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# FINANCIAL PERFORMANCE OF MINING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX): THE PERSPECTIVE OF ECONOMIC VALUE ADDED (EVA)

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## ABSTRACT

This study aims to determine the financial performance using the Economic Value Added (EVA) method of mining companies listed on the Indonesia Stock Exchange (IDX) for the 2017–2021 period. The research method used is a quantitative method with a descriptive approach. Data collection techniques use documentation techniques such as financial reports of mining companies listed on the Indonesia Stock Exchange through the website [www.idx.co.id](http://www.idx.co.id). The results of this study indicate that PT. Bayan Resources Tbk, PT. Baramulti Suksessarana Tbk and PT. DarmaHenwa Tbk for five consecutive years starting from 2017 – 2021 has shown a positive EVA value. Meanwhile, PT Bumi Resources Tbk and PT Atlas Resources Tbk show positive EVA values in 2017-2020, but negative EVA values in 2021. And for PT Adaro Energy Tbk, EVA shows positive values except in 2018 and 2020 EVA is negative. This shows that companies that have a negative EVA value are due to not being able to provide economic added value because the CC value or cash flow needed to replace business risks to investors is greater than the NOPAT value.

**Keywords:** *Financial Performance, Economic Value Added (EVA)*

## INTRODUCTION

Currently industrial growth in Indonesia in recent years has increased quite rapidly. Many new industries by creating various innovations. The growth of various industrial sectors is fairly good, such as the retail trade industry. However, unlike the retail industry, the development of the mining industry is not so good. Mining is a very important industry for every country, including Indonesia. This industry is very important because it provides energy resources, for the continuity of various activities. However, Indonesian mining a few years ago was undergoing revitalization.

Mining activity is a sector that explores natural resources, which then the profit earned by the company can become the value of the company to attract investors to invest their funds. The mining sector is the main sector and an important pillar in Indonesia, namely as the main contributor to the income of the state treasury so that it really triggers investors to invest to get maximum profits. The motivation for conducting research on mining sector companies is because more similar research is carried out in manufacturing companies. Then the phenomena that are happening in Indonesia in the mining sector are experiencing the most turmoil related to economic trends and government policies. The mining sector in Indonesia is less competitive than other mining sectors in Asia Pacific. There are three reasons, namely uncertain regulations,

high nationalism towards Indonesia's natural resources, and declining interest in investing in companies. A decrease in investment will have an impact on company value (Sundari *et al.*, 2023) The value of companies in the mining sector from 2015 to 2019 has fluctuated.

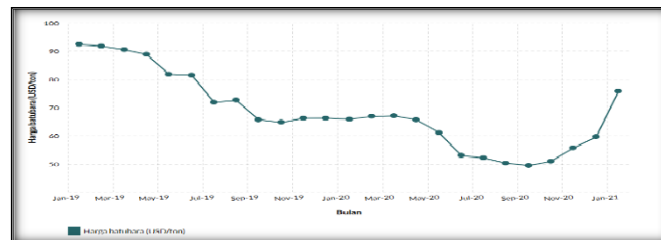
Table 1

**Average Mining Sector Company Value**

Year	The value of the company
2015	0.87
2016	1.41
2017	1.41
2018	1.36
2019	1.17

**Figure 1**

**Reference Coal Price 2019-2021**



Source: <https://www.idx.co.id/produk/saham/> Source: Ministry of Energy and Mineral Resources

In 2015 the average value of companies in the mining sector was recorded at 0.87, increasing in 2016 and 2017 by 1.41, and getting worse in 2018, namely by 1.36 and 2019 by 1.17. In line with some of the problems above, the following is a 2019-2021 reference coal price figure 1. According to the coal price reference at the Ministry of Energy and Mineral Resources, it shot up to US\$75.84 per ton in January 2021. This price increased by 27.14 percent compared to December 2020. This coal price has indeed shown a decline since 2019 and has continued to decline throughout 2020.

From some of the data above, there are various calculation methods to evaluate company performance. One method that can be used is the Economic Value Added (EVA) method. Traditionally, the measurement of company value can be viewed from the results of the distribution of assets, namely Return on Assets (ROA) or regarding equity, namely Return on

Equity (ROE). The element of cost of capital (cost of capital), making it difficult to know whether a company creates value or not, then from this weakness the concept of Economic Value Added (EVA) was born (Setiawan & Pohan, 2021).

Why do the majority of companies prefer Economic Value Added (EVA) compared to Return on Investment (ROI) because by using the Economic Value Added (EVA) method all business units have the same profit target in investment comparisons (Setiawan & Pohan, 2021) EVA is a performance measurement that measures economically the added value generated and provided to shareholders during one period. If the company is able to provide high economic value, it means that the company has good performance. This performance measurement is very useful for investors. The components used in EVA are EBIT, tax, and Weighted Average Cost of Capital (WACC). Economic Value Added (EVA) contrasts with ROI because it has a stronger positive correlation to changes in the firm's underlying value. Takeover risk reduction. Perform exchange rates for aggressiveness in mergers and acquisitions. Thus enabling faster investment for significant growth in the future.

(Sundari et al., 2023) conducted research with the aim of knowing and analyzing financial performance using the Economic Value Added and Market Value Added methods in Cement Sub Sector companies listed on the Indonesia Stock Exchange. With a sample of four companies, namely PT Semen Indonesia (Persero) Tbk, PT Indocement Tunggal Perkasa Tbk, PT Semen Baturaja (Persero) Tbk, and PT Solusi Bangun Indonesia Tbk. The results show that PT Semen Indonesia (Persero) Tbk, PT Indocement Tunggal Perkasa Tbk, and PT Solusi Bangun Indonesia Tbk have a positive EVA value which means creating economic value. Meanwhile, PT Semen Baturaja (Persero) Tbk with a negative EVA value means that the company is unable to provide added value in 2021 in the sense of providing added value through market capitalization value.

Based on existing phenomena and previous research, researchers are interested in conducting research on the financial performance of mining companies with the research title "Financial Performance Analysis Using the Economic Value Added (EVA) Method in Mining Companies Listed on the Indonesia Stock Exchange (IDX)".

## **LITERATURE REVIEW**

### **Financial Performance**

Financial performance is an analysis that is carried out in order to see the extent to which the company has carried out activities in accordance with the rules of financial implementation correctly and properly. According to (Sugianto & Falah, 2019) performance measurement can be interpreted as monitoring and reporting of ongoing programs that must be completed to achieve the specified goals. The performance measured can emphasize the type or level of the program being implemented (process), the product or service produced (output), and the outcome or impact of the outcome of the product or service (Sakdiyah & Musyafa', 2022).

### **Financial Statements**

According to the 2015 Financial Accounting Standards (SAK), financial reports are part of the financial reporting process. Financial reports usually contain balance sheets, income statements, reports on changes in financial position, notes and other reports as well as explanatory material which are an integral part of the financial statements. The purpose of financial reports is to provide information to those who need it about the condition of a company from the point of view of numbers in monetary units (Sundari *et al.*, 2023).

### **Economic Value Added (EVA)**

Economic Value Added (EVA) is an effective communication tool in creating value, which can be accessed by managers, and ultimately company performance and being able to establish connections with the capital market. The Economic Value Added component actually consists of three components, namely EBIT, taxes, and Weighted Average Cost of Capital (WACC) (Asnawi *et al.*, 2022).

The benefits of Economic Value Added (EVA) that can be obtained are as follows: performance measurement using the EVA method is the concern of management based on shareholder decisions, the existence of EVA in acting, managers will think for example the same as shareholders, namely choosing investments and maximizing the rate of return and minimizing the level of capital costs so that the company's value can be maximized, and with EVA, managers will focus attention on activities that create value and evaluate performance according to criteria in maximizing firm value (Ende, 2017).

The advantages of Economic Value Added (EVA) according to align management goals and the interests of shareholders where EVA shows a measure of management's operations that illustrate the company's level of success in creating added value for investors, and provide guidelines for management to increase operating profit without additional funds/capital, receivables, or investing funds that can provide high returns (Ali *et al.*, 2022).

The weaknesses of Economic Value Added (EVA) according to Economic Value Added (EVA) only measures results and does not measure determinant activities, such as consumer retention and loyalty levels, and Economic value added relies on the belief that investors rely heavily on fundamental methods when reviewing and making decisions to buy or sell a particular stock (Al- Awawdeh & Kareem Al-Sakini, 2018).

## **RESEARCH METHODS**

The type of research used in this research is descriptive research with a quantitative approach. The type of data used by researchers in this study is secondary data which is obtained indirectly or through intermediaries or certain media that has been processed into the form of reports and related information obtained by researchers from existing books and journals. Data source is mining company data obtained from the Indonesia Stock Exchange (IDX) ([www.idx.co.id](http://www.idx.co.id)).

The population in this study are all mining companies listed on the IDX. In the sample selection process, 6 companies were selected as samples for this study and observations were made for 5 years, so the number of samples was 30, namely PT. Adaro Energy Tbk, PT. Bayan Resources

Tbk, PT. Atlasa Resources Tbk, PT. Baramulti Suksessarana Tbk, PT. Bumi Resources Tbk and PT. Darma Henwa Tbk.

The analysis technique used in this study is the analysis of financial performance using the Economic Value Added (EVA) method which can be calculated as follows:

Calculating Net Operating After Tax (NOPAT)

$$\text{NOPAT} = \text{EBIT} - \text{TAX}$$

Calculating IC

$$\text{IC} = (\text{Total money} + \text{equity}) - \text{short term debt}$$

Calculating Weighted Average Cost of Capital WACC

$$\text{WACC} = \{(D \times R_d)(1 - \text{Tax}) + (E \times R_e)\}$$

Where:

Total Capital (D)	Total debt _____ $D = \quad \times 100\%$ _____ Total debt and equity _____
Cost of debt (Rd)	Interest expense _____ $Rd = \quad \times 100\%$ Total debt
Tax burden (Tax)	Tax burden $\text{Tax} = \quad \times 100\%$ Net profit before tax
Level of equity (E)	Total equity $E = \quad \times 100\%$ total debt and equity
Cost of equity (Re)	Net profit before tax $Re = \quad \times 100\%$ Total equity

Calculating Capital Charge (CC)

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

Calculating Economic Value Added (EVA)

$$\text{EVA} = \text{NOPAT} - \text{CC}$$

From the EVA calculation, conclusions will be obtained with the interpretation of the results as follows (Sundari *et al.*, 2023):

If  $\text{EVA} > 0$ , this shows that economic added value is created for the company.

If  $\text{EVA} < 0$ , this shows the creation of economic added value for the company.

If  $\text{EVA} = 0$ , this indicates a break-even position because profits have been used to pay obligations to funders, both creditors and shareholders.

## RESULTS AND DISCUSSION

The Net Operating After Tax (NOPAT) value for each company from 2017-2021 has fluctuated but remains positive, except for PT. Atlas Resources Tbk in 2017 has a negative value, and PT. BumiResources Tbk in 2019 has a negative value and in 2020 NOPAT has a negative value at PT. DarmaHenwa Tbk. The Invested Capital (IC) value for each company starting from 2017-2021, even though it experienced fluctuations, the IC value remained positive. The Weighted Average Cost of Capital (WACC) value at PT. Adaro Energy Tbk, PT. Bayan Resources Tbk, PT. Atlas Resources Tbk and PT. Baramulti Suksessarana Tbk has a positive value even though it has fluctuated, while at PT. BumiResources Tbk WACC value is negative in 2019 and at PT. Darma Henwa Tbk has a negative value in 2020. The value of Capital Charge (CC) at PT. Adaro Energy Tbk, PT. Bayan Resources Tbk, PT. Atlas Resources Tbk and PT. Baramulti Suksessarana Tbk starting from 2017-2021 has a positive value, but at PT. Bumi Resources Tbk has a negative value in 2017 and at PT. Darma Henwa Tbk CC value is negative in 2020.

**Table 2.** Calculating Economic Value Added (EVA)

No.	Company Name	Year	NOPAT	CC	EVA
1	PT. Adaro Energy Tbk	2017	536.438	502.598	33.84
		2018	447.541	455.834	-8.293
		2019	435.002	396.772	38.23
		2020	158.505	182.235	-23.73
		2021	1.028.593	891.474	137.113
2	PT. Bayan Resources Tbk	2017	338.017.199	238.279.615	99.737.584
		2018	524.309.273	345.468.956	178.840.317
		2019	234.211.277	131.682.764	102.528.513
		2020	344.459.870	318.926.616	25.533.254
		2021	1.265.957.342	1.062.463.781	203.493.561

3	PT. Atlas Resources Tbk	2017	-2.445	8.188	-10.633
		2018	28.258	12.24	16.018
		2019	5.537	3.676	1.861
		2020	16.405	4.086	12.319
		2021	918	980	-62
4	PT. Baramulti Suksessarana Tbk	2017	828.169.929	61.737.775	766.432.154
		2018	69.063.191	48.361.009	20.702.182
		2019	30.467.457	23.736.524	7.090.933
		2020	30.520.269	23.833.063	6.687.206
		2021	205.164.329	77.830.966	127.333.363
5	PT. Bumi Resources Tbk	2017	242.746.183	145.902.247	96.843.936
		2018	158.218.349	90.749.404	67.468.945
		2019	-9.470.482	-20.172.969	10.702.487
		2020	307.527.869	208.175.940	99.351.929
		2021	233.371.014	294.048.900	-70.677.886
6	PT. Darma Henwa Tbk	2017	2.769.140	1.507.333	1.261.807
		2018	2.565.336	1.398.081	1.398.081
		2019	3.773.979	3.586.108	187.871
		2020	-1.187.330	-18.419.455	17.232.125
		2021	1.092.252	822.335	269.917

*Source: Data processed 2023*

Based on the table above, the EVA value at PT. Adaro Energy Tbk is negative in 2018 and 2020, at PT. Bayan Resources Tbk EVA value is positive starting from 2017-2021, while at PT. Atlas positive EVA values except in 2017 and 2021. At PT. Baramulti Suksessarana Tbk positive EVA values starting from 2017-2021 even though it has fluctuated, at PT. Bumi Resources Tbk has positive EVA values from 2017-2020 but will return negative in 2021, as well as PT. Darma Henwa Tbk the EVA value starting from 2017-2021 has fluctuated even though the EVA value remains positive.

## CONCLUSION



Based on the results of research and discussion conducted by researchers in the previous chapter to evaluate company performance, it can be seen that PT. Adaro Energy Tbk fluctuated from 2017- 2021, PT. Adaro Energy Tbk had a positive EVA value in 2017 and a negative value in 2018 then a positive value again in 2019 and a negative EVA again in 2020, but a positive EVA again in 2021. PT. Bayan Resources Tbk and PT. Baramulti Suksessarana Tbk has a different positive EVA value for 5 years starting from 2017-2021. PT. Atlas Resources Tbk has a negative EVA value in 2017 and a positive EVA value in 2018-2020 and returns to a negative EVA value in 2021. At PT. Bumi Resources Tbk has a good EVA value in 2017-2020 and in 2021 a negative EVA value. PT. Darma Henwa Tbk has a good EVA value in 2017-2021. If the EVA value is positive, this indicates that the EVA value is  $> 0$ , which means that the company can provide added value for the investment it makes. EVA is negative because the CC value is greater than the NOPAT value. This shows that the value of  $EVA < 0$  means that the company is in a bad situation this year, so the company is not able to provide added value for that year.

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