

Analysis of Economic Value Added (EVA) and Market Value Added (MVA) as Tools for Measuring Company Financial Performance (A Study on PT United Tractors, Tbk for the 2021-2023 Period)**Nadia Safa Shabira¹, Lia Julaeha²**^{1,2} Management, Gunadarma University**Article History**

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Abstract: This study aims to assess the financial performance of PT United Tractors, Tbk for the 2021–2023 period using the Economic Value Added (EVA) and Market Value Added (MVA) methods. This research is descriptive in nature and employs a quantitative approach. The analysis techniques used in this study include documentation and literature review. The study uses secondary data in the form of the company's annual financial statements, particularly the statement of financial position and income statement, obtained from the official website of PT United Tractors, Tbk and the Indonesia Stock Exchange. Based on the EVA and MVA analysis of PT United Tractors, Tbk for the 2021–2023 period, the company demonstrates positive performance despite fluctuations. EVA increased from 2021 to 2022, reflecting capital efficiency, although it declined in 2023 due to a decrease in NOPAT. MVA also rose from 2021 to 2022, indicating wealth creation, but declined in 2023 in line with a drop in the share price.

Keywords: Economic Value Added (EVA), Market Value Added (MVA), Financial Performance, Financial Statements

INTRODUCTION

In an increasingly competitive and dynamic business world, companies face significant challenges in adapting to market changes, consumer trends, and technological advancements. This situation forces every company to seek innovative solutions to survive and achieve its predetermined goals. One of the key indicators to assess a company's success is its financial performance. Good financial performance not only reflects a company's financial health but also its ability to invest in product development, strengthen its market position, and maintain operational sustainability. Thus, a company that can manage its finances well will have more resources to compete effectively and increase its long-term success prospects.

To evaluate a company's financial performance, various analytical methods are commonly used. One of the most widely used is financial ratio analysis. This analysis facilitates quick calculation and provides an overview of the company's financial condition. However, ratio analysis also has several limitations, such as its inability to estimate a company's value and its lack of consideration for risks associated with the cost of capital. Therefore, to provide a more accurate and comprehensive picture, alternative approaches such as Economic Value Added (EVA) and Market Value Added (MVA) are often employed.

EVA, first introduced by Stern & Stewart in the 1990s, is a financial performance measure that evaluates how well a company creates added value for shareholders after accounting for the cost of capital used. EVA is calculated by subtracting the cost of capital from the Net Operating Profit After Taxes (NOPAT). This method provides a clearer picture of how efficiently the company's resources are being used to create long-term economic value. Meanwhile, MVA is the difference between the company's market value and the invested capital, offering insight into how effectively the company creates value for its shareholders. If the company's market value is higher than its book value, it indicates value creation, whereas if it is lower, it suggests that the company has not maximized its invested capital.

This study aims to measure the financial performance of PT United Tractors, Tbk using the EVA and MVA methods. PT United Tractors, Tbk is one of Indonesia's leading companies in the heavy equipment and construction sectors. The company was established on October 13, 1972, and has been listed on the Jakarta and Surabaya Stock Exchanges since 1989. With diverse business lines—such as construction machinery, mining contracting, mining, construction industry, and energy—PT United Tractors, Tbk has demonstrated its ability to survive and grow amid intense competition. Therefore, this company is deemed a suitable subject for analysis in this study.

This research uses cost of capital and net profit data from PT United Tractors, Tbk for the period of 2021–2023, as follows:

Year	Capital Costs	Net Profit
2021	Rp. 71,822,757	Rp. 10,608,267
2022	Rp. 89,513,825	Rp. 22,993,673
2023	Rp. 84,035,563	Rp. 22,130,096

Source: Annual Financial Statements of PT United Tractors, Tbk

From the table above, fluctuations in the cost of capital and net profit can be observed over the 2021 to 2023 period. These changes may be influenced by various factors, both internal—such as operational and managerial strategies—and external factors related to market and economic conditions. These fluctuations reflect the dynamics in the financial performance of PT United Tractors, Tbk, which require further analysis.

By using the EVA and MVA methods, this study aims to provide a clearer picture of how the company creates value for its shareholders and how the efficiency of capital utilization affects financial performance. These two methods are expected to offer deeper insights into the company's financial achievements, which in turn can assist the company in improving its strategies and managerial decisions for long-term sustainability and competitiveness.

This research will further discuss how the application of the EVA and MVA methods can be used to measure the financial performance of PT United Tractors, Tbk during the 2021–2023 period, as well as the implications of the analysis results for value creation for shareholders and the company's operational efficiency.

RESEARCH METHOD

In this study, the type of data used is quantitative descriptive, and the source of secondary data is obtained from the official websites of PT United Tractors, Tbk and the Indonesia Stock Exchange, in the form of annual financial statements for the period 2021–2023. The data collection techniques used are documentation study and literature study. The data analysis technique in this research applies the EVA and MVA methods to assess the company's financial performance.

In the calculation using the EVA method, several formulas are applied to analyze the company's financial performance, as follows:

Calculating Net Operating Profit After Tax (NOPAT)

This is used to determine the company's operating profit after tax deductions, which reflects the actual operational performance without taking financing costs into account.

$$\text{NOPAT} = \text{Net Profit After Tax} + \text{Interest Expense}$$

Calculating Invested Capital (IC)

This is used to determine the total capital invested in the company, including equity and debt, which is required to run the business operations.

$$IC = (\text{Total Liabilities and Equity}) - \text{Short-Term Liabilities}$$

Calculating the Cost of Debt (D)

This is used to determine the extent to which debt is utilized to finance the company's operational costs.

$$D = \frac{\text{Total Liability}}{\text{Total Liabilities and Equity}} \times 100\%$$

Calculating Cost of Debt (rd)

This is used to determine the interest expense that the company must pay to lenders or creditors.

$$rd = \frac{\text{Interest Fees}}{\text{Total Liability}} \times 100\%$$

Calculating the Income Tax Rate (T)

This is used to determine the proportion of tax imposed on the company's income, which affects the tax burden and the net profit available to shareholders.

$$T = \frac{\text{Tax Burden}}{\text{Net Profit Before Tax}} \times 100\%$$

Calculating the Proportion of Equity (E)

This is used to determine the extent to which equity is utilized in the company's capital structure..

$$E = \frac{\text{Total Equity}}{\text{Total Liabilities and Equity}} \times 100\%$$

Calculating Cost of Equity (re)

This is used to determine the expected return by shareholders on their investment in the company.

$$re = \frac{\text{Earnings per Share}}{\text{Stock Price}} \times 100\%$$

Calculating Weighted Average Cost of Capital (WACC)

This is used to calculate the company's weighted average cost of capital, which includes the cost of debt and the cost of equity. It serves as an indicator of the overall cost of financing projects and investments.

$$\text{WACC} = [(D \times r_d)(1-T) + E \times r_e]$$

Calculating Capital Charges (CC)

This is used to determine the total cost incurred by the company to obtain capital, whether through debt or equity, and serves as a reference for making investment decisions.

$$\text{CC} = \text{WACC} \times \text{IC}$$

Calculating Economic Value Added (EVA)

This is used to assess the economic value generated by the company after accounting for all capital costs, indicating how effectively the company creates value for its shareholders.

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

According to Sumarsan (2013), financial performance can be assessed using the following criteria:

1. **If EVA > 0 (Positive)**, it means that economic value added has been created within the company. The greater the EVA, the better the expectations of fund providers are fulfilled.
2. **If EVA = 0 (Break-even)**, it indicates a break-even position, meaning the company is only able to generate enough profit to meet its obligations to fund providers, both creditors and shareholders.
3. **If EVA < 0 (Negative)**, it means the company has not succeeded in creating economic value added, as the net operating profit is insufficient to meet the expectations of fund providers.

In calculating Market Value Added (MVA), the steps to be taken are as follows:

$$\text{MVA} = (\text{Price per Share} \times \text{Number of Shares Outstanding}) - \text{Equity}$$

According to Bakar in (Midfi, Djatnika, & Tripuspitorini, 2021), the assessment of Market Value Added (MVA) can be divided into three different categories, namely:

1. **If MVA > 0 (Positive)**, this indicates that management has succeeded in creating added value through the growth of market capitalization of the issued shares, or the company is able to sell its shares at a premium price in the market.
2. **If MVA = 0 (Break-even)**, this indicates that management has neither succeeded nor failed in creating added value through the growth of market capitalization of the shares.
3. **If MVA < 0 (Negative)**, this indicates that management has failed to create added value through the growth of market capitalization of the shares.

RESULT AND DISCUSSION

Summary of Calculation Results of PT United Tractors, Tbk for the Period 2021–2023
(Expressed in millions of Rupiah, unless otherwise stated)

Information	2021	2022	2023
NOPAT	11,039,482	23,280,400	22,730,780
<i>Invested Capital</i>	82,072,138	98,440,818	110,989,949
Level Capital from Debt	36,19%	36,27%	45,44%
Debt Costs	1,05%	0,56%	0,85%
Level Tax	26,64%	21,91%	22,94%
Level Capital from Equity	63,80%	63,72%	54,55%
Equity Cost	12,44%	21,71%	25,08%
WACC	8,22%	13,99%	13,98%
<i>Capital Charge</i>	6,746,330	13,771,870	15,516,395
<i>Economic Value Added</i>	4,293,152	9,508,530	7,214,385
Conclusion	EVA < 0	EVA < 0	EVA < 0
<i>Market Value Added</i>	82,622,421	97,263,184	84,394,223
Conclusion	MVA < 0	MVA < 0	MVA < 0

Source: Data processed by the author, 2024

Based on the calculation results of Economic Value Added (EVA) at PT United Tractors, Tbk, there were fluctuations in EVA values during the 2021 to 2023 period. EVA is influenced by two main components: Net Operating Profit After Tax (NOPAT) and capital charge. In 2021, EVA showed a positive value, indicating that the company succeeded in generating net profit greater than the cost of capital incurred, reflecting good performance in the utilization of available capital. The increase in NOPAT that year also indicated improved efficiency in generating profit after tax.

In 2022, although the capital charge increased, the company managed to significantly increase its NOPAT, which led to a rise in EVA value. This indicates that the company became more effective in creating added value by generating higher profits compared to the cost of capital incurred. The increase in EVA during this year reflects improving performance and the company's ability to utilize capital for better growth.

However, in 2023, EVA experienced a decline, although it remained positive. This decrease was influenced by a drop in NOPAT, even though the capital charge remained high. Although the EVA was lower than the previous year, added value was still created, indicating that the company was still able to generate profits greater than the cost of capital incurred, despite challenges affecting its performance.

Overall, despite the fluctuations in EVA values, PT United Tractors, Tbk was still able to show positive results. This reflects the company's success in creating added value for shareholders, even when faced with various challenges in recent years.

Likewise, the results of the Market Value Added (MVA) calculation also show fluctuations in value over the same period. MVA is influenced by stock price and the number of outstanding shares, which reflect the company's market capitalization. In 2021, MVA was recorded as positive, indicating that the company successfully created significant added value for shareholders. The company's market capitalization exceeded the total invested capital, signaling a successful increase in company value enjoyed by shareholders.

In 2022, MVA showed a greater increase, in line with the rise in stock prices and an increase in the company's equity. This demonstrates that the company became more effective in managing capital and enhancing shareholder wealth. The increase in stock price and market capitalization reflects market optimism toward the company's future prospects.

In 2023, although MVA remained positive, it experienced a decline due to a drop in stock prices. Despite the company's equity remaining high, market capitalization did not grow as rapidly as the previous year, indicating a decline in stock market performance that affected the company's value. Nonetheless, the still-positive MVA shows that the company continued to create value beyond the invested capital cost.

Overall, although there was a decline in MVA in 2023, the company still demonstrated positive performance in creating added value for shareholders. The consistently positive MVA over the three years indicates that the company successfully created sustainable wealth for shareholders, despite external fluctuations affecting market performance. This shows that PT United Tractors, Tbk was able to increase its stock value and create long-term wealth, even while facing certain challenges in recent years.

CONCLUSION

Based on the research conducted by the researcher, the following conclusions can be drawn:

The results of the Economic Value Added (EVA) calculation show that PT United Tractors, Tbk demonstrated positive performance despite fluctuations. In 2021 and 2022, EVA increased, reflecting the company's success in generating profits greater than the cost of capital, indicating efficiency in capital utilization and the creation of added value. In 2023, although EVA remained positive, it declined due to a decrease in NOPAT. However, the company still generated added value exceeding the capital cost, showing its resilience despite challenges.

The results of the Market Value Added (MVA) calculation also show positive performance with some fluctuations. In 2021 and 2022, MVA increased, indicating that the company's market capitalization exceeded the total invested capital, reflecting success in creating wealth for shareholders. In 2023, although MVA remained positive, it declined due to a decrease in stock price. Nevertheless, the company continued to create value above the invested capital cost.

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