



## **ECONOMIC VALUE ADDED (EVA) AND LEVERAGE ANALYSIS TO MEASURE THE FINANCIAL PERFORMANCE OF CIGARETTE COMPANIES**

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### **ABSTRACT**

Financial statements are reports that can be used as a reference tool in making financial decisions and assessing performance in a company. This study is aimed at analyzing the assessment of the financial performance of cigarette companies using Economic value added (EVA) and leverage ratios. This type of research is descriptive quantitative, with variables consisting of EVA, DAR, and DER. Data is sourced from secondary data by the method of collection using documentation. The sample of this study is the financial statements of three cigarette companies for 2013 – 2017. The data analysis method used is descriptive with EVA, DAR, and DER ratios. The results showed that the assessment of financial performance in the form of EVA all cigarette companies had good performance (positive EVA value), PT. Gudang Garam Tbk has a better performance than others, because the value of EVA every year tends to increase, DAR for PT. Wismilak Inti Makmur Tbk is in the good category, but the company's DAR ratio every year decreases to a ratio of 20%, the DER ratio of PT. Gudang Garam Tbk and PT. PT. Wismilak Inti Makmur Tbk with good criteria.

Keywords: Economic Value Added, Debt to Assets Ratio, Debt to Equity Ratio

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## 1. Introduction

Competition between companies in the national economy is getting tighter in various industrial fields, especially in Indonesia. The manufacturing industry is one of the industrial sectors that until now has also competed in the national and global economy. This industry is also an industry with the main activity of processing or producing raw materials into finished goods to be sold to consumers for profit. One of the manufacturing sectors that supports economic development and growth in Indonesia is the cigarette industry. The existence of the cigarette industry in Indonesia is currently dilemmatic, on the one hand cigarette consumption has proven to be harmful to health and even life safety and the government has made efforts to reduce cigarette consumption in Indonesia. But on the other hand, the cigarette industry is a fairly large labor absorber and becomes an economic fulcrum for people in Indonesia. With these conditions, every cigarette industry must have various business strategies in order to survive in any situation.

Considering that the number of cigarette industries that have gone public is quite large, of course, between companies will compete and compete for the sustainability of their business and to maximize profits. In these conditions, every management must know and improve the company's performance in accordance with the vision and mission it has and demands that each company can develop strategies to be able to compete, one of which is that the company is expected to create good financial performance..

The condition of the company is reflected in the financial performance achieved from year to year. The company's performance is used to find out the strengths and weaknesses of the company, thus the company can determine the following steps to maintain and even improve these strengths as well as reduce weaknesses and make improvements.

In practice, the funds managed by the company must be managed properly, the proportion between the source of funds from inside and outside the company must be considered because it can affect the size of the profit aimed at achieving performance. The source of such funding can be known from the leverage ratio, this ratio is part of the financial ratio. The leverage ratio shows how much the company is financed by debt or outside parties with the company's capabilities described by capital (equity) and assets, where a good company should have a capital and asset composition that is greater than debt. Over time, the analysis of financial ratios was considered less effective in assessing the financial performance of the enterprise, since the analysis of financial ratios does not take into account the cost of own capital. So that a new method or approach emerged as a measure of the company's financial performance, namely Economic Value Added (EVA).

Cigarette companies listed on the Indonesia Stock Exchange were chosen as the object of research because in 2012 the level of leverage, especially debt to asset ratio, reached above industry standards. The cigarette company that reaches the DAR level above the industry standard (more than 35%) is PT. Hanjaya Mandala Sampoerna Tbk, PT. Bentoel Internasional Investama Tbk, PT. Wismilak Inti Makmur Tbk and so on. The DAR rate achieved was 49.29%, 72.26%, 45.63% for each company. This shows that there is a poor performance, so it is likely to make investors hesitate to invest in the company in question. In addition, the existence of the cigarette industry in Indonesia is currently dilemmatic, besides that the government has made efforts to reduce cigarette consumption in Indonesia, this is a threat to cigarette companies and investors in these companies will even have an impact on the income that will be obtained by the company and its financial performance which will also make investors hesitate in investing in cigarette companies.

Good company performance will be able to help in an effort to achieve company goals. Every company must be able to improve the performance of its company in the face of existing economic developments. For this reason, based on the goal of achieving and maintaining the level of progress in the company's performance, it is necessary to have a performance assessment, especially on the company's financial performance, so that the company's efficiency and effectiveness are seen.

Based on these problems, this study is intended to determine the assessment of the financial performance of cigarette companies listed on the Indonesia Stock Exchange using the Economic Value Added (EVA) method and leverage ratio. EVA analysis can show whether or not a company will gain economic added value for its company while the leverage ratio will show how much the company is financed by debt or outside parties with the company's capabilities described by capital (equity) and assets.



## 2. Literature Review

### 2.1 Financial Performance

According to Fahmi (2017: 238) "Financial performance is an analysis carried out to see the extent to which a company has implemented using the rules of financial implementation properly and correctly". Utari et al (2016: 318) stated "Financial performance is a management achievement that is measured from a financial point of view, namely maximizing company value". According to Mulyadi in Umbara (2016: 481) "Performance is one of the important things that must be achieved by every company anywhere, because it is a reflection of the company's ability to manage and allocate resources".

### 2.2 Economic Value Added (EVA)

#### a. Definition of Economic Value Added (EVA)

According to Sumarsan (2010: 131) "Economic Value Added (EVA) is a measure of the success of company management in increasing the value added of the company. Economic Value Added can be obtained from the difference between operating net profit and capital charge". Suropto (2015:17) states "EVA is the best measure of financial performance to explain the economic profit of a company, compared to other measures". According to Hanafi (2015:54) "The advantage of the EVA concept is that it is useful as a performance appraiser that focuses on value creation". Performance appraisal using the Economic Value Added (EVA) approach causes management attention in accordance with the interests of shareholders. With EVA, managers will think and act like shareholders, namely choosing investments that maximize the rate of return and minimize the level of cost of capital so that the value of the company can be maximized.

#### b. Steps to Determine EVA

Economic Value Added (EVA) can be calculated in the following ways:

$$EVA = NOPAT - \text{Capital Charge}$$

or

$$EVA = EBIT - \text{Tax} - WACC$$

Information:

NOPAT : Net Operating After Tax

Capital Charge : Cost of Capital x Capital employed

EBIT : Earning Before Interest and Tax

Tax : Corporate Income Tax

WACC : Weighted Average Cost of Capital

According to Sunardi (2018:67) the steps in calculating EVA include:

#### 1) Calculating NOPAT (Net Operating Tax)

$$NOPAT = \text{Net Operating Income} (1 - \text{Tax Rate})$$

#### 2) Calculating Invested Capital

$$\text{Invested Capital} = (\text{Total debt} + \text{Equity}) - \text{Short-Term Debt}$$

#### 3) Calculating the WACC

$$\text{WACC} = \{(D \times rd) (1 - \text{tax}) + (E \times re)\}$$

#### 4) Calculating Capital Charges

$$\text{Capital Charges} = \text{WACC} \times \text{Invested Capital}$$

#### 5) Calculating the EVA Value

$$\text{EVA} = \text{NOPAT} - \text{Capital Charges}$$

According to Susmonowati (2018:109) in EVA, the assessment of financial performance is measured by the following conditions:

- 1) If  $\text{EVA} > 0$ , then the company's financial performance can be said to be good, because the company can add business value. In this case, the employee is entitled to a bonus, the creditor retains interest and the shareholder can get a return equal to or more than the same.
- 2) If  $\text{EVA} = 0$ , then it is economically "breakeven" because all profits are used to pay obligations to funders of both creditors and shareholders, so the employee does not get bonuses only salary.
- 3) If  $\text{EVA} < 0$ , then the company's financial performance is said to be unhealthy, because the company cannot provide added value. In this case the employee cannot get a bonus only that the creditor still gets interest and the owner of the shares does not get.

#### c. Leverage Ratio

According to Fahmi (2017:2) "Financial statements are information that describes the company's financial condition, and furthermore, this information can be used as an illustration of the company's financial performance". Thus financial statements are one of the most important tools for knowing the performance of an enterprise in a certain period. An enterprise usually assesses its financial performance using the analysis of financial ratios. Financial performance assessment using financial ratio analysis aims to make the company know the level of profitability, solvency, rentability and stability of its business.

According to Sudana (2011:20) "Leverage ratio is a ratio that measures how much debt is in a company's spending. This ratio consists of debt ratio, time interest earned ratio, cash coverage ratio, and long-term debt to equity ratio". According to Fahmi (2017:121) "The leverage ratio is to measure how much a company is financed with debt. This ratio consists of debt to total assets, debt to equity ratio, times interest earned, cash flow coverage, long-term debt to total capitalization, fixed charge coverage, cash flow adequacy".

The leverage ratio is a ratio that measures how much a company is financed with debt. This ratio measures debt guarantees, both using total assets and own capital. According to Fahmi (2017:127) the leverage ratio generally consists of:

- 1) Debt to Total Assets. Debt to Total Assets or Debt Ratio is also known as a ratio that looks at a comparison of company debt, which is obtained from the comparison of total debt divided by total assets.

$$\text{DAR} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

- 2) Debt to Equity Ratio. The measure used in analyzing financial statements to show the amount of collateral available to creditors.

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$



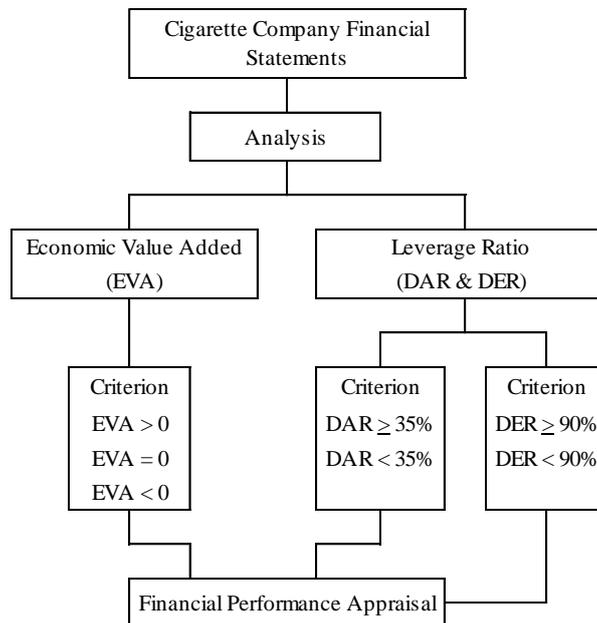
The industry standard leverage ratio is used as a reference to determine the condition of the company's financial performance in good condition or not in terms of the ratio, namely:

**Table 1. Industry Standard Leverage Ratio**

No.	Ratio Type	Industry Standard
1	Debt to Asset Ratio	35%
2	Debt to Equity Ratio	90%
3	Long Term Debt to Equity Ratio (LTDtER)	10 times
4	Times Interest Earned	10 times
5	Fixed Charge Coverage	10 times

The concept framework built in this study is as follows:

**Figure 1. Research Framework**



### 3. Method

This research uses a quantitative type of descriptive research. The population is in the form of financial statements issued by cigarette companies listed on the Indonesia Stock Exchange, namely PT. Gudang Garam Tbk., PT. HM Sampoerna Tbk., PT. Wismilak Inti Makmur Tbk., in 2013 – 2017, thus the sample selected was 15 observational data from the Cigarette Company. Data from secondary data was collected using documentation in the form of financial statements obtained from the official website of the Indonesia Stock Exchange ([www.idx.co.id](http://www.idx.co.id)) and also other supporting data related to this study. The data analysis technique uses

description analysis from Economic Value Added (EVA), Debt To Asset Ratio (DAR), and Debt To Equity Ratio (DER).

The research variables are described as follows:

**Table 2.** Variable Operational Definition

No.	Variable	Definition	Formula	Scale
1	Debt to Total Assets (DAR)	Debt to Total Assets as a ratio that looks at the comparison of company debt, which is obtained from the comparison of total debt divided by total assets	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	Ratio
2	Debt to Equity Ratio (DER)	Debt to Equity Ratio is a measure used in analyzing financial statements to show the amount of collateral available to creditors	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	Ratio
3	Economic Value Added (EVA)	Economic Value Added is a measure of performance that combines value generation with the cost of obtaining that added value	$\text{NOPAT} - \text{Capital Charges}$	Ratio

Source : Data processed 2021

## 4. Hasil

### 4.1 Economic Value Added (EVA)

An analysis of financial performance appraisal using Economic Value Added (EVA) will show a good measure of the extent to which the company has added value to the owners of the company. Eva values can be calculated using the following formula:

$$\text{EVA} = \text{NOPAT} - \text{Capital Charges} \dots\dots\dots (1)$$

$$\text{Capital Charges} = \text{WACC} \times \text{Invested Capital}$$

$$\text{WACC} = \{(D \times rd) (1 - \text{tax}) + (E \times re)\}$$

WACC and Capital Charges are calculated first then continued with EVA calculations. The following is the calculation of Economic Value Added (EVA) on cigarette companies listed on the Indonesia Stock Exchange in 2013 – 2017.

**Table 3.** WACC Calculation

Year	D x rd	1 – t ax	E x re	WACC
PT Gudang Garam Tbk (GGRM)				
2013	0,014889	0,7385	0,086331	9,73%
2014	0,023569	0,7487	0,092682	11,03%
2015	0,022524	0,7473	0,101625	11,85%



Year	D x rd	1 – t ax	E x re	WACC
2016	0,018909	0,7471	0,106028	12,02%
2017	0,012000	0,7431	0,116143	12,51%
PT HM Sampoerna Tbk (HMSP)				
2013	0,000919	0,7456	0,394761	39,54%
2014	0,000315	0,7422	0,358745	35,90%
2015	0,003643	0,7438	0,272653	27,54%
2016	0,000529	0,7502	0,300214	30,06%
2017	0,000586	0,7500	0,293666	29,41%
PT. Wisnilak Inti Makmur Tbk (WIIM)				
2013	0,011654	0,7556	0,107641	11,64%
2014	0,015150	0,7510	0,084227	9,56%
2015	0,013939	0,7366	0,097619	10,79%
2016	0,009052	0,7778	0,078492	8,55%
2017	0,005050	0,7449	0,033113	3,69%

Source : Data processed 2021

**Table 4.** EVA Calculation of PT Gudang Garam Tbk

Year	NOPAT (IDR million)	Capital Charges (IDR million)	EVA (IDR million)
2013	4.951.874	2.984.743	1.967.131
2014	6.433.242	3.798.452	2.634.790
2015	7.548.650	4.676.049	2.872.601
2016	7.591.529	4.965.831	2.625.698
2017	8.315.567	5.523.026	2.792.541

Source : Data processed 2021

From the table, it can be known that the EVA generated by PT. Gudang Garam Tbk from 2013-2017 obtained an EVA value of > 0 which means positive. This illustrates that PT. Gudang Garam Tbk is able to create economic added value for the company, capital owners and stakeholders and shows that the company's financial performance is in good condition from 2013-2017. EVA value of PT. Gudang Garam Tbk in 2013 reached IDR 1,967,131 million, in 2014 it reached IDR 2,634,790 million, in 2015 it reached IDR 2,872,601 million and in 2016 it reached IDR 2,625,698 million while in 2017 it reached IDR 2,792,541 million. Thus, it can be concluded that the EVA value achieved from 2013-2015 increased every year and in 2015-2016 it decreased while in 2016-2017 the EVA value increased again.

**Table 5.** EVA Calculation of PT HM Sampoerna Tbk

Year	NOPAT (IDR million)	Capital Charges (IDR million)	EVA (IDR million)
2013	10.900.769	6.042.030	4.858.739
2014	10.158.525	5.306.164	4.852.361
2015	10.412.591	9.218.203	1.194.388
2016	12.775.328	10.845.588	1.929.740
2017	12.690.254	10.781.145	1.909.109

Source : Data processed 2021

From the table, it can be known that the EVA generated by PT. HM Sampoerna Tbk from 2013-2017 obtained an EVA value of > 0 which means positive. this illustrates that PT. HM Sampoerna Tbk is able to create economic added value for the company, capital owners and stakeholders and shows that the company's financial performance is in good condition from 2013-2017.

The value of eva produced by the company fluctuates every year. In 2013 the EVA value reached IDR 4,858,739 million, in 2014 it decreased to IDR 4,852,361 million, in 2015 it decreased again and was quite drastic to reach the EVA value of IDR 1,194,388 million, in 2016 it increased and reached IDR 1,929,740 million while in 2017 it decreased again to reach IRR 1,909,109 million.

**Table 6.** EVA Calculation of PT. Wismilak Inti Makmur Tbk

Year	NOPAT (IDR million)	Capital Charges (IDR million)	EVA (IDR million)
2013	143.991	95.449	48.542
2014	127.297	85.415	41.882
2015	145.531	108.007	37.524
2016	116.160	90.623	25.537
2017	44.903	39.296	5.607

Source : Data processed 2021

From the table, it can be known that the EVA generated by PT. Wismilak Inti Makmur Tbk from 2013-2017 obtained an EVA value of > 0 which means it is positive. This illustrates that PT. Wismilak Inti Makmur Tbk is able to create economic added value for the company, capital owners and stakeholders and shows that the company's financial performance is in good condition from 2013-2017. EVA value of PT. Wismilak Inti Makmur Tbk in 2013 reached IDR 48,542 million, in 2014 it decreased to IDR 41,882 million, in 2015 it decreased again to IDR 37,524 million, in 2016 it decreased to IDR 25,537 million while in 2017 it experienced a fairly drastic decline to IDR 5,607 million. Thus it can be concluded that the EVA value of PT. Wismilak Inti Makmur Tbk always experiences a decline every year.

#### 4.2 Debt to Total Assets (DAR)

Debt to Total Assets (DAR) on cigarette companies listed on the Indonesia Stock Exchange in 2013-2017 can be calculated using the following formula:



$$\text{DAR} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \dots\dots\dots (2)$$

The following is the calculation of Debt to Total Assets (DAR) in 2013-2017:

**Table 7.** DAR ratio of PT. Gudang Garam Tbk

Year	Total Liabilities (IDR million)	Total Assets (IDR million)	DAR
2013	21.353.980	50.770.521	42,06%
2014	24.991.880	58.220.600	42,93%
2015	25.497.504	63.505.413	40,15%
2016	23.387.406	62.951.634	37,15%
2017	24.572.266	66.759.930	36,81%

Source : Data processed 2021

Based on the results of these calculations, it can be seen that the financial performance in terms of the DAR level at PT. Gudang Garam Tbk in 2013-2017 experienced fluctuations in value in 2013-2015. DAR level on PT. Gudang Garam Tbk in 2013 amounted to 42.06%, while in 2014 it increased to 42.93% and decreased many times in 2015-2017 with DAR levels of 40.15%, 37.15%, and 36.81%. The company's highest DAR was in 2014 at 42.93%, which means that 42.93% of the company's funding came from debt. While the lowest DAR was in 2017 at 36.81% which means that 36.81% of the company's funding came from debt. Thus PT. Gudang Garam Tbk for 5 years is above the industry standard (DAR > 35%), this means that the company has poor performance.

**Table 8.** DAR ratio of PT. HM Sampoerna Tbk

Year	Total Liabilities (IDR million)	Total Assets (IDR million)	DAR
2013	13.249.559	27.404.594	48,35%
2014	14.882.516	28.380.630	52,44%
2015	5.994.664	38.010.724	15,77%
2016	8.333.263	42.508.277	19,60%
2017	9.028.078	43.141.063	20,93%

Source : Data processed 2021

Based on the calculations above, it can be seen that the financial performance in terms of the DAR level at PT. HM Sampoerna Tbk in 2013-2017 tends to remain only in 2013-2014 which experienced an increase while in 2014-2017 it experienced a decline. DAR level on PT. HM Sampoerna Tbk in 2013-2014 achieved a value above the industry standard of 48.35% in 2013, and in 2014 by 52.44%. This means that during 2013-2014 the company had poor financial performance, because it exceeded the standard set by the DAR value > 35% (above the standard). Meanwhile, in 2015-2017 it experienced a decrease and reached a substandard DAR value, namely to 15.77%, 19.60%, and 20.93%. This means that in 2015-2017 the company was considered to have good financial performance. the highest DAR rate was in 2014 at 52.44%, which means that 52.44% of the company's funding came from debt. While the lowest DAR was in 2017 at 19.60% which means that 19.60% of the company's funding came from debt.

**Table 9.** DAR ratio of PT. Wismilak Inti Makmur Tbk

Year	Total Liabilities (IDR million)	Total Assets (IDR million)	DAR
2013	447.652	1.229.011	36,42%
2014	478.483	1.332.908	35,90%
2015	398.991	1.342.700	29,72%
2016	362.541	1.353.634	26,78%
2017	247.620	1.225.712	20,20%

Source : Data processed 2021

Based on the calculation results above, it can be seen that the financial performance in terms of the DAR level at PT. Wismilak Inti Makmur Tbk in 2013-2017 experienced a decline in value for 5 consecutive years. DAR level on PT. Wismilak Inti Makmur Tbk in 2013 amounted to 36.42%, in 2014 it was 35.90%, in 2015 it was 29.72%, in 2016 it was 26.78% and in 2017 it was 20.20%. It can be seen that in 2017 the DAR rate decreased more than the previous year. Thus PT. Wismilak Inti Makmur Tbk for 5 years has experienced improvements as indicated by the decreasing ratio level. However, when compared to existing industry standards, PT. Wismilak Inti Makmur Tbk performed poorly from 2013-2014 because it was above the industry standard (DAR > 35%). Meanwhile, in 2015-2017 it had a good performance because it was below the industry standard (DAR > 35%). If the ratio is high, it means that there is more and more funding with debt.

#### 4.3 Debt to Equity Ratio (DER)

Debt to Equity Ratio is a ratio used to assess debt to equity. This ratio is useful to find out the amount of funds provided by borrowers (creditors) with the owners of cigarette companies listed on the Indonesia Stock Exchange in 2013-2017 can be calculated by the following formula:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}} \dots\dots\dots (3)$$

The following is the calculation of the Debt to Equity Ratio (DER) in cigarette companies in 2013-2017:



**Table 10.** DER ratio of PT. Gudang Garam Tbk

Year	Total Liabilities (IDR million)	Total Equity (IDR million)	DER
2013	21.353.980	29.416.271	72,59%
2014	24.991.880	33.228.720	75,21%
2015	25.497.504	38.007.909	67,08%
2016	23.387.406	39.564.228	59,11%
2017	24.572.266	42.187.664	58,25%

Source : Data processed 2021

From the data above, it is known that the level of DER in PT. Gudang Garam Tbk in 2013-2017 experienced fluctuations in value. DER level on PT. Gudang Garam Tbk in 2013 amounted to 72.59% and in 2014 it increased to 75.21%. Meanwhile, in 2015-2017 it always experienced a decline with DER values of 67.08%, 59.11% and 58.25%. The ups and downs of the ratio are due to the increase in total debt and capital.

In 2013-2017 the company was considered less than optimal in improving its performance as evidenced by the increasing ratio of companies. However, in 2015-2017 the company's performance improved with a declining DER ratio. If the ratio decreases, the company's ability to pay off its obligations increases. However, when compared to industry standards, PT. Gudang Garam Tbk for 5 years has a good performance because the company's ratio level is still below the industrial sandart (DER < 90%). This means that the company is still able to pay off its obligations. The highest DER level was in 2014 at 75.21%, which means that every IDR 0.7521 total debt will be guaranteed with a total own capital of IDR 0.2480 by the company. While the lowest DER level was in 2017 at 58.25%, which means that every IDR 0.5825 total debt will be secured with a total own capital of IDR 0.4175 by the company.

**Table 11.** DER ratio of PT. HM Sampoerna Tbk

Year	Total Liabilities (IDR million)	Total Equity (IDR million)	DER
2013	13.249.559	14.155.035	93,60%
2014	14.882.516	13.498.114	110,26%
2015	5.994.664	32.016.060	18,72%
2016	8.333.263	34.175.014	24,38%
2017	9.028.078	34.112.985	26,47%

Source : Data processed 2021

From the calculation results above, it can be known the level of DER in PT. HM Sampoerna Tbk in 2013-2017 experienced a fluctuating value. DER level on PT. HM Sampoerna Tbk in 2013 amounted to 93.60%, in 2014 it increased to 110.26%, in 2015 it decreased to 18.72%, and in 2016-2017 it increased again from a ratio level of 24.38% to 26.47%. Thus PT. HM Sampoerna Tbk in 2013 and 2014 performed poorly because the DER value achieved was more than 90%, meaning that the company was still able to pay off its obligations and its financial condition was in good condition. while in 2015-2017 it reached a DER value below 90%, this means that the company had a poor financial performance in that year. The highest DER rate was in 2014 at 110.26% which means the company cannot guarantee its debts. While the lowest DER rate was in 2015 at 18.72%, which means that every IDR 0.1872 total debt will be guaranteed with total own capital of IDR 0.8128 by the company.

**Table 12.** DER ratio of PT. Wismilak Inti Makmur Tbk

Year	Total Liabilities (IDR million)	Total Equity (IDR million)	DER
2013	447.6IDR2	781.359	57,29%
2014	478.483	854.425	56,00%
2015	398.991	943.709	42,28%
2016	362.541	991.093	36,58%
2017	247.621	978.091	25,32%

Source : Data processed 2021

Based on the calculation results above, it can be known the level of DER in PT. Wismilak Inti Makmur Tbk in 2013-2017 experienced a decline in value every year, this is the same as the dar level obtained by the company in question. DER level on PT. Wismilak Inti Makmur Tbk in 2013 amounted to 57.29%, in 2014 it was 56.00%, in 2015 it was 42.28%, in 2016 it was 36.58%, and in 2017 it was 25.32%. Thus PT. Wismilak Inti Makmur Tbk for the last 5 years is considered capable of paying off its obligations and in a stable financial condition. The DER value of the company is below the industry standard (DER < 90%), this means that the company has a good performance. The highest DER level was in 2013 at 57.29%, which means that every IDR 0.5729 total debt will be guaranteed with a total own capital of IDR 0.4271. While the lowest DER level was in 2017 at 25.32%, which means that every IDR 0.2532 total debt will be guaranteed with a total own capital of IDR 0.7468 by the company.

The following is a comparison of the assessment of EVA, DAR, and DER ratios:

**Table 13.** Financial Performance Appraisal

PT Gudang Garam Tbk

Year	EVA	Info.	DAR	Standard	Info.	DER	Standard	Info.
2013	1.967.131	EVA > 0	42,06%	35%	more than standard	72,59%	90%	less than standard
2014	2.634.790	EVA > 0	42,93%	35%	more than standard	75,21%	90%	less than standard
2015	2.872.602	EVA > 0	40,15%	35%	more than standard	67,08%	90%	less than standard
2016	2.625.698	EVA > 0	37,15%	35%	more than standard	59,11%	90%	less than standard
2017	2.792.541	EVA > 0	36,81%	35%	more than standard	58,25%	90%	less than standard

Source : Data processed 2021



**Table 14.** Financial Performance Appraisal

PT HM Sampoerna Tbk

Year	EVA	Info.	DAR	Standard	Info.	DER	Standard	Info.
2013	4.858.739	EVA > 0	48,35%	35%	more than standard	93,60%	90%	more than standard
2014	4.852.362	EVA > 0	52,44%	35%	more than standard	110,26%	90%	more than standard
2015	1.194.388	EVA > 0	15,77%	35%	less than standard	18,72%	90%	less than standard
2016	1.929.741	EVA > 0	19,60%	35%	less than standard	24,38%	90%	less than standard
2017	1.909.109	EVA > 0	20,93%	35%	less than standard	26,47%	90%	less than standard

Source : Data processed 2021

**Table 15.** Financial Performance Appraisal

PT Wismilak Inti Makmur Tbk

Year	EVA	Info.	DAR	Standard	Info.	DER	Standard	Info.
2013	48.542	EVA > 0	36,42%	35%	more than standard	57,29%	90%	less than standard
2014	41.882	EVA > 0	35,90%	35%	more than standard	56,00%	90%	less than standard
2015	37.524	EVA > 0	29,72%	35%	less than standard	42,28%	90%	less than standard
2016	25.537	EVA > 0	26,78%	35%	less than standard	36,58%	90%	less than standard
2017	5.608	EVA > 0	20,20%	35%	less than standard	25,32%	90%	less than standard

Source : Data processed 2021

## 5. Pembahasan

### 5.1 Economic Value Added (EVA)

The assessment of financial performance using Economic Value Added (EVA) in cigarette companies listed on the IDX in 2013-2017 shows that PT Wismilak Inti Makmur Tbk always experiences a decrease in the value of EVA every year, this is due to a decrease in the value of NOPAT or an increase in Capital Charges and the higher cost of capital that must be borne by the company. However, on the other hand, the EVA value shows positive results for the three companies concerned, namely PT. Gudang Garam Tbk, PT. HM Sampoerna Tbk, and PT Wismilak Inti Makmur Tbk. Positive EVA results mean that the company has the ability to provide economic added value to the company and investors. Thus, the positive EVA results show that the three companies in 2013-2017 showed good performance.

Thus, based on the performance assessment assessed from the DAR level, the company that has the best performance is PT. Wismilak Inti Makmur Tbk because although in 2013-2014 the company had a ratio above

the industry, the DAR ratio every year always decreased and even reached a ratio level of 20%. While the performance assessment from the DER level, the company that has the best performance is PT. Gudang Garam Tbk and PT Wismilak Inti Makmur Tbk because the DER level is always below the standard every year. The ups and downs in the ratio of DAR and DER are caused by total debt, total assets and total capital also experienced an increase and decrease. Although the level of debt is quite large if the company uses its debt productively by getting a large enough profit, the company can automatically guarantee its debts with existing capital, then the company can still be said to be good.

Thus, although the financial performance of the sample company is in poor condition when reviewed using DAR, it is not necessarily that the company's performance is also not good if the value of the DER level, and if the financial performance of the sample company is in poor condition if reviewed using DAR and DER, but when assessed using EVA shows good performance. This is explained in this study where the company that performed the best that was reviewed using DAR 2013-2017 was PT. Wismilak Inti Makmur, but the performance assessment from the DER level, the company that has the best performance is PT. Gudang Garam Tbk and PT. Wismilak Inti Makmur Tbk, while reviewed using EVA, all companies have good performance, but overall among the 3 sample companies, the one that has the best performance is PT. Gudang Garam Tbk because it has an EVA value that tends to increase every year.

## 5.2 Leverage Ratio

Financial performance appraisal using leverage ratios in the form of DAR and DER at PT. Gudang Garam Tbk, tends to decline every year, only in 2013-2014 the value of DAR and DER has increased while in 2015-2017 it has decreased continuously. Decrease in the value of DAR and DER PT. Gudang Garam Tbk, caused by a decrease in total debt or an increase in capital higher than the increase in debt. The lower the level of DAR and DER, the better for the company. If the DAR rate decreases, it means that the percentage of debt on assets is decreasing or funding derived from debt is decreasing. Meanwhile, if the DER level decreases, it means that the company's ability to pay off its debts is increasing, thus the company is still able to pay off its debts if the company is liquidated. Although the level of DAR and DER tends to decrease, there is a difference between the level of DAR and DER in PT. Gudang Garam Tbk, the DAR level every year is always above the established industry standards, while the DER level every year is always below the industry standard. Thus the assessment of financial performance using leverage ratios has two different assessments. If the financial performance is at the value of the DAR level, the financial performance of PT. Gudang Garam Tbk is considered unfavorable because the company's assets financed by debt exceed the standard or funding with debt is considered high. whereas if the financial performance is at the value of the DER level, the financial performance of PT. Gudang Garam Tbk is considered to have a good performance because the company is considered still able to pay off its debts with capital guarantees owned.

Assessment of financial performance using the leverage ratio in PT. HM Sampoerna Tbk experienced fluctuations in value. DAR and DER values of PT. HM Sampoerna Tbk in 2013-2014 experienced an increase, in 2014-2015 it decreased, and in 2015-2017 it increased again. DAR and DER levels of PT. HM Sampoerna Tbk tends to rise because it is caused by an increase in debt that is not offset by an increase in capital or the amount of debt increases higher than the increase in capital. The more the level of DAR and DER increases, the worse the company's finances. If the DAR rate rises, it means that the percentage of debt on assets is increasing or funding derived from debt is increasing. Meanwhile, if the DER level rises, it means that the company's ability to pay off its debts is decreasing. When compared to industry standards, the dar and DER levels in 2013-2014 exceeded industry standards, while in 2015-2017 they were below industry standards. So the financial performance was considered not good in 2013-2014, and in the last 3 years in 2015-2017 it had a good performance. Thus there is no difference between the assessment of the financial performance of PT. HM Sampoerna Tbk is seen from the level of DAR and DER.

Assessment of the financial performance of PT. Wismilak Inti Makmur Tbk by using the leverage ratio in 2013-2017 has decreased every year. Decrease in dar and DER levels of PT. Wismilak Inti Makmur Tbk was caused by a decrease in debt and an increase in assets derived from an increase in the company's capital. The lower the DER level, the better it will be for the company. If the DAR level decreases, it means that the company's debt is decreasing. Meanwhile, if the DER level decreases, it means that the company's ability to pay off its debts is increasing. However, there are differences in financial performance appraisal between dar and DER levels of PT. Wismilak Inti Makmur Tbk. in 2013-2014 showed that the DAR level of PT. Wismilak Inti Makmur Tbk is above industry standards which means the financial performance of PT. Wismilak Inti Makmur Tbk is considered unfavorable, and in 2015-2017 the DAR level was below industry standards which means PT.



Wismilak Inti Makmur Tbk has a good performance. While the DER level of PT. Wismilak Inti Makmur Tbk in 2013-2017 was below industry standards which means PT. Wismilak Inti Makmur Tbk in the last 5 years has performed well and is able to pay off its debts with capital guarantees owned.

## 6. Conclusions and Suggestions

### 6.1 Conclusions

From eva analysis, all sample companies have good performance, but of the 3 companies that show the best performance, namely PT. Gudang Garam Tbk, because the value of EVA every year tends to increase. From DAR, the company with the best performance is PT. Wismilak Inti Makmur Tbk even though in 2013-2014 with a ratio above the industry ratio, but the DAR ratio every year has decreased and even reached a ratio level of 20%. From the DER level of the company with the best performance, namely PT. Gudang Garam Tbk and PT Wismilak Inti Makmur Tbk because the DER level is always below the standard every year.

### 6.2 Suggestions

1. For cigarette companies listed on the Indonesia Stock Exchange, it is expected to further improve their financial performance so that the DAR and DER levels reach  $DAR < 35\%$  and  $DER < 90\%$  and are offset by  $EVA > 0$  and always increase every year to continue to show good performance and investors can be interested in investing their capital.
2. For subsequent researchers, it is recommended that further research be carried out by expanding the sample and increasing the research time span and adding other variables such as Financial Value Added (FVA), Market Value Added (MVA), Time Series Approach and others that can be used as a tool to assess the performance of companies listed on the Indonesia Stock Exchange to be more accurate.
3. It is expected that investors and potential investors should at least consider the level of debt and collateral used by the company to meet its debts such as DAR and DER and EVA achieved by the company in returning investment decisions to cigarette companies listed on the IDX so that future business development can be expected.

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