



The Effect Of Financial Ratios And Economic Value Added on Company's Market Value

N.A Rumiasih, Yudiana, Verni Asvარიwangi, Mira Rantika
Universitas Ibn Khaldun Bogor, Indonesia

Corresponding Author Email : rumiasih@uika-bogor.ac.id

Abstract

This study aims to examine and analyze the effect of financial ratios and Economic Value Added on Market Value Added in Islamic Commercial Bank BUMN in Indonesia. The data used are secondary data in the form of financial statements of BRI Syariah, BNI Syariah, and Bank Syariah Mandiri in 2017-2019. The samples used were three companies with a purposive sampling method. The research data analysis stage is multiple linear analysis. The results of the study simultaneously showed that CAR, BOPO, FDR, NPF, and EVA affect the Market Value Added. Partially CAR and FDR has no effect on stock prices. NPF affecting the Market Value Added. This means that every increase in NPF will raise Market Value Added, while BOPO and EVA has a negative influence on Market Value Added, meaning that any increase in BOPO and EVA will reduce Market Value Added.

Keyword: financial ratio, financial performance, EVA, and MVA.

Introduction

UU no. 10 of 1998 concerning changes to Law no. 7 of 1992 concerning banking as a form of policy adjustment in the economic sector to deal with the growing economy and national financial system. The amendment to this law opens up opportunities for conventional rural credit banks and commercial banks to conduct sharia banking transactions.

In its development, BUMN general Islamic banks always try to improve their financial performance. According to Indonesian Sharia Banking statistics, from 2017 to 2019, BRI Syariah, BNI Syariah, and Bank Syariah Mandiri always rank in the top five in the Rating of Islamic Banks Based on Assets.

There have been many studies on banking financial performance. In general, many researchers study financial performance based on analysis of financial ratios and EVA separately, but no one has combined the variables of financial ratios (CAR, BOPO, FDR, NPF), EVA and MVA together. Some of these studies include:

The first research was conducted by (Aminah et al., 2016) with the title Effect of Financial Ratios on Firm Value in the Banking Sector Listed on the Indonesia Stock

Exchange with the results of his research showing that the significant indicators of the model are PBV, CAR, NPL, BOPO, ROA, LDR and GWM. While the financial ratios that affect the value of the company is the ratio of earning assets and profitability ratios.

The two most recent studies two years ago were conducted by (Rahayu & Aisjah, 2019) entitled Effects of EVA and MVA on Stock Returns in Companies Registered on the Jakarta Islamic Index for the 2015-2017 period. The results of the study show that even though the value of EVA and MVA companies increase, it is not certain that the stock returns received by investors will also increase, and vice versa.

Therefore, researchers chose to combine the variables of financial ratios, EVA, and MVA together in order to complement and prove previous research. In addition, the object of research this time is the Indonesian Sharia BUMN bank, which has just merged in early 2021 so that it will provide a basis for other researchers in the future.

The objectives of this research are (1) to analyze the financial performance of BRI Syariah, BNI Syariah and Bank Syariah Mandiri based on financial ratio analysis, (2) to analyze the financial performance of BRI Syariah, BNI Syariah and Bank Syariah Mandiri based on the EVA method, (3) to analyze relationship between financial ratios and EVA to MVA.

Methods

The type of data used to support this research is quantitative data, namely data that can be counted or in the form of numbers. The research data used is the type of time series data in the form of financial reports from Bank BRI Syariah, Bank BNI Syariah, and Bank Syariah Mandiri.

This research uses secondary data sources. This secondary data was obtained from banking financial reports that were published between 2017-2019 which are contained on the IDX website and on the website pages of each of these banks.

The sampling technique uses a purposive sampling method, in which the researcher determines his own sample taken with certain considerations. The considerations referred to include:

1. The company has been registered on the Jakarta Islamic Index (JII) and has complete financial statements for 2017-2019.
2. The company has audited financial statements.
3. The three state-owned sharia banks have been around for a long time compared to other sharia banks.
4. The three banks have the most assets compared to other Islamic banks.
5. Both have network offices that are widespread in Indonesia.
6. Both have a fairly wide market share.

7. The government has chosen the company to merge since 2021.

The analysis model used is multiple linear regression, this is because there are five independent variables and one dependent variable being studied. The regression test this time uses the Partial T Test and Simultaneous Test (F Test), which will test whether there is an effect of the independent variable on the dependent variable with a level (α) of 0.05 or 0.5 percent. However, before the multiple linear regression test Partial T test and Simultaneous F test were carried out, the researcher first conducted a classic assumption test consisting of Normality Probability Plot, Multicollinearity Tolerance and VIF, Heteroscedasticity, and Autocorrelation.

Research variable

This study uses four financial ratios, including:

1. Capital Adequacy Ratio (CAR)

CAR is a ratio used to measure the proportion of own capital compared to outside funds in financing banking business activities.

$$\text{CAR} = (\text{Total Equity}) / \text{RWA} \times 100\%$$

2. Financing to Deposit Ratio (FDR)

FDR is a comparison between the financing provided by the bank and third party funds that have been collected by the bank.

$$\text{FDR} = (\text{Total Financing}) / (\text{Total DPK}) \times 100\%$$

3. Operational Costs to Operating Income (BOPO)

BOPO is used to measure the ability of bank management to control operational costs against operating income.

$$\text{BOPO} = (\text{Operating Expenses}) / (\text{Operating Income}) \times 100\%$$

4. Non Performing Financing (NPF)

NPF is a comparison between non-performing financing and total financing.

$$\text{NPF} = (\text{Non-performing Financing}) / (\text{Total Funding}) \times 100\%$$

Economic Value Added (EVA)

In 1993, Stern Stewart & Co began to develop the Economic Value Added (EVA) method as a tool to measure company performance in addition to ratio analysis. According to Bringham and Houston, EVA is used to measure how much management has added to shareholder wealth during the year (2020: 150).

EVA is net profit after deducting the cost of capital used. If EVA is positive, it means that management has succeeded in developing corporate value for the owner. Conversely, if EVA

is negative, it means that the value of the company has decreased because the level of capital costs is higher than the rate of return received by the company.

The formula for calculating EVA is as follows:

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

Where :

NOPAT = Net Operating Profit After Tax

Capital Charge = Capital charge

Market Value Added (MVA)

Every financial decision taken aims to maximize the wealth of the company owner. Brigham and Houston (2020:98) state that Market Value Added (MVA) is “the difference between the market value of a company's equity and its book value”.

The MVA calculation is as follows:

$$\text{MVA} = (\text{Number of outstanding shares} \times \text{Share price}) - \text{Total equity}$$

Results

A. Financial Ratios

1. Capital Adequacy Ratio (CAR)

Overall, the CAR values of BRI Syariah, BNI Syariah and Bank Syariah Mandiri are above the average CAR value of the Indonesian Islamic Banking Industry, namely 10% for Islamic banks that have level I and II health ratings, and 14% for levels III and IV.

2. Financing to Deposit Ratio (FDR)

In 2017, the highest FDR was achieved by BNI Syariah of 80.21 percent. Entering 2018, there was a decrease in the BNI Syariah FDR value of 0.59 percent compared to the previous year to 79.62 percent. While the lowest FDR was still obtained by BRI Syariah at 75.49 percent.

In 2019, BRI Syariah's FDR value increased significantly by 4.63 percent compared to the previous year, making it the highest FDR of 80.12 percent. Then the FDR of Bank Syariah Mandiri was 75.54 percent. While the lowest FDR was obtained by BNI Syariah at 74.31 percent. Overall, changes in the FDR value at each bank fluctuate every year.

3. Operational Costs to Operating Income (BOPO)

In 2019 Bank Syariah Mandiri and BNI Syariah have entered the efficient category because the level of banking efficiency according to Bank Indonesia regulations is ≤ 90 percent. Meanwhile, BRI Syariah is categorized as inefficient because the BOPO ratio in 2019 still exceeds 90 percent.

4. Net Performing Financing (NPF)

The higher the NPF ratio, the higher the financing risk that must be borne by the bank. As a result, the bank must have larger reserves to cover this risk. Overall, there has been a decline in each of these banks every year.

In 2019, overall there was a decline in each of these banks. The lowest NPF ratio was obtained by Bank Syariah Mandiri at 1.00 percent, then BNI Syariah at 1.44 percent, and the highest NPF ratio was still obtained by BRI Syariah at 3.38 percent.

B. Economic Value Added (EVA)

In general, the EVA value at each bank is in a positive position and fluctuates every year. During the 2017–2019 period, the highest EVA value was always obtained by BSM, then BNI Syariah, and BRI Syariah as the owner of the lowest EVA value.

Table 1. EVA BSM, BNI Syariah, BRI Syariah 2017-2019 values

Sektor	Economic Value Added (EVA) dalam rupiah		
	2017	2018	2019
Perbankan			
BSM	18.198.000.000	6.082.000.000	14.059.000.000
BNI Syariah	976.000.000	1.331.000.000	5.183.000.000
BRI Syariah	749.000.000	435.000.000	267.000.000

Source: BSM Financial Report, BNI Syariah, BRI Syariah (processed)

C. Market Value Added (MVA)

In general, the MVA values obtained by BRI Syariah, BNI Syariah and Bank Syariah Mandiri for the period 2017 – 2019 are in a negative position (except for BRI Syariah in 2018). MVA values from BSM, BNI Syariah, and BRI Syariah in 2017-2019 include the following:

Table 2. BSM MVA Value, BNI Syariah, BRI Syariah 2017-2019

Sektor	Market Value Added (MVA) dalam rupiah		
	2017	2018	2019
Perbankan			
BSM	- 4.825.219.065.000	- 5.050.143.065.000	- 6.256.813.065.000
BNI Syariah	- 1.305.798.000.000	- 1.740.666.000.000	- 2.233.576.000.000
BRI Syariah	- 623.841.000.000	74.319.586.450	- 1.881.718.545.660

Source: BSM Financial Report, BNI Syariah, BRI Syariah (processed)

D. Analysis of the Influence of CAR, FDR, BOPO, NPF, and EVA on MVA

1. Partial t test based on significance value

Table 3. Partial t test table

Model	Coefficients ^a	
	t	Sig.
1 (Constant)	1,879	0,157
CAR (X1)	-0,888	0,44
BOPO (X2)	-4,99	0,015
FDR (X3)	2,843	0,065
NPF (X4)	5,87	0,01
EVA (X5)	-8,348	0,004

Source: SPSS Data Processing 26

Based on the table, we can conclude that CAR and FDR have no effect on MVA because the significance values of CAR and FDR are 0.440 and 0.065 > 0.050, respectively. Meanwhile BOPO, NPF, and EVA affect MVA.

1. Partial t test based on calculated values and tables

a. Capital Adequacy Ratio (CAR)

The calculated t value of CAR is 0.888, meaning that CAR (X1) has no effect on MVA (Y) because this value is in an area with no effect. The capital component used for CAR does not affect changes in MVA directly.

b. Operating Expenses to Operating Income (BOPO)

The t value for BOPO is -4.990, meaning BOPO (X2) has a negative effect on MVA (Y), meaning that the higher the BOPO value, the MVA value will decrease. These results are in line with research conducted by Widianingsih et al. (2020) stated that BOPO has a negative influence on stock prices so that the higher the BOPO value, the stock price and company value will decrease.

c. Financing to Deposit Ratio (FDR)

The t-count value of FDR is 2.843, meaning that t-count (2.843) < t-table (3.182) so that FDR (X3) has no effect on MVA (Y). This is in accordance with the results of research by Widianingsih et al. (2020) which states that stock prices and company value are not affected by FDR.

d. Non Performing Financing (NPF)

The calculated t value of NPF is 5.870 (X4) which has a positive effect on MVA, meaning that the higher the NPF value, the MVA value will also increase.

e. Economic Value Added (X5) has a negative effect on MVA (Y), because in the 2017 – 2019 period the high amount of equity was not accompanied by an increase in the number or price of existing shares, causing the MVA value to become negative.

2. Simultaneous F Test Based on Significance Value

The Sig value is obtained. is $0.007 < 0.05$, it can be concluded that CAR (X1), BOPO (X2), FDR (X3), NPF (X4) and EVA (X5) simultaneously affect MVA (Y). The percentage of influence is R Square 0.984, meaning that the simultaneous influence of CAR, BOPO, FDR, NPF, and EVA on MVA is 98.4 percent.

Conclusion

a. Overall, the CAR ratios for BRI Syariah, BNI Syariah and Bank Syariah Mandiri are good. Meanwhile, the BOPO ratio for BRI Syariah until 2019 is still not considered efficient, while Bank Syariah Mandiri and BNI Syariah have entered the efficient category. And for the FDR and NPF ratios in general, the three of them experience very fluctuating changes every year.

b. The Economic Value Added (EVA) score achieved by BRI Syariah, BNI Syariah and Bank Syariah Mandiri is very good, because all the values are positive. This means that the company has generated economic added value for shareholders. During the 2017 - 2019 period, the highest EVA value was always obtained by Bank Syariah Mandiri, then BNI Syariah, and BRI Syariah as the owner of the lowest EVA value.

c. Based on the results of multiple linear regression tests, it shows that CAR, BOPO, FDR, NPF, and EVA simultaneously have a very significant effect on MVA, which is equal to 98.4 percent. BOPO and EVA have a negative effect on MVA, NPF has a positive effect on changes in MVA, while CAR and FDR have no effect on MVA.

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