

Key Words: Economic Value Added, Market Value Added

Preliminary

The pharmaceutical industry in Indonesia has hope to continue to grow as the coverage of the National Health Insurance membership organized by the Social Security Administering Agency of Health continues to expand. The government encourages the growth of the pharmaceutical industry to succeed the program so that people get adequate and affordable health services along with the availability of medicines and medical devices. The development of the pharmaceutical industry will also encourage the development of upstream industries, especially raw materials and downstream industries as supporting the distribution of products, thus opening employment opportunities. The company also benefited from the scale of the business so that the owners of capital get high return.

Until 2016, the number of pharmaceutical companies in Indonesia is more than 100 companies but the listed companies in the Indonesia Stock Exchange are only 10 companies including 2 state-owned companies whereas capital needs for business expansion can be obtained through the capital market. State-owned shares are often hunted by investors as they are government stocks, investors believe in strong corporate fundamentals so that companies can share dividends on a regular basis and provide capital gains when transacted in the stock market.

Investors as shareholders of the company have an interest in the financial performance of the company in order to make a decision. Financial performance can be measured by financial ratios. Calculation by using ratio analysis is quite easy, but there are limitations that are inaccurate measurement results because it only uses

historical financial value data based on book value without considering market value of assets owned (Prasetya, 2015).

Economic value added (EVA) and market value added (MVA) approaches can be used to enrich the measurement of financial performance as a consideration in making stock investment decisions. Application of the EVA concept focuses on the creation of corporate value, MVA is the company's success in maximizing shareholder wealth by allocating appropriate resources. (Gulo and Ermawati, 2011).

Measures of financial performance with EVA and MVA methods help investors compare the company's financial performance to be had. The purpose of this research is to 1) to analyze the change of EVA and MVA of state-owned enterprises in pharmaceutical sub-sector of Indonesia Stock Exchange 2) to determine if there is difference of EVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange 3) to determine if there is difference of MVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange. The hypothesis proposed in this research is 1) there is difference of EVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange 2) there is difference of MVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange.

Research Methods

The object of the research is a state-owned company incorporated in the pharmaceutical sub-sector of Indonesia Stock Exchange, namely PT. Indofarma (Persero) Tbk with INAF share code and PT. Kimia Farma (Persero) Tbk with

KAEF stock code. Period of observation for 3 years from 2014 until 2016. The need for research data is met from the annual financial report based on the publication of Indonesia Stock Exchange.

Variable in this research is economic value added (EVA) and market value added (MVA). Economic value added is an alternative approach as a measure of profitability that can measure managerial performance in a certain period (Kamaludin, 2011: 59). Market value added (MVA) is maximized shareholder wealth maximized by maximizing market value increase from company's capital above the value of paid-up capital of shareholders (Sartono, 2011: 103)

The calculation step of EVA according to Tunggal (2008: 3-5) is calculate 1) NOPAT that is profit obtained from company operation after deducting income tax, but including financial cost and non cash bookkeeping entries such as the cost of penyusutan 2) invested capital which is the total amount of loan non-interest bearing liabilities companies such as accounts payable, accrued expenses, taxes payable, advances from customers and others 3) cost of debt arising from the company having debts that bear interest expenses 4) cost of equity which is profit net per share divided by stock market price per sheet 5) weighed average cost of capital is the cost of each component of capital and loan given weight in accordance with its proportion in the capital structure of the company 6) capital charges obtained by multiplying the weighted average cost of capital by invested capital which is the cash flow needed to replace investors a bag business risks from the capital invested 7) EVA is by reducing NOPAT with capital charges. Positive EVA generally indicate value creation for shareholders, while negative EVA indicates value destruction (Van Horne, 2007: 142).

The formulation of the MVA according to Brigham and Houston (2010: 65) is $MVA = \text{market value of shares-equity of capital given shareholders} - (\text{shares outstanding} \times \text{share price}) - \text{total equity of common stock}$. Mursalim (2009) describes the positive MVA value means

Summary of EVA Calculations PT Indofarma (Persero) Tbk

Year	NOPAT (IDR)	Capital Charge (IDR)	EVA (IDR)
2014	1.440.337.677	3.252.671.084	-1.812.333.407
2015	6.565.707.419	17.738.670.759	-11.172.963.340
2016	17.367.399.212	8.861.103.453	8.861.103.453

In 2014, EVA PT Indofarma (Persero) Tbk is negative, meaning there is no economic value added process where the company has not been able to fulfill its obligations to creditors through payment of interest on loan, investor through dividend distribution and government through tax payment. In 2015, EVA PT Indofarma (Persero) Tbk is increasingly negative due to the increase in operating profit

that in addition to the company's performance has increased, the company has created wealth for shareholders (investors) by maximizing the difference between the total value of the company to the total capital of the company.

This research uses descriptive and quantitative data analysis techniques. Descriptive technique is used to explain and analyze data while quantitative techniques to calculate EVA and MVA and statistical data processing in hypothesis testing by paired samples t test. Test criteria based on the significance of the null hypothesis are accepted if the significance value is greater than the real level or α (0.05) and is rejected if it is smaller than α (0.05).

Discussion and Result

Description Economic Value Added on The Object of Research

Suad and Pudjiastuti (2008: 76) define EVA as an assessment of managerial effectiveness for a given year. EVA measures the creation of economic value-added processes that represent the company's ability to create shareholder wealth through the company's effective operations. Value added is a usage value that can be given by the company to investors (Simbolon, et al, 2014).

Investors consider their investment in a company based on their importance of the amount of return to be received and the risks associated with the ability of the company to meet its obligations. Financial data at the present moment required investors to assess the company's financial performance. EVA calculations require the current financial condition as a process of company activity in the current year.

EVA is formed from the difference between operating profit (loss) after tax (NOPAT or net operating after tax) and all costs (capital charge) to obtain funds in an effort to finance the company's investment. The funds come from long-term loans, shares and retained earnings.

after tax (356%) is not as big as debt and capital expense (445%) which is the company's obligation to be paid off.

In 2016, EVA PT Indofarma (Persero) Tbk is a positive value which means an economic value-added process in which the company is able to fulfill its obligations. EVA is positive due to an increase in operating profit after tax (165%) and decrease of company's capital cost (50%).

Summary of EVA Calculations PT Kimia Farma (Persero) Tbk

Year	NOPAT (IDR)	Capital Charge (IDR)	EVA (IDR)
2014	257.855.097.098	265.549.762.082	73.174.551.977
2015	265.549.762.082	181.079.259.759	84.470.502.323
2016	271.597.947.663	171.721.394.632	99.876.553.031

During the research period, EVA PT Kimia Farma (Persero) Tbk is always positive and increasing value which means economic value-added process where the company is able to fulfill its obligations. EVA PT Kimia Farma (Persero) Tbk is positive due to increased operating profit after tax and decrease of company's capital cost every year.

Hidayati, et al (2015) describes the company's financial performance is bad because the company's activities based on management decisions has not positively impacted the company, has not added value to the company, but instead reduce or destroy the value of the company. Negative EVA means the company has not been able to minimize the difference in profits obtained with the cost of capital and loans issued so that the company should seek to manage its financial resources in order to occur value-added process through the value of EVA positive.

Description Market Value Added on The Object of Research

MVA is the difference between enterprise value which is the value of outstanding shares plus the debt and capital invested. MVA is formed from the difference between market value and capital invested by investors. Company

Summary of MVA Calculations PT Indofarma (Persero) Tbk

Year	Stock Price (IDR/Sheet)	Market Value (IDR)	Equity (IDR)	MVA (IDR)
2014	355	1.1100.239.962.500	587.702.025.103	-1.057.726.993.642
2015	168	529.676.940.000	592.708.889.463	-1.821.578.607.472
2016	3.870	11.994.165.225.000	575.757.080.631	9.077.811.551.517

In 2014, PT Indofarma (Persero) Tbk MVA is negative, which means decreasing shareholder value because the company has not been able to increase shareholder capital. In 2015, PT Indofarma (Persero) Tbk MVA is increasingly negative due to the number of outstanding shares outstanding (3,099,267,500 shares) of 53% decrease in stock price even though equity increases but the increase in equity of 0.85% is unable to cover the decline in market value.

Summary of MVA Calculations PT Kimia Farma (Persero) Tbk

Year	Stock Price (IDR/Sheet)	Market Value (IDR)	Equity (IDR)	MVA (IDR)
2014	1.465	8.136.610.000.000	1.721.078.859.509	5.978.643.043.858
2015	870	4.831.980.000.000	2.056.559.640.523	2.489.724.452.528
2016	2.750	15.273.500.000.000	2.271.407.409.194	12.357.146.326.517

During the study period, PT Kimia Farma (Persero) Tbk MVA fluctuated but always positive value which means increasing shareholder value because the company is able to raise capital that has been invested by shareholders. In 2015,

value is created through the effective management of funds from creditors and shareholders because the company uses capital obtained from shareholders who expect optimum return and debt from creditors who expect loan repayments on schedule. The value of the firm is the perception of investors on the prospect of corporate profits (Simbolon, et al, 2014).

The MVA method is more appropriate for external parties because MVA shows the market value of the company (Rustamaji and Handayani, 2016). Investors want stock price growth in the hope of receiving capital gains and if stored in the long run provide a sustainable market value so as to choose stocks that provide positive MVA. MVA which means the value added shareholder wealth through market value can be a reference for investors in investing.

Market value reflects market decisions about how successful managers have invested the capital entrusted to them in turning them into larger ones (Isnurhadi, et al., 2014). The market value depends on the size of the stock market price while the amount of capital invested depends on the nominal value of the shares in the same number of shares outstanding.

In 2016, PT Indofarma (Persero) Tbk MVA is a positive value which means increasing shareholder value because the company is able to raise capital that has been invested by shareholders. MVA PT Indofarma (Persero) Tbk is positive due to the fixed number of outstanding shares ((3,099,267,500 shares) of stock price increase of 2200% although equity decreased by 0.97% but decrease in equity has no effect on MVA due to the increase of market value .

MVA PT Kimia Farma (Persero) Tbk was positive but MVA decrease caused by fixed circulation number (5,554,000,000 shares) 41% decrease of share price although

equity increased but equity increase of 20% unable to cover decrease market value.

Salbiah and Asmara (2012) explains that if MVA is positive it can be concluded that a company has succeeded to increase invested capital, whereas if MVA is negative, it can mean that the company did not succeed to increase the capital that has been invested even this also can decrease the value of capital that has been invested by investors.

Paired Samples Statistic

	t	df	Sig (2 tailed)
Pair1 INAF-KAEF	13,936	2	,005

The significance value of 0.005 or less than α of 0.05 gives the conclusion that there is difference of EVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange. The difference is because EVA PT Indofarma (Persero) Tbk is negative for 2 years in a row while PT Kimia Farma (Persero) Tbk get EVA always positive.

Paired Samples Statistic

	t	df	Sig (2 tailed)
Pair1 INAF-KAEF	-4,351	2	,049

The significance value of 0.049 or less than α of 0.05 gives the conclusion that there is difference of MVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange. The difference is because MVA PT Indofarma (Persero) Tbk is negative for 2 consecutive years, while PT Kimia Farma (Persero) Tbk has always positive MVA.

Conclusion

The conclusion of this research is 1)in 2014 and 2015 there is no process of economic value added at PT Indofarma (Persero) Tbk but in 2016 happened economic value-added process 2)during period of research happened process of economical added value at PT Kimia Farma (Persero) Tbk 3)in 2014 and 2015 there is a decline in the value of shareholder value of PT. Indofarma (Persero) Tbk but in 2016 there was an increase in shareholder value 4)during the research period there was an increase of shareholder value of PT Kimia Farma (Persero) Tbk 5)there is difference of EVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange 6) there is difference of MVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange.

Bibliography

1. Brigham, Eugene F. & Joel F. Houston. 2010. Fundamentals of Financial Management. Book 1, Issue 11. Jakarta:Salemba Four

Hypothesis Test of Difference of EVA in Research Object

Testing the hypothesis that there is difference of EVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange produces a significance value of 0.005.

Hypothesis Test of Difference of MVA in Research Object

Hypothesis testing which stated that there is difference of MVA between state-owned enterprises of pharmaceutical sub-sector of Indonesia Stock Exchange produces significance value equal to 0,049.

2. Gulo, Wilmar Amonio & Wita Juwita Ermawati. 2011. Analysis of Economic Value (EVA) and Market Value Added (MVA) As a Financial Performance Measurement Tool of PT SA. Journal of Management and Organization Volume II Number 2 August 2011. Page 123-133
3. Hidayati, Ismi Wenda Hidayati, Topowijono, M.G. Wi Endang N..2015. Analysis of Economic Value Added (EVA) and Financial Value Added (FVA) as One of Measuring Tool for Corporate Financial Performance (Study at PT Panca Mitra Multiperdana Period 2010-2014). Journal of Business Administration (JAB) Volume 25 No. 2 August 2015. Page 1-7.
4. Husnan, Suad & Enny Pudjiastuti. 2008. Fundamentals of Financial Management. Yogyakarta:STIEYKPN
5. Isnurhadi, Viandina Puspita, H M A Rashid Hs. Umrie. 2014. The Influence of Economic Value Added (EVA) and Market Value Added (MVA) to Share Price of Companies in Group LQ45 in Indonesia Stock Exchange. Scientific Journal of Business and Applied Management. ISSN 0216-6836. Year XI Number 2 October 2014. Page 105-118
6. Kamaludin. 2011. Financial Management. Basic Concepts and Application. Bandung: Mandar Maju
7. Mursalim. 2009. Economic Value Added and Market Value Adde4d The Impact On Corporate

- Value. *Journal of Finance and Banking*. Volume 13. No. 3 September 2009. Page 498 - 505
8. Prasetya, Yoga. 2015. Comparative Analysis of Financial Performance Between Bank Mandiri and Bank Rakyat Indonesia Based on Economic Value Added and Market Value Added Methods in 2011-2013. *e-Proceeding of Management*. ISSN: 2355-9357 Volume 2 No. 1 April 2011. Page 604-611
 9. Rustamadji, Rony & Susi Handayani. 2016. Comparative Study of Corporate Performance Measurement Diversified with EVA and MEA Methods. *Journal of Accounting Unesa*. Volume 4 No. 3 of May 2016. Page 1 - 15
 10. Salbiah and Andika Jaka Asmara. 2012. The Effect of Economic Value Added (EVA) on Market Value Added (MVA) on Companies Conducting Intial Public Offering (IPO) at Indonesia Stock Exchange. *Journal of Economists*. ISSN 0853-2435. Volume 1 No. 3 July 2012. Page 135-147
 11. Sartono, Agus. 2011. *Financial Management Theory and Applications*. Yogyakarta:BPFE
 12. Simbolon, Ratih F D, Moch. Dzulkirom, Muhammad Saifi. 2014. EVA (Economic Value Added) Analysis to Assess Company Financial Performance (Study on Pharmaceutical Companies in Indonesia Stock Exchange Period 2010-2012). *Journal of Business Administration (JAB)* | Volume 8 No. 1 February 2014. Page 1-8
 13. Tunggul, Amin Widjaja. 2008. *Introduction of Value Added (EVA) and Value Based Management (VBM)*. Jakarta:Harvarindo
 14. Van Home, James C & John M. Wachowicz. JR. 2007. *Principles of Financial Management*. Issue 12. Jakarta:Salemba Four