

Analysis of Economic Value Added (EVA) and Market Value Added (MVA) in Assessing the Performance of Sharia Financial Institutions (Case Study at PT Bank Sumut Syariah Tbk)

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ABSTRACT

Financial performance is the result or achievement achieved by the company in a certain period which describes the level of the soundness of the company to assist investors or potential investors in making decisions. Assessment of the company's financial performance using the EVA and MVA methods describes the optimal level of return on wealth for the company and investors. The purpose of this research is to measure the financial performance of PT. Bank Sumut Syariah uses the EVA and MVA methods, to determine the amount of economic added value creation and wealth creation that has been generated by the company for creditors and shareholders. This research was conducted at PT. Bank Sumut Syariah for the 2017-2021 period in period studied, Bank Sumut Syariah experienced an increase and decrease in its operational and finances seen from its annual financial reports. Based on the results of the analysis of the value of financial performance using the EVA method, PT. Bank Sumut Syariah has succeeded in creating a positive EVA value for the company every year. Rp. 623,456 (in millions of rupiah) in 2017, Rp. 496,207 (in millions of rupiah) in 2018 experienced a decrease in EVA value from the previous year, Rp. 537,199 (in millions of rupiah) in 2019 the EVA value again increased, in 2020 Bank Sumut Syariah experienced a decrease in the positive EVA value of Rp. 506,628, in 2021 Bank Sumut Syariah has again succeeded in increasing the positive EVA value of IDR 608,185. Management has succeeded in meeting the expectations of both creditors and shareholders.

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INTRODUCTION

The development of the Islamic banking industry in Indonesia is currently experiencing rapid progress. It is common knowledge that the development of Islamic economics is synonymous with the development of Islamic financial institutions. The growth of sharia banking assets in Indonesia has reached more than 65% per year in the last five years, so the role of the sharia banking industry in supporting the national economy will be even more significant (financial services authority, 2021).

Islamic banks that have stood alone without referring to conventional banks as parent banks are Islamic commercial banks. The growing development of Islamic banking in Indonesia is not without problems. The journey of Islamic banks in Indonesia must encounter challenges. The main challenge of Islamic banks is how to realize the trust of stakeholders. This development phenomenon can have a positive impact on Islamic

banking to continue to improve its financial performance and develop corporate strategies to attract public interest and provide convenience in its services. The main characteristic of Islamic banking is the prohibition of usury and speculative transactions. This makes Islamic banks identical to financial institutions that are mostly engaged in the real sector

Measurement of the company's financial performance is needed to determine success in achieving goals. Measurement of financial performance based on financial reports is mostly carried out using performance measurement tools that are sometimes different, based on the goals and interests of the parties involved. At this time, most of the new management approaches have emerged to improve the performance of the company's organization. Many of these approaches have been successful but many have failed. Value-Based Management (VBM) or value-based management can be used as a way to solve these problems. Value-based management can provide a clear metric or value accuracy that can be built within an organization. Included in the category of performance in value (Value-Based Management) are Economic Value Added (EVA), Market Value Added (MVA), Cash Value Added (CVA), and Shareholder Value (SHV).

Value-based management is a managerial approach in which the main goal is to maximize shareholder wealth. To achieve company goals, systems, strategies, processes, analytical techniques, performance measurement, and culture are needed as guidelines in achieving the goal of maximizing shareholder wealth. The success of a company depends on how the company uses operational tools for planning, decision-making, and monitoring. One such management tool is Economic Value Added (EVA).

Economic Value Added (EVA) is the market value of the output produced by the company (return) minus the price of the goods or services needed as the input obtained from other companies (cost). This added value is then allocated to meet the expectations of all parties who have claims and interests in the company. Positive EVA conditions reflect a higher level of compensation than the cost of capital. This means that management has succeeded in increasing wealth or creating value for the company, which in turn is the owner of the capital. Conversely, negative EVA illustrates a reduction in the company's or owner's wealth (destruction value). EVA is a measure of financial performance by measuring the difference between a company's return on capital and the cost of capital.

Economic Value Added (EVA) can be used as a company goal as a whole because Economic Value Added (EVA) is an assessment guide that is directly related to company value and company performance. By communicating early on that the company's goal is to maximize value, managers become more focused on value creation.

PT. Bank SUMUT Syariah as one of the Islamic Commercial Banks is required to prepare itself to face competition with Conventional Banking and other Islamic Banking which have mushroomed in the territory of Indonesia. Based on data sources obtained from the financial statements of PT Bank SUMUT Syariah. Return On Assets or the rate of return on assets of Bank Sumut Syariah fluctuated, from 2018 to 2021. ROA at Bank Sumut Syariah has increased in 2018 and 2019 while in 2020 it has decreased and the value of ROA at Bank Sumut Syariah has increased again in 2021. Return On Equity has decreased every year from 2018 to 2020, while in 2021 Return On Equity has increased by 1.47%. The ROE value of Bank Sumut Syariah is still categorized as good based on the standards of Bank Indonesia, where an ROE value of more than 12% can be categorized as good.

Judging from the FDR (the use of funding sources for financing) has decreased every year. In 2018 the FDR from Bank Sumut Syariah was 97.91% which was the highest FDR in the last four years and 2021 the FDR from Bank Sumut Syariah was 81.31%. A good FDR value according to Bank Indonesia Circular Letter NO. 9/24/DPbS is below 85%, the FDR value of Bank Sumut Syariah can be categorized as good in 2021.

The BOPO value (operating expenses to operating income) has decreased from 2018 to 2021, in 2018 the BOPO value was 97.91% while in 2021 the BOPO value from Bank Sumut Syariah was 81.31%. Bank Indonesia stipulates that the best BOPO standard is 92%, this shows that the BOPO value at Bank Sumut Syariah in 2018 and 2019 is classified as good while in 2020 and 2021 it is classified as not good.

This research is motivated by previous research researched by Slamet Heri Winarno (2019) who analyzed financial performance using financial ratio analysis where a comparison tool is needed between one particular post and another in the financial statements, which can provide clues about the company's financial condition. In addition, differences in principles between companies in both the use of the depreciation method and the inventory valuation method can cause performance measurements to be less accurate so each measuring instrument used makes it difficult to make comparisons with other companies. Even though the value is listed in the financial statements, the use of financial statement analysis has a weakness, namely ignoring the existence of capital costs, making it difficult to know whether a company has succeeded in creating value or not.

The analysis used by researchers in responding to the company's financial performance weaknesses is to use the Economic Value Added (EVA) and Market Value Added (MVA) methods. The concept of EVA and

MVA is a relatively new approach to measuring company performance that can stand alone and does not require comparisons such as ratio analysis as in previous studies.

Economic Value Added (EVA) is used to measure the added economic value generated by a company from its operational activities. Companies that succeed in creating income above the cost of capital mean that they have created added value. Conversely, if the income is lower than the cost of capital, it means that there has been a destruction of value in the company. Besides the Economic Value Added (EVA) method, there is the Market Value Added (MVA) method which can also be used to assess financial performance. Economic Value Added (EVA) is referred to as a performance metric, while Market Value Added (MVA) is more of a wealth metric that measures a company's value over time. Market Value Added (MVA) is a concept for assessing a company's financial performance from an external perspective.

METHOD

This study used qualitative research methods. Qualitative research is research that emphasizes the in-depth understanding of a problem rather than looking at the problem for generalization research. This research method prefers to use in-depth analysis techniques, namely examining problems on a case-by-case basis because qualitative methodologies believe that the nature of a problem will differ from one another. from other problems. The aim of this methodology is not a generalization but a deep understanding of a problem. Qualitative research functions to provide substantive categories and qualitative research hypotheses.

The research approach in this study is descriptive. Descriptive research is research on certain phenomena or populations obtained by research and the subject of several individuals, industrial organizations, or other perspectives

RESULTS

Before calculating the EVA value, it is necessary to know in advance about the EVA measurement criteria. Therefore the author presents a table of EVA measurement criteria.

Economic Value Added (EVA) Measurement Criteria	
	There has been an economic added value in company. This situation shows that
EVA > 0	The company succeeds in creating value for owners
(Positif)	capital so that signifies that performance good finances.
	There is no process of economic added value for company. So there is no added value
EVA < 0	indicates the company's financial performance is lacking
(Negative)	Good.
	All profits have been used to pay
EVA = 0	obligations to both creditors and funders
(Impas)	shareholders.

Source: Gatot Widiyanto (2004:50)

To calculate the value of Economic Value Added (EVA) the following formula

can be used:

$$\mathbf{EVA = NOPAT - Capital Charges (CC)}$$

Economic Value Added (EVA) PT. Bank Sumut Syariah Periode 2017-2021

	2017	2018	2019	2020	2021
EVA	Rp. 623.456	Rp. 496.207	Rp. 537.199	Rp. 506.628	Rp. 608.185
Naik	-	(20,5%)	7,62%	(5,68%)	16,65%
(Down)					

Source The data is processed by the author 2023

Based on the table above, it can be seen that the value of Economic Value Added (EVA) in 2018 decreased by 20.5%. Here the author presents the calculation of Economic Value Added (EVA) at PT.Sharia North Sumatra Bank for the 2017-2021 period.

- a. Mark *Economic Value Added* (EVA) Period 2017

$$\begin{aligned} \text{EVA}_{2017} &= \text{Rp.}631.036.000 - \text{Rp.} 7.471.390 \\ &= \text{Rp.} 623.456 \text{ (Positive/Good)} \end{aligned}$$

Based on the calculation of the EVA value above with a NOPAT value of Rp. 631,036,000 (in millions of rupiah) and a CC value of Rp. 7,471,390 (in millions of rupiah) then a positive/good 2017 EVA value of Rp. 623,456 (in millions of rupiah).

- b. Mark *Economic Value Added* (EVA) Period 2018

$$\begin{aligned} \text{EVA}_{2018} &= \text{Rp.}504.071.000 - \text{Rp.} 7.863.794 \\ &= \text{Rp.} 496.207 \text{ (Positive/Good)} \end{aligned}$$

Based on the calculation of the EVA value above with a NOPAT value of Rp. 504,071,000 and a CC value of Rp. 7,863,794 (in millions of rupiah) so a positive/good 2018 EVA value of Rp. 496,207 (in millions of rupiah).

- c. Mark *Economic Value Added* (EVA) Period 2019

$$\begin{aligned} \text{EVA}_{2019} &= \text{Rp.} 545.854.000 - \text{Rp.} 8.654.589 \\ &= \text{Rp.} 537.199 \text{ (Positive/Good)} \end{aligned}$$

Based on the calculation of the EVA value above with a NOPAT value of Rp. 504,071,000 and a CC value of Rp. 8,654,589, then a positive/good 2019 EVA value of Rp. 537,199 (in millions of rupiah).

- d. Mark *Economic Value Added* (EVA) Period 2020

$$\begin{aligned} \text{EVA}_{2020} &= \text{Rp.} 515.780.000 - \text{Rp.} 9.151.907 \\ &= \text{Rp.} 506.628 \text{ (Positive/Good)} \end{aligned}$$

Based on the calculation of the EVA value above with a NOPAT value of Rp. 515,780,000 and a CC value of Rp. 9,151,907, a positive/good 2020 EVA value of Rp. 506,628 (in millions of rupiah).

- e. Mark *Economic Value Added* (EVA) Period 2021

$$\begin{aligned} \text{EVA}_{2021} &= \text{Rp.} 613.791.000 - \text{Rp.} 5.605.764 \\ &= \text{Rp.} 608.185 \text{ (Positive/Good)} \end{aligned}$$

Based on the calculation of the EVA value above with a NOPAT value of Rp. 613,791,000 and a CC value of Rp. 5,605,764, so a positive/good 2021 EVA value of Rp. 608,185 (in millions of rupiah).

Based on the results of calculations between Net Operating Profit After Tax (NOPAT), Capital Charges (CC), and Economic Value Added (EVA) in the 2017-2021 period Based on the comparison report in the table

above, the NOPAT value in 2018 and 2019 has increased by 7.6 %, in 2020 and 2021 also increased by 16% but in 2021 the CC value decreased by 38.95%, even though the CC value decreased but did not affect the EVA value, the EVA value in 2021 increased by 16, 65%. This shows that the company's performance management is capable. increase the company's economic added value (EVA).

To calculate Market Value Added (MVA) is determined by looking at the share price, the number of outstanding shares and also looking at the total equity of the company. PT Bank Sumut will only conduct an IPO on February 7 2023 with a total number of outstanding shares of 2.93 (in billions) with share prices ranging from IDR 250 – IDR 350 per share and a total fund of IDR 1.02 (in trillion) up to IDR 1.49 (in trillion). Where as much as 80% of the proceeds from the IPO will be used for working capital to support the company's business expansion, while the remaining 20% will be used for network expansion and development of information technology to support the company's business activities. from these data, the MVA is:

If the value of the shares is IDR 250 per share

$$\text{MVA} = (\text{Rp } 250 \times 2.93 \text{ billion shares}) - \text{Rp } 328,369,000,000 = \text{Rp } 732,171,631,000$$

Meanwhile, if the value of the shares per share is IDR 350

$$\text{MVA} = (\text{IDR } 2,930,000,000 \times \text{IDR } 350) - \text{IDR } 328,369,000,000 = \text{IDR } 697,131,000,000$$

Based on the results of these calculations, it is estimated that PT Bank Sumut. able to add to the market value of the company after managing the capital entrusted by investors to the company after conducting an IPO. Likewise, the same treatment is in determining the MVA in the company and the next period

Based on the results of the EVA analysis from 2017 to 2021 the company obtained positive EVA and in 2018 and 2020 the value decreased. Based on the results of the analysis using the EVA concept, it can be seen that the EVA value will be positive if the NOPAT value exceeds Capital Charges. every year Bank Sumut Syariah can provide a positive EVA value. In 2017 Bank Sumut Syariah managed to create a positive EVA value of Rp. 623,456 (in millions of rupiah), with a NOPAT value of Rp. 631,036 (in millions of rupiah) and Capital Charges with a value of Rp. 747,139 (in millions of rupiah).

In 2018 there was a decrease in added value where a positive EVA was obtained of Rp. 496,207 (in millions of rupiah) decreased by 20.5%. This is due to a decrease in the value of NOPAT in 2018 which affects the value of EVA in 2018.

In 2019, Bank Sumut Syariah again managed to increase the return on a significant positive EVA value of Rp. 537,199 (in millions of rupiah) an increase from the previous year, which was 7.62% or from Rp. . 496,207 (in millions of rupiah) to Rp. 537,199 (in millions of rupiah) in 2019. Where the NOPAT value is Rp. 545,854, an increase of 7.6% from the previous year, and the value of Capital Charges was Rp. 865,458 increased by 9.15% from the previous year.

In 2020 Bank Sumut Syariah experienced a decrease in the positive EVA value of Rp. 506,628 (in millions of rupiah) decreased from the previous year which was 5.68%. In 2020, even though Capital Charges increased by 5.44%, NOPAT still showed an even higher number so EVA remained positive and increased from the previous year.

Then in 2021, Bank Sumut Syariah managed to increase the positive EVA value by IDR 608,185 (in millions of rupiah), an increase from the previous year, which was 16.65%. In 2021. Where the NOPAT value is Rp. 613,791 increased by 16% from the previous year and the value of Capital Charges was Rp. 560,576 decreased by 38.95% from the previous year.

Many benefits can be drawn from the calculation of added value, both for shareholders and for management. By calculating the added value, shareholders have a simple reference for assessing the performance of their management in a certain period. If management has been able to provide added value to the company, it means that management has worked by the wishes of the shareholders. The higher the added value generated by management for the company, the better their performance. But on the contrary, if management is unable to provide added value to the company, it is said that management is unable to fulfill the wishes of shareholders to increase the value of the company.

CONCLUSION

From the results of the analysis and discussion above, it can be concluded as follows:

1. The performance of PT Bank Sumut Syariah as measured using the Economic Value Added (EVA) method fluctuates every year. In 2018 the EVA value decreased by 20.5% from the previous year with an EVA value of Rp. 496,207 (in millions of rupiah), which indicates $\text{EVA} > 0$ or a positive EVA. In 2019 the EVA value increased from the previous year, which was 7.62% with an EVA value of Rp. 537,199 (in millions of rupiah). The results of the analysis using the Economic Value Added (EVA) approach to improve the company's financial performance, PT. Bank Sumut Syariah continues to create

large profits and reduce the cost of capital, which means that the company's financial performance is PT. Bank Sumut Syariah is in good condition and the company can create added value for capital owners.

2. The results of the analysis using the Market Value Added (MVA) approach PT Bank Sumut can add to the company's market value after managing the capital entrusted by investors to the company after conducting an IPO

Based on the conclusions above, further suggestions can be proposed that are expected to be useful for further research and the parties involved in this study are as follows:

1. From the results of the analysis, it is known that the EVA value obtained can also be influenced by external factors, such as economic conditions. Therefore, it is suggested that matters under the direct control of management receive more attention, especially on NOPAT (net profit after tax). In addition, it is recommended that companies reduce capital costs because reducing operational costs and capital costs can increase company profits.
2. It is recommended for companies to use the Economic Value Added (EVA) method in analyzing the company's financial performance, because by using EVA the company obtains information on whether the company's performance has created value or not, and fairly pays attention to the expectations of shareholders and creditors

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