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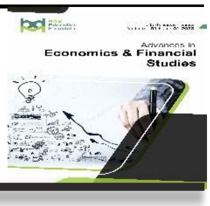

Application of the Economic Value Added (EVA) Concept as a Measuring Tool for Financial Performance

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The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

ABSTRACT

This study aims to determine the application of Economic Value Added (EVA) to financial performance at PT. XL Axiata, Tbk. The sample in this study is the financial performance of PT. XL Axiata, Tbk for three years. This research method uses the documentation method. The data used in this study is secondary data obtained from financial reports on the Indonesian Stock Exchange website. The data obtained is then processed by simple regression. Based on the analysis that has been done, it can be concluded that the financial performance of PT. XL Axiata, Tbk during the 2014-2016 period showed poor performance. This can be seen from the EVA value, which continuously decreases yearly until it reaches a negative EVA value so that PT. XL Axiata, Tbk could not generate returns per the expectations of shareholders. Also, evaluating financial performance using the EVA method strongly supports assessing financial performance based on financial ratios. This performance appraisal method gives the result that PT. XL Axiata has continuously experienced a decline in financial performance since 2014. However, with EVA, shareholders can see the size of the return generated by PT. XL Axiata Tbk for shareholders and whether the rate of return follows the shareholders' expectations, exceeding the cost of capital for the investment it makes.

Introduction

The telecommunications industry is a type of industry that plays a significant role in all aspects, especially the business world. In Indonesia, the telecommunications industry is one industry that significantly influences the smooth running of the economy. This is because communication is an essential requirement in the business world (Yayan Sari, 2020) . Distance makes us unable to meet face to face and is supported by the location of Indonesia, which consists of many islands, so it requires a means to connect without having to meet face to face. Indonesia has a lot of telecommunications companies. They compete to remain the best and are in demand by the public. Competition in the business world is getting tighter, and the depletion of boundaries between countries significantly influences companies in a country to compete with companies both within their own country and those outside the country. The existing competition can be overcome by showing good company performance in the eyes of the public and investors in particular (Fidianti, 2016) .

Evaluation of the financial performance of telecommunications companies is carried out so that shareholders know the level of soundness and actual condition of a company so that the capital partnered is safe enough and obtains a profitable rate of return from the investment invested. For company management, this performance appraisal will greatly influence the preparation of the company's business plan that will be taken for the future for the sake of the company's survival (Gulo & Ermawati, 2017) . Every company aims to maximize the wealth of its shareholders. Measurement of the company's financial performance is needed to determine success in achieving these goals. Measurement of financial performance based on financial reports is done chiefly using performance measurement tools that are sometimes different. Assessing how far the effectiveness of the company's operations in achieving its goals requires specific measurement methods. One way to determine a company's financial performance can be by analyzing its financial statements. Financial statements are a source of information that can be used to determine the development of the company concerning the position and performance of the company. The company's financial position and condition can be identified by examining and analyzing the company's financial condition (Novita, 2015) .

To determine the overall financial performance assessment, necessary to develop an analytical tool regarding the soundness of financial performance using the Economic Value Added (EVA) analysis approach. The EVA method was first developed by Stewart & Stern, a financial analyst from the Stren Steward & Co company, in 1993 (Febrianto, 2017) . Economic Value-Added tries to measure the added value (value creation) produced by a company by reducing the burden of capital costs (cost of capital) that arise from investments made. A positive EVA indicates that the company has created value for capital owners because the company can generate a rate of return that exceeds the cost of capital. Conversely, a negative EVA indicates a decreased company value because the rate of return is lower than the cost of Capital (Putri, 2015) .

Financial performance that stockholders can see can be measured by analyzing its financial statements, which can be used to compare a company's performance from one period to the next. By looking at a company's performance, stockholders can find out their expectations for obtaining a satisfactory rate of return on the investment that has been invested. The expectations of these fund providers are expressed in terms of the weighted average cost of capital of the existing capital structure.

In general, investors in measuring company performance use profitability analysis, especially the Return on Equity (ROE) ratio, to measure the level of return on investment in the company. However, this ratio has weaknesses. This ratio ignores the level of risk on investment and the level of capital costs, so it is not easy to assess whether a company has created value (Oktary, 2019) . The limitations of the ROE ratio cause parties who want to assess company performance, especially investors, to look for another analytical tool. Furthermore, the analytical tool that can cover the ROE weakness is Economic Value Added (EVA), namely the profit that is left behind after deducting the cost of Capital (Capital Cost) invested to generate that profit.

PT. XL Axiata Tbk is a company engaged in the telecommunications services sector. PT. XL Axiata Tbk is currently facing much competition from other companies in the telecommunication sector. For investors or stockholders to continue to have confidence in the company, it is hoped that they can show good company performance so that they can provide satisfaction for stockholders as part of one of the missions of PT. XL Axiata itself.

Previous researchers inspired the things listed above in conducting research, including (Fidianti, 2016) researching Financial Performance Assessment Analysis with the EVA Approach at PT. Source of Gowa Stone in Makassar. The study's results revealed that the analysis of the value of the company's financial performance showed that the company's performance from 2006 to 2007 increased, and from 2008 to 2010 it decreased. This was due to a decrease in ROIC in the last 4 years. The results of ROIC analysis with WACC show that the rate of return on the amount of capital invested is an average of 14.21% per year, while the average weighted cost of capital is 13.74% per year. From the results of the analysis of the EVA approach, there are positive results which mean the company can increase the economic added value of each contractor service, but in 2010 it appears that the EVA achieved by the company has not been able to provide the economic added value of EVA < 0. It is said EVA < 0 because the ROIC value achieved is greater than the interest earned by the company in completing the business being carried out.

Meanwhile, Sholfiatin (2018) researched Economic Value Added Analysis for Measuring Financial Performance at PT HM. Sampoerna Tbk (before and after acquisition period 2013-2017). The results of research conducted in 2013 showed that the EVA position was below zero or negative. This condition (EVA < 0) means that in 2013 the company could not provide economic added value above zero or positive. This situation shows that the company has created added value for capital owners. During the acquisition period (2015) it shows a position above zero or EVA is positive. This condition indicates that the company can create economic added value and meet investors' expectations. In 2016 and 2017 it shows that the EVA position is above zero or has a positive value. This shows 2016 and 2017 the rate of return generated exceeded the level of the cost of capital or the rate of return expected by investors.

Based on this description, the researcher is interested in knowing the performance of Telecommunications Companies listed on the Indonesia Stock Exchange using the Economic Value Added (EVA) method at PT. XL Axiata Tbk.

Literature Review

Definition of Financial Management

According to Setia Mulyawan (2015) financial management can be interpreted as all company activities related to obtaining funds at a low cost and using and allocating these funds efficiently. Syamsuddin (2011) states that financial management is all activities related to acquiring, funding and managing company assets with several overall objectives. According to Agus Sartono (2008), financial management can be interpreted as good fund management related to allocating funds in various forms of investment effectively as well as collecting funds to finance investments or spend efficiently.

Definition of Financial Statements

Financial statements describe a company's financial condition; furthermore, this information can be used to describe the company's financial performance (Irham, 2012) . These financial statements are part of the financial reporting process. Financial reports are the output and final result of the accounting process. These financial reports become information material for users as one of the ingredients in the decision-making process. Besides being informational, financial reports also act as accountability, describing indicators of a company's success in achieving its goals. The definition of financial reports put forward by Alawiyah (2019) is that financial reports are balance sheets, profit and loss calculations, and all the information contained in the attachments, including reports on sources and uses of funds. Kasmir (2015) states that financial reports show the company's financial condition at this time or in a certain period. Financial reports will provide information about profitability, risk, and cash flow timing, all of which will affect the expectations of interested parties (Grant, 2013) . This report contains the basic financial statements and management opinion on the company's operations over the past year and prospects. Companies use financial reports as information regarding the financial position, company performance and changes in the company's financial position.

Forms of Financial Statements

Financial statements are the result of a reflection of the many transactions that occur within a company. Transactions and financial events are recorded, classified and summarized most appropriately in units of money and then interpreted for various purposes. Financial reports prepared to provide information to various parties consist of balance sheets, income statements, retained earnings or equity reports, and reports on the financial position or sources and users of funds. Forms of financial reports according to Sahara (2018) , namely: 1. Balance sheet. 2. Income statement. 3. Statement of changes in profit and loss.

Purpose of Financial Statements

Amna (2020) states that financial reports provide helpful information for present or future investors, creditors and other users to make investment decisions. Second, it provides valuable information for external users to estimate the timing, amount and uncertainty of receiving cash from interest and sales or loans payable. Third, provide information to help investors, creditors and other users to estimate the amount of time and uncertainty of net cash inflows to the company. The purpose of financial reports is to provide information to those who need about the condition of a company from the point of view of the numbers in monetary units (Irham, 2012) . Meanwhile, according to Syamsuddin (2011) the primary purpose of financial reports is to provide helpful information for making economic decisions. Report users will use it to predict, compare, and assess the financial impact of their economic decisions. Information about the financial impact that arises is beneficial for users to predict, compare and assess cash flows. Financial reports provide reports on financial positions that are useful for predicting, comparing, and assessing the company's earning power. This report must provide information regarding company transactions and other events that are part of an imperfect profit-making cycle. According to (Kasmir, 2015; Silalahi & Manullang, 2021) , some of the purposes of preparing financial reports are: 1. Provide information about the type and amount of assets (assets) currently owned by the company. 2. Provide information about the type and amount of liabilities and capital owned by the company. 3. Provide information about the income earned in a certain period. 4. Provide information about the number and types of costs incurred in a certain period. 5. Provide information about changes in assets, passive and company Capital. 6. Provide information on the notes to the financial statements. 7. Other financial information.

Financial performance

Financial performance is an analysis of how far a company has used the rules of financial implementation properly and correctly (Putri, 2015) . Performance measurement is data analysis and control for the company. Companies use performance measurement to make improvements to their operational activities in order to compete with other companies. For investors, information about company performance can be used to see whether they will maintain their investment in the company or look for other alternatives. Performance measurement is defined as "performing measurement" (performance measurement) is the qualification and efficiency of a company or segment or effectiveness in operating the business during the accounting period. Performance appraisal is done by evaluating financial statements by using financial ratios such as Return on Investment (ROI), Return on Equity (ROE), Return on Assets (ROA), Net Profit Margin (NPM), most of which still use incomplete financial data. Adequate and measurement models must also be adapted to the business environment. An essential weakness in using financial ratios is that reported earnings do not include the cost of capital element. The concept of Economic Value Added (EVA) was developed to overcome these weaknesses. In this concept, these weaknesses are overcome by removing the cost of capital and operating profit after tax. The ratio-based approach calculates profit when income (return) is higher than expenditure (cost), but the Economic Value Added (EVA) approach still takes into account the cost of Capital (Irawan & Manurung, 2020) .

Definition of Economic Value Added (EVA)

Economic value added (EVA) is a measure of operational performance that G. Bennet Stewart & Joel M. Stren, a financial analyst from Sten Stewart & Co. in 1993, first developed. Since then, more than 300 companies have adopted this discipline. Brigham and Houston (2015) argue that Economic Value Added is an estimate of the actual economic profit of a company in the current year, which is very different from accounting profit. The main difference in the measurement of profit between accounting and EVA is that the accounting version of net income only considers the cost of debt and not the cost of equity. Accounting profit considers both the cost of debt and the cost of equity. Therefore, the net profit is set too high economically compared to the actual profit. Jakub (2015) , argues that EVA is a measure of the success of company management in increasing added value (value added) for the company. The assumption is that if management performance is good/effective (judging by the amount of added value provided), it will be reflected in an increase in the company's stock price. According to Sabol (2017) EVA can be defined as operating profit after tax minus the cost of capital. The concept of EVA is based on the premise that the measurement of a company's profits must be accurate and fair to consider shareholders' expectations.

Purpose and Calculation of Economic Value Added (EVA)

EVA provides a better measurement of the added value provided by the company to shareholders. Therefore, managers who focus on EVA can be interpreted as having operated consistently to maximize shareholder wealth. Economic Value Added (EVA) calculations are expected to support the presentation of financial reports to make it easier for users of financial reports, including investors, creditors, employees, customers, and other interested parties. Several approaches can be used to measure EVA, depending on the company's capital structure. If in the capital structure, the company only uses it is Capital (Shah et al., 2015) .

Economic Value Added (EVA) Performance Measure

EVA is an alternative that can be used in measuring company performance, where performance appraisal focuses on creating company value. Performance appraisal using the EVA approach causes management to pay attention to following the interests of shareholders. With EVA, managers will think and act like shareholders, choosing investments that maximize returns and minimize capital costs to maximize company value. As a measure of company performance, EVA directly shows how much the company has created capital for capital owners (Limarev et al., 2015). Omneya (2021) explains that the results of assessing a company's performance using EVA can be grouped into 3 different categories: a. EVA value> 0 or EVA is positive. The company's management has successfully created economic added value in this position. b. EVA value = 0. This position means that the company's management is at the breakeven point. The company did not experience setbacks. At the same time, it did not progress economically. c. EVA value < 0 or EVA is negative. In this position, there is no process of adding economic value to the company because the profits generated cannot meet the expectations of creditors and company shareholders (investors).

Advantages and Weaknesses of Economic Value Added (EVA)

Some of the advantages possessed by EVA, according to (Malichova et al., 2017) include: 1. EVA can align management goals and the interests of shareholders where EVA is used as an operational measure of management that reflects the company's success in creating added value for shareholders or investors. 2. EVA provides guidelines for management to increase operating profit without additional funds/capital, expose loans (receivables) and invest funds that provide high returns. 3. Economic Value Added (EVA) is a measure of company performance that looks at the economic aspect of its measurement, namely by taking into account the expectations of capital owners (creditors and shareholders) somewhat. The degree of fairness is stated in a weighted measure of the existing capital structure and is guided by market value, not book value.

Besides having advantages, EVA also has several weaknesses that cannot be covered (Malichova et al., 2017) , including: 1. It is difficult to determine a truly accurate cost of capital, especially the cost of own capital. Especially in companies that go public usually experience difficulties in calculating their shares. 2. EVA analysis only measures quantitative factors, while to measure performance optimally, companies must be measured based on quantitative and qualitative factors. 3. EVA only describes value creation in a particular year. 4. EVA relies too much on the belief that investors rely heavily on fundamental approaches in assessing and making decisions to sell or buy stocks. In fact, other factors are sometimes even more dominant. e) Benefits of Economic Value Added (EVA). Companies can obtain several benefits in using EVA as a performance measurement tool and company-added value.

Benefits of EVA

According to Poll (2015) , the benefits of EVA are as follows: a. EVA is a measure of company performance that can stand alone without the need for other measures, either in the form of comparisons using similar companies or analyzing trends. b. EVA calculation results encourage allocating company funds for investments with low capital costs. c. Economic Value Added (EVA) can be used to identify activities or projects that provide returns higher than the cost of capital. d. With Economic Value Added (EVA), managers think and act like shareholders, choosing investments that maximize returns and minimize capital costs to maximize company value. e. With EVA, companies will pay more attention to their capital structure. f. EVA can make managers focus on value-creating activities and allows them to evaluate performance based on the criteria of maximizing firm value.

Capital Cost Components (COC) As EVA Shapers

Cost of Capital or the cost of capital has two meanings, depending on the investor or company side. From an investor's point of view, the cost of capital is the opportunity cost of the funds invested by investors in a company. Meanwhile, from the company's point of view, capital is the cost incurred to obtain the required source of funds (Oktary, 2019) . For financial practitioners, the term cost of capital is used as : a. The discount rate for bringing future project cash flows to their present value. b. The desired minimum rate to accept a new project. c. Cost of Capital in EVA calculations. d. Benchmark (measurement in the field of statistics) to estimate the cost rate of the capital used.

Capital Cost Components

One of the essential components used in investment appraisal, sources of expenditure and asset management is the cost of capital. According to Mustafa (2017) , there are three reasons for determining the cost of capital: First, maximizing firm value requires that all input costs, including the capital, to minimize capital costs must be estimated. Second, capital budgeting decisions require an estimate of the cost of capital. Finally, several other decisions include public utility regulation, leasing, refinancing bonds, executive compensation, and short-term asset management. The Cost of Capital component generally consists of the Cost of Debt and the Cost of Equity. Based on the background of the problems described, the researcher proposes a hypothesis as a quick answer to the problem, namely the financial performance of PT. XL Axiata Tbk, measured using the Economic Value Added (EVA) concept for 3 periods, has decreased yearly

Research Design and Methodology

This research is a type of quantitative research. The population in this study is the financial performance of PT. XL Axiata Tbk. The sample in this study is the financial performance of PT. XL Axiata, Tbk for three years. Data collection techniques are carried out using the documentation method, namely by recording and collecting data from existing documents at the company in the form of financial report data (balance sheet and income statement), as well as data covering accounts receivable management. The type of data used is quantitative data sourced from secondary data in the form of company annual reports that have been audited. The data analysis used in this research is descriptive quantitative analysis, namely the collecting, processing, simplifying, presenting, and analyzing of data to provide an orderly description of an event with observations expressed in numbers. Because researchers want to describe the company's financial performance, researchers use the Economic Value Added (EVA) method. The steps for calculating EVA, according to Amin Widjaja Tunggal (2001), namely:

Calculating NOPAT (Net Operating Profit After Tax)

NOPAT = Operating profit (loss) - taxes

Calculating invested capital

Invested capital = total debt & equity – short-term debt

Calculating WACC (Weighted Average Cost of Capital)

WACC = {(Wd. Kd(1-T) + We. Ke)}

Calculating capital charges

Capital charges = WACC x invested capitals

Calculating Economic Value Added (EVA)

EVA = NOPAT – Capital charges

Or

EVA = NOPAT – WACC x invested capital

Findings and Discussion

Findings

Based on the NOPAT (Net Operating Profit After Tax) calculation results, it can be concluded that the NOPAT results are in table 1 below:

Table 1. NOPAT (Net Operating Profit After Tax) PT. XL Axiata, Tbk 2017 – 2019

Year	NOPAT (in million rupiah)
2017	1,858,022
2018	1,163,478
2016	1,275,655

Source: *Data processed from the consolidated profit (loss) report of PT. XL Axiata, Tbk.*

Based on table 1, it can be seen that PT. XL Axiata, Tbk for 3 years of research, has NOPAT in 2017 of Rp. 1,858,022 in 2018 experienced a decrease of Rp. 1,163,478 and in 2017 it also decreased by IDR 1,275,655. NOPAT has increased because operating profit (loss) has increased, but when operating profit (loss) has decreased, NOPAT will also have decreased.

Table 2. Invested Capital PT. XL Axiata, Tbk 2010 – 2017

Year	Invested Capital
2017	32,106,992
2018	35,335,917
2019	31,752,112

Source: Data processed from PT. XL Axiata, Tbk.

Based on table 2, it can be seen that in 2018 Invested Capital PT. XL Axiata, Tbk has increased from the previous year, which was Rp. 35,335,917, Whereas in 2019 it decreased by IDR 31,752,112. If the total debt and equity increase, the Invested capital also increase. On the other hand, if total debt and equity decrease, then Invested Capital will also decrease.

Table 3. Capital Level (Wd) of PT. XL Axiata, Tbk 2017 – 2019

Year	Capital Level (Wd)	%
2017	0.7334333605	73.34%
2018	0.7605308515	76.05%
2019	0.7211353185	72.11%

Source: Data processed from PT. XL Axiata, Tbk.

Based on table 3, it can be seen that the Capital Level of PT. XL Axiata, Tbk in 2018 experienced an increase from the previous year of 76.05%, while in 2019 it decreased by 72.11%. If the total debt increases, the capital level also increases, but if the total debt decreases, the capital level also decreases.

Table 4. Cost of Debt (Kd) PT. XL Axiata, Tbk 2017 – 2019

Year	Cost of Debt (Kd)	%
2017	0.061613036	6.61 %
2018	0.0671688015	6.71 %
2019	0.0615435748	6.15 %

Source: Data processed from PT. XL Axiata, Tbk.

Based on table 4, it can be seen that the cost of debt at PT. XL Axiata, Tbk, the highest was in 2018 at 6.71% and the lowest was in 2019 at 6.15%. %. If the interest expense has increased, the cost of debt has also increased. On the other hand, if the interest expense decreases, the cost of debt will also decrease.

Table 5. Level of Capital & Equity (We) PT. XL Axiata, Tbk 2017 – 2019

Year	Capital & Equity Level (We)	%
2017	0.2665666395	26.65%
2018	0.2394691485	23.94%

2019	0.2788646815	27.88%

Source: Data processed from PT. XL Axiata, Tbk.

Based on table 5, it can be seen that the Capital & Equity Level at PT. XL Axiata, Tbk, the highest was in 2019 at 27.88% and the lowest was in 2018 at 23.94%.

Table 6. Cost of Equity (To) PT. XL Axiata, Tbk 2017 – 2019

Year	Cost of Equity (To)	%
2017	0.1308838202	13.08%
2018	0.0877180298	8.77%
2019	0.0899798471	8.99%

Source: Data processed from PT. XL Axiata, Tbk.

Based on table 6, it can be seen that the Cost of Equity at PT. XL Axiata, Tbk, the highest was in 2017 at 13.08% and the lowest was in 2018 at 8.77%. If the net profit after tax increases, the cost of equity also increases. On the other hand, if the net profit after tax decreases, the cost of equity also decreases.

Table 7. Tax Rate (T) of PT. XL Axiata, Tbk 2017 – 2019

Year	Tax Rate (T)	%
2017	0.0402288134	4.02%
2018	0.3484963616	34.84%
2019	0.2894328018	28.94%

Source: Data processed from the consolidated profit (loss) report of PT. XL Axiata, Tbk.

Based on table 7, it can be seen that the tax rate at PT. XL Axiata, Tbk, the highest was in 2018 at 34.84% and the lowest was in 2017 at 4.02%. If the tax burden has increased, the tax rate has also increased. On the other hand, if the tax burden decreases, the tax rate will also decrease.

Table 8. WACC (Weighted Average Cost of Capital) of PT. XL Axiata, Tbk 2017 – 2019

Year	WACC (Weighted Average Cost of Capital)	%
2017	0.078260411	7.82%
2018	0.0542871385	5.42%
2019	0.0881639158	8.81%

Source: Data processed from PT. XL Axiata, Tbk.

Table 9 shows that the highest WACC occurred in 2019 at 8.81%, while the lowest WACC occurred in 2018 at 5.42%.

Table 9. Capital Charges of PT. XL Axiata, Tbk 2017 – 2019

Year	Cost of Capital (Capital Charges)
2017	2,510,766,774
2018	1,915,206,701
2019	2,797,361,067

***Source:** Data processed from PT. XL Axiata, Tbk.*

Based on table 10, it can be seen that in 2018 the Capital Charges of PT. XL Axiata, Tbk experienced a decrease from the previous year, which amounted to IDR 1,915,206,701. Whereas in 2019 there was an increase of IDR 2,797,361,067.

Table 10. Economic Value Added (EVA) PT. XL Axiata, Tbk 2017-2019

Year	Economic Value Added (EVA)
2017	1,855,511,233,226
2018	1,161,562,793,299
2019	1,274,857,638,933

Source: Data processed from PT. XL Axiata, Tbk.

Based on table 10, it can be seen that Economic Value Added (EVA) is fluctuating. EVA will increase if NOPAT (Net Operating Profit After Tax) is high and Capital Charges are low. On the other hand, if NOPAT (Net Operating Profit After Tax) is low and Capital Charges are high, EVA will decrease.

Discussion

Economic Value Added (EVA) Analysis

From the EVA calculation, to obtain a high EVA value, the company must also be able to generate high profits (NOPAT) with low capital costs (Capital Charges). Even though the company makes a profit, it is not confident that the EVA value obtained by the company is positive because the profit earned is insufficient to cover the cost of capital used to carry out the company's activities. EVA is net profit after tax deducted from the cost of capital. To obtain a positive EVA value, it must pay attention to the efficiency level, namely the amount of capital costs incurred.

Financial Performance Analysis of PT. XL Axiata, Tbk

EVA is a good indicator in measuring the operational performance of a company. The use of EVA makes companies focus more on creating corporate value. A positive EVA indicates that the rate of return generated exceeds the cost of capital or the rate of return required by investors for their investments. This situation shows that the company successfully created value for the owners of capital, so it is consistent with maximizing its value. If EVA is negative, it indicates that the rate of return generated is less than the level of the cost of capital or the rate of return required by investors for the investment made. This situation shows that the company destroys value. If EVA equals zero, it will indicate that the company's performance is break even. Based on the calculation results obtained, PT. XL Axiata, Tbk experienced fluctuating financial performance. This is marked by a decrease and increase in the value of EVA each year. EVA Value PT. XL Axiata, Tbk in 2017 is 1,855,511,233,226. Whereas in 2018 it decreased by IDR 1,161,562,793,299 and in 2019 PT. XL Axiata, Tbk experienced an increase in EVA value of IDR 1,272,857,638,933. However, if you only look at the ROA and ROE financial ratios, investors cannot see whether PT. XL Axiata Tbk can generate the rate of return desired by investors.

The management has not been able to meet the expectations of shareholders. With the EVA value consistently decreasing and increasing, which is constantly changing, it means that the rate of return generated by the company has not been able to cover the cost of capital for the investment made by shareholders. Such results indicate that PT. XL Axiata, Tbk has not been able to achieve the goals of a company, which is to create and multiply shareholder wealth.

Conclusion

Based on the analysis that has been done, it can be concluded that the financial performance of PT. XL Axiata, Tbk during the 2017-2019 period showed poor performance. This can be seen from the EVA value, which continuously decreases yearly until it reaches a negative EVA value so that PT. XL Axiata, Tbk could not generate returns following the shareholders' expectations. Also, evaluating financial performance using the EVA method strongly supports assessing financial performance based on financial ratios. This performance appraisal method gives the result that PT. XL Axiata has continuously experienced a decline in financial performance since 2017 . However, with EVA, shareholders can see the size of the rate of return generated by PT. XL Axiata Tbk for shareholders and whether the rate of return follows the shareholders' expectations, exceeding the cost of capital for the investment it makes.

As for suggestions that researchers can give in connection with the results of this study, namely for PT. XL Axiata, Tbk is expected to continue to increase net profit after tax and reduce short and long-term debt. Besides that, it must also consider the company's ability to compete with similar companies. Thus, it will increase the company's returns, impacting its EVA value.

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