



Financial Performance Analysis Using Financial Value Added, Refined Economic Value Added, and Cash Value Added in Banking Sub-Sector Companies on the Indonesia Stock Exchange for the 2019-2021 Period

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ABSTRACT

Financial performance is an analysis that is used to determine the extent to which a company carries out its financial activities by using the rules of financial implementation properly and correctly. This study aims to analyze the financial performance of banking companies on the Indonesia Stock Exchange in the 2019-2021 period using financial value added (FVA), refined economic value added (REVA), and cash value added (CVA). This type of research used is descriptive research. The research was conducted on banking companies listed in the Infobank Stock Index15 on the Indonesia Stock Exchange. The data were obtained by using Documentation and Literature Study methods. The research results of the five banking companies that were examined showed that the FVA results tended to be positive (FVA > 0) because the FVA was negative (FVA < 0) only for BBRI companies in the 2019 period. REVA results tended to be negative (REVA < 0) because REVA was positive (REVA > 0) only for BBNi and BJBRI companies in the two study periods. CVA results tend to fluctuate (CVA < 0) because negative CVA (CVA < 0) are only BBKA companies during the three-year study period.

INTRODUCTION

In the midst of the recovery of the Covid-19 pandemic, there is an interesting thing, namely the emerging trend of investing in the capital market which is in great demand by the Indonesian people. Quoted from the OJK press release, the performance of the Indonesian capital market grew positively throughout 2021 until the close of the year and the beginning of 2022, the capital market strengthened to encourage Indonesia's economic recovery with an increase in the number of capital market investors by 7.49 million, an increase of 92.99% compared to the end of 2020 of 3.88 million. The Capital Market itself according to the Capital Market Law No. 8 of 1995 is an activity related to public offering and securities trading. Instruments traded in the capital market are stocks, bonds, mutual funds, exchange traded funds and several derivative products. The increasing capital market investors are an opportunity for issuers in the capital market to obtain corporate funding sources from modar market investors. Because the main goal of the company is to realize the vision, mission of the company and also maximize the company's net profit.

The banking sub-secretariat is part of the Financial sector. Judging from the Fact sheet data of the composite stock price index (JCI) as of March-April 2022, the banking sub-sector is the largest contributor to stock transactions in the Indonesian capital market, which illustrates the large interest of investors in the banking sector, until now. Stocks in the banking sub-sector are also often included in the TOP 10 stocks based on data from the fact sheet index (JCI) as of 2021-2022, which in general can describe the quality of performance of banking companies that are considered good. Banking itself according to Law No. 10 of 1998 concerning banking, a bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit or in other forms in order to improve people's living standards. This study uses the Infobank15 Index as the object of research because this index contains 15 banking stocks that have good fundamental, high trading liquidity and are also uptade periodically within bimonth, triulan and 6 months. Launched and managed in collaboration with PT Info Artha Pratama (publisher of infobank magazine).

Based on the data above, for a company, the effort to achieve its goals is by setting company financial performance standards. For Investors, the company is said to be good if the company can deliver good financial performance as well. Therefore, financial performance is very important to do. According to (Irfani, 2020) a company's financial performance is defined as the level of management achievement in managing company finances efficiently and effectively on various company activities (operations, investments, and funding) during a certain period based on clear standards of size and performance using generally accepted methods or analytical tools. Measuring the financial performance of a company is generally done using financial ratios, but this ratio has many disadvantages, namely, financial ratios are an old method that is still very simple to measure company performance precisely and

accurately. From the weakness of the financial ratio, experts develop an alternative method of financial performance analysis, namely Value Based Management (VBM) or value-based financial performance measurement using the Cost of Capital (cost of capital) in the calculation. Value Added shows the company's ability to increase shareholder wealth from the creation of company added value "If the profit obtained by the company is greater than the cost of capital that has been incurred". The value-added financial performance measurements used in this study are Financial Value Added (FVA), Cash Value Added (CVA), and Refined Economic Value Added (REVA).

THEORETICAL REVIEW

Financial Statements

Financial statements are information that describes the financial condition of a company and furthermore the information can serve as an illustration of the company's (financial performance (Kasmir (2019).

Financial Performance

Company is defined as the level of management achievement in managing company finances efficiently and effectively on various company activities (operations, investments, and funding) during a certain period based on clear standards of size and performance using generally accepted methods or analytical tools (Irfani, 2020).

Analysis of Financial Statements

Financial statement analysis is a sorting, assessment, and explanation of the company's financial information, and relates it to other information for investment and financial company decision making (Drake, quoted in Kariyoto, 2017: 1).

Financial Performance Analysis Procedure

1. Review the data contained in the financial statements. The review is carried out to ensure that the financial statements to be used are in accordance with generally accepted rules and principles in the world of accounting, so that the results of the financial statements can be accounted for.
2. Perform calculations. The use of calculation methods can be adjusted to the problems and conditions that are being faced so that the resulting calculations provide conclusions that are in accordance with the desired analysis results.
3. Comparing the calculation results that have been obtained. From the calculation results obtained, a comparison can be made with similar companies or a comparison is carried out in a certain period of time,

from the results of the comparison it can be concluded that the position of the company is in good condition or not.

4. Interpreting the problems found. After the 3 stages above, interpretation is then carried out to find out the problems and constraints in the company.
5. Provide solutions to problems and obstacles faced by the company. Providing solutions, namely suggestions and input so that problems and obstacles from the company can be solved.

Financial Value Added (FVA)

Financial Value Added is a measurement of the company's financial performance that measures the company's financial added value by considering the contribution of fixed assets in generating net profits owned by the company (Sandias et al., quoted by Masyiyah and Isyinnuwardhana, 2019).

$$FVA = NOPAT - (ED - D)$$

Keterangan :

NOPAT = Net Operating Profit After Tax

ED = Equivalent Depreciation

D = Depreciation

Refined Economic Value Added (REVA)

Refined Economic Value Added is a method of measuring a company's performance by looking at whether the company is able to create economic added value for its company if the remaining profit after the capital provider compensates according to the required rate of return or after all capital costs used to generate profit and or whether the company is able to increase economic value in its performance after the company has paid all its obligations to creditors or shareholders (Sormin, 2017 : 13).

$$REVA = NOPAT - (WACC \times Market Value t-1)$$

Keterangan :

NOPAT = Net Operating Profit After Tax

WACC = Weighted Average Cost of Capital

Market Value t-1 = Market Value of the Firm's

Cash Value Added (CVA)

Cash Value Added uses operating cash flow as the basis for calculating the company's operating profit. The Cash Value Added (CVA) approach describes how much cash value the company generates (Sormin, 2017: 19).

$$CVA = Operating Cash Flow - \{DE + (k \times IC)\}$$

Keterangan :

Operating Cash Flow = cash flow derived from operating activities

DE = Economic Depreciation

K = capital cost rate
IC = Invested Capital

METHODOLOGY

Types of research

This type of research is qualitative with a descriptive approach. This research was conducted to describe or explain the performance of banking companies listed on the Infobank15 stock index on the Indonesia Stock Exchange in creating added value using financial performance analysis tools FVA, REVA and CVA.

Place of research

This research was conducted on five companies sektor financial subsektor perbankan listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period and which were included in the Infobank15 Index list consecutively in the period 2019-2021.

Types, Sources, and Data Collection Methods

The data used in this study are authenticative data and qualitative data. Researchers used secondary data as the main data source and used the doccupancy technique and the studi pustaka technique as data collection methods in this study.

Methods and Process Analysis

The analysis method used is a descriptive method, which describes the financial performance of five banking companies in the Infobank15 index contained in this study in its ability to create profits and value added using FVA, CVA and REVA analysis during the three-year period 2019-2021.

RESULTS

Financial Value Added (FVA)

Tabel 1. FVA Calculation Results

Company name	2019	2020	2021
PT Bank Central Asia Tbk	344.537	3.247.444	247.178
PT Bank Negara Indonesia (Persero) Tbk	3.161.241	3.394.463	2.203.541
PT Bank Rakyat Indonesia (Persero) Tbk	-11.922.998	4.411.234	8.680.558
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk	286.532	435.468	409.118
PT Bank Mandiri (Persero) Tbk	2.871.237	3.930.587	4.949.655

Source : Processing Data Results, 2022

According to table 1. it can be seen that the FVA value generated by BBRI companies is negative in 2019 of IDR-11.922.998 but in 2020 to 2021 it experienced positive results and BBKA, BBNI, BJBR, and BMRI companies experienced positive FVA results every year.

Refined Economic Value Added (REVA)

Tabel 2. REVA Calculation Results

Company name	2019	2020	2021
PT Bank Central Asia Tbk	-151.552.836	-121.686.047	-141.929.995
PT Bank Negara Indonesia (Persero) Tbk	-2.181.085	603.958	276.015
PT Bank Rakyat Indonesia (Persero) Tbk	-100.212.233	-50.028.896	-36.329.596
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk	223.143	-474.322	58.174
PT Bank Mandiri (Persero) Tbk	-27.673.329	-12.790.343	-13.811.088

Source : Processing Data Results, 2022

According to table 2. it can be seen that the value of REVA in BBKA, BBRI, and BMRI companies experiences negative results every year, and BBNI Companies experience negative results in 2019, but from 2020 to 2021 experienced positive results. For BJBK companies experienced negative results in 2020, but had positive results in 2019 and 2021.

Cash Value Added (CVA)

Tabel 3. CVA Calculation Results

Company name	2019	2020	2021
PT Bank Central Asia Tbk	348.391	3.694.713	76.206.930
PT Bank Negara Indonesia (Persero) Tbk	-53.106.687	47.711.800	63.368.666
PT Bank Rakyat Indonesia (Persero) Tbk	-48.136.576	8.972.188	-35.154.939
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk	-14.120.656	-9.306.671	3.730.100
PT Bank Mandiri (Persero) Tbk	-41.129.403	48.165.518	64.580.286

Source : Processing Data Results, 2022

According to table 3. it can be seen that the CVA value generated by BBNI companies and BMRI companies was negative in 2019 amounting to IDR-27.884.603, and IDR-41.129.403 However, from 2020 to 2021, it experienced positive results. BBRI companies experienced negative results for two years in 2019 amounting to Rp-48,136,576 and in 2021 amounting to IDR-35.154.939. BJBK company experienced negative results in 2019 of IDR-14.120.656 and in 2020 of IDR-9.306.671.

DISCUSSION

Analysis of financial performance in terms of REVA

Based on table 1. above for an analysis of the FVA calculations that have been carried out on the financial performance of five banking companies, during the 2019-2021 period the values tend to be positive. The FVA value which tends to be positive is caused by the Net operating profit after tax (NOPAT) value of each company each year which is greater than the equivalent depreciation (ED) cost which often decreases as a result of the financing burden of the total funding borne by the company decreasing which illustrates good company financial performance. From these results, it can be explained that the four banking sub-sector companies namely BBKA, BBNI, BJBK and BMRI can generate financial added value and company net profits as well as depreciation of fixed assets

capable of covering all equivalent depreciation costs or it can be concluded that these companies have good performance for company and profits for shareholders. The company with the best FVA value is BMRI, because this company annually produces a positive FVA which increases every year compared to the other four companies. So that the company's management is able to provide added financial value to the company and shareholders. Furthermore, companies with negative FVA are BBRI in 2019, so company management is not able to generate wealth for the company and shareholders in that year, but in 2020-2021 BBRI companies have positive FVA values that illustrate company management is able to stabilize company performance that have a good impact on the company. So that the company is able to generate financial value and increase the wealth of the company and shareholders.

Analysis of financial performance in terms of REVA

Based on table 2. above for an analysis of the REVA calculations that have been carried out on the financial performance of five banking companies, during the 2019-2021 period it shows that the REVA value tends to be negative. Only two companies that are able to generate fluctuating REVA values tend to be positive every year. The company that has the best REVA value is BBNI because even though this company has a negative REVA in 2019, in 2020-2021 the company's management is able to produce company performance with a positive REVA value every year. So that the company is able to provide economic added value and increase the wealth of shareholders and the company. Furthermore, companies that have the worst REVA values are BBCA, BBRI, BJBR, and BMRI because these companies have negative REVA values every year. So it can be concluded that the company has poor management performance because the company's NOPAT is unable to pay all of the company's obligations to funders such as creditors and shareholders. So that the company has not been able to provide economic added value and increase shareholder wealth.

Analysis of financial performance in terms of CVA

Based on table 3 above for the analysis of the CVA calculations that have been carried out on the financial performance of five banking companies, during the 2019-2021 period it shows that the CVA value tends to fluctuate, tends to be negative. There is only one company that has a good performance, namely BBCA because it produces a positive CVA value every year. Meanwhile, companies that are able to improve their company's performance in 2020-2021 are BBNI and BMRI because these companies, although in 2019 had a negative CVA, in 2020-2021 the company's management was able to produce company performance with a positive REVA value every year. So that the company is able to provide added value to the company, increase shareholder wealth and the company can generate company cash from one period to the next to pay off the company's long-term obligations. Furthermore, companies that have the worst CVA values are BBRI and BJBR because these companies have a negative CVA value every year. So it can be concluded that the company has poor management

performance because the company's cash is unable to cover all costs generated by economic depreciation and the company's capital charge. So that the company has not been able to generate added value for the company and generate cash from one period to the next to pay the company's long-term obligations.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussion of the results of the analysis of the financial performance of banking companies using FVA, REVA, and CVA, the following conclusions are obtained :

1. Of the five companies studied, all companies tended to have positive FVA results ($FVA > 0$) each year in the 2019-2021 period. It can be concluded that in general, the five banking companies studied succeeded in providing added financial value and were able to increase wealth for companies and shareholders. The FVA value is positive because the company's net profit (NOPAT) and fixed asset depreciation are able to cover equivalent depreciation (ED) costs, the company can also provide returns for funders (creditors and investors). This is due to the low weighted average cost of capital (WACC) and Total Resource (TR) so that the amount of Equivalent Depreciation (ED) is smaller when compared to the company's NOPAT. Only the company PT Bank Rakyat Indonesia (Persero) Tbk in 2019 had negative FVA results ($FVA < 0$). When viewed from the FVA method, it can be concluded that the five banking companies as a whole deserve to be a place to invest capital or a place to invest for new or experienced investors.
2. From the data of the five companies above, it can be concluded that each company has a REVA value that tends to be negative ($REVA < 0$), so it can be concluded that in general the five banking companies studied did not experience an increase in the company's economic added value. The REVA value is negative because the net profit (NOPAT) cannot cover the company's total market value (Market Value) so that the company is declared unable to fulfill its obligations to funders such as creditors and shareholders. This is due to the high value of the weighted average cost of capital (WACC), the company's share price and the number of outstanding shares, so that the results of WACC and MV t-1 have a large number and fluctuate every year. When viewed from the REVA method, it can be concluded that the five banking companies as a whole were not suitable as a place to invest capital or a place to invest for investors during the study period.
3. From the data of the five companies above, it can be concluded that each company has a CVA value that tends to be negative every year. So it can be concluded that in general the five banking companies are still unable to provide economic added value every year and have not been able to generate cash from one period to the next to pay off their long-term obligations. The CVA value is negative because cash from operating activities has not been able to cover every Economic Depreciation (ED) cost and Capital Charge (CC) cost. This could be due to the high costs of

economic depreciation from the accumulated depreciation of fixed assets and the cost of capital charges from the capital structure of each company. When viewed from the CVA method, it can be concluded that the five banking companies as a whole are not suitable as a place to invest capital or a place to invest for investors in the study period.

4. If measured by the three methods FVA, REVA and CVA, then of the five companies there is no company that is able to generate added value in all the methods used, but the company PT Bank Central Asia Tbk has positive performance results every year on the FVA and CVA methods compared the other four companies, meaning that the BCA company has good company performance and is still suitable as a place to invest for novice investors who have an interest in banking.

FURTHER STUDY

It should be noted that this research still has limitations, therefore for future researchers, this research is expected to be a reference for further research. It is recommended for future researchers to use other value added analysis tools such as (SVA) Shareholder Value Added, and use a longer research year period than this study, so that comparisons can be seen each year so that the results of the financial performance analysis can be more in-depth to see differences. from year to year.

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