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Optimizing Financial Performance: A Comprehensive Examination of Economic Value Added (EVA) and Market Value Added (MVA) at Telecommunication Companies in Indonesia

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ABSTRACT: This research aims to determine the factors that influence the financial performance of telecommunications companies in Indonesia using the Economic Value Added (EVA) and Market Value Added (MVA) approaches. The background to this research arises from the need to understand how operational efficiency, financial policy, innovation, market competition, and economic conditions play a role in creating economic value and the market value of equity. Data collected from telecommunications companies during the 2017-2022 period formed the basis of the analysis, and the research methodology involved measuring EVA and MVA and assessing factors that influence financial performance. The results of this research provide in-depth insight into the complexity of the relationships between variables and their implications for the business strategy of telecommunications companies in Indonesia.

Keywords: Telecommunication Economics, Financial Performance, Economic Value Added (EVA), Market Value Added (MVA), Operational Efficiency

INTRODUCTION

Today's modern economic world has experienced many developments, and financial reports have become a major requirement in companies' economic decision-making processes (Ray, 2014). Evaluation or assessment of company performance, especially financial performance, is one of the supporting factors for companies in carrying out increasingly competitive business processes so that companies can maintain their existence. Measuring financial performance is one strategy for managing finances so that companies can survive and compete (Bognárová, 2017).

Company performance is generally measured by financial ratios, which are techniques or methods for analyzing financial reports (Obaidat, 2019; Salehi et al., 2014). In its application, measurement using ratio analysis has weaknesses, namely that it does not pay attention to the cost of capital in its calculations and only looks at the final result (company profit) without paying attention to the risks faced by the company (Pasha & Ramzan, 2019), so it is difficult to know whether the company

has succeeded in creating company value or not.

In the last five years, the telecommunications industry in Indonesia, especially involving major companies such as Telkomsel Indonesia Tbk (TLKM), Bakrie Telekom Tbk (BTEL), Smartfren Tbk (FREN), Indosat Tbk (ISAT), and XL Axiata Tbk (EXCL), faces a number of significant problems. First, intense competition between companies in an effort to maintain and increase market share has created enormous pressure on profit margins caused by aggressive promotions, cheap data package offers, and general price reductions to attract customers.

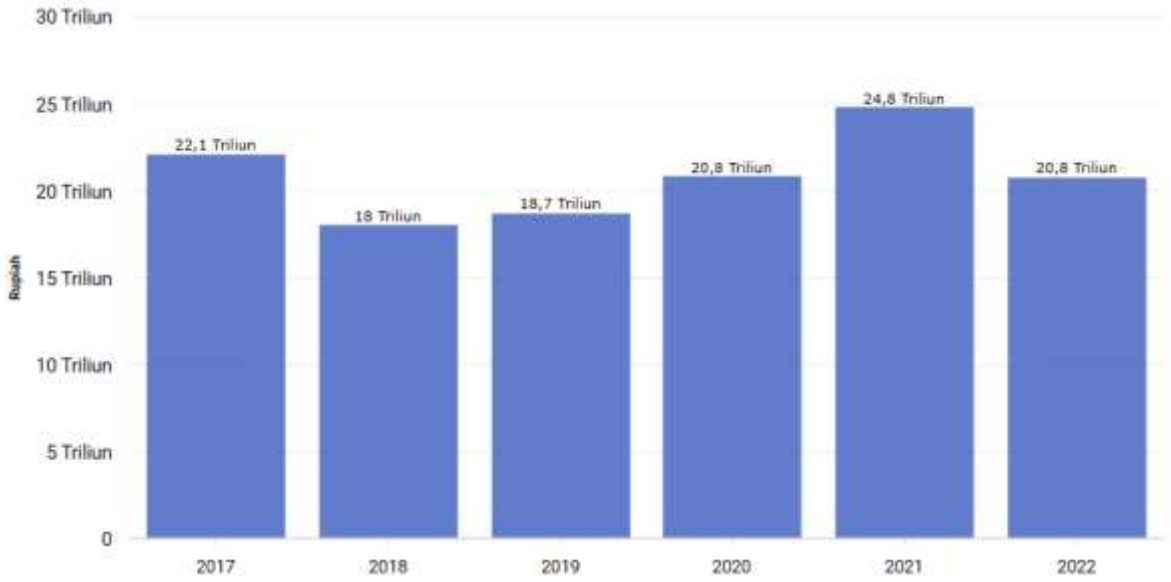

Figure 1. Telkom Net Profit (2017-2022)
Source : databoks (2023)

As the leader of the telecommunications market, PT Telekomunikasi Indonesia Tbk, or Telkom, recorded a net profit or year-end profit attributable to the parent entity's owner of Rp20.75 trillion in 2022. This figure represents a decline of 16.2% from the previous achievement of Rp24.76 trillion in 2021. The earnings per share of the state-owned enterprise declined from Rp249.94 per share in 2021 to Rp209.49 per share in 2022. "The operating net income, derived from factoring in GoTo and depreciation, grew by 7.7% annually. The decrease in net income is attributed to unrealized losses from GoTo and actual depreciation, which, from an accounting standpoint, is merely a recording and does not involve any cash outflow since the investment in GoTo is held in a subsidiary, Telkomsel," explained Edwin Julianus Sebayang, Telkom's Corporate Secretary, to Katadata on Saturday, March 25, 2023.

Second, infrastructure not evenly distributed throughout the country is also a serious challenge. Even though a number of areas in Indonesia are well served, there are still remote areas that are difficult to reach by telecommunications networks. This limits customer growth potential and impacts consistent service. PT Indosat Tbk (ISAT) is considered to have a bright future after combining its business with PT Hutchison 3 Indonesia (H3I). Through this merger, ISAT has the potential to become a leader in the Indonesian cellular operator market, The Company's financial

data is presented in the following figure:

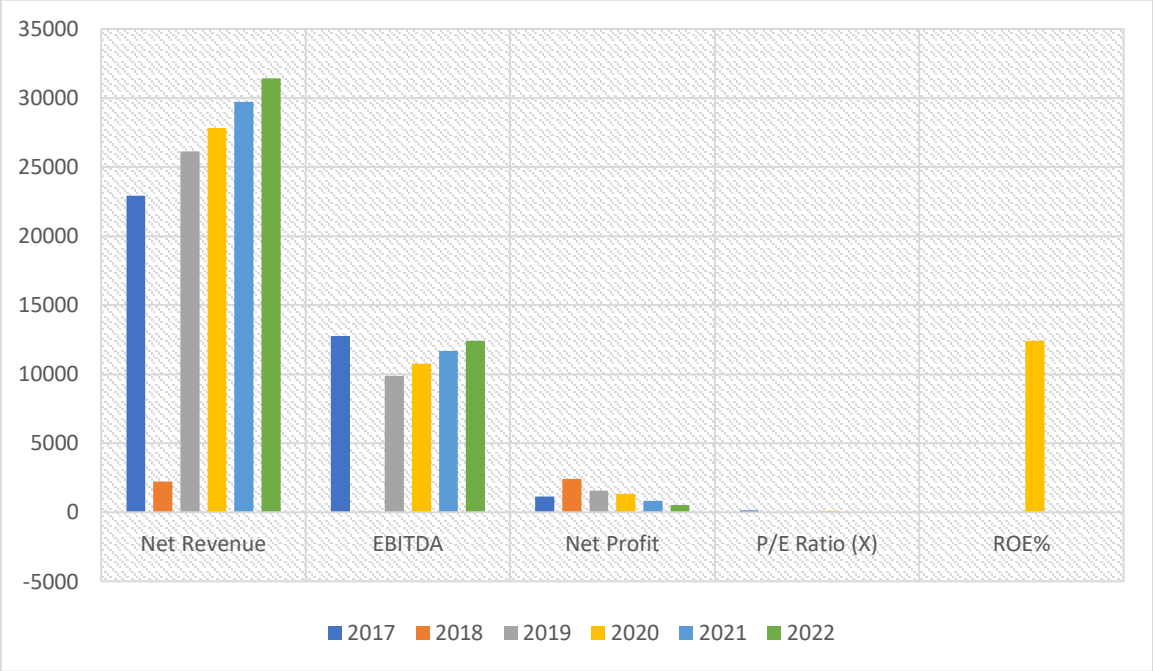

Figure 2. Projection Indosat Ooredoo's Corporate Earnings (in Billion IDR)
Source : Indonesia Investment

According to Maybank Sekuritas analyst Etta Rusdiana Putra, in his research on October 4, 2022, the merger of ISAT with H3I will immediately increase its competitiveness. This merger allows ISAT to lead the market and create higher efficiency through network relocation, positively impacting the company's profitability. This merger allows ISAT to collaborate with other FTTH (Fiber-to-the-Home) players, creating converged services.

Maybank Sekuritas is very optimistic that the ISAT network will experience significant improvements after the merger and even be able to compete directly with Telkomsel. Currently, the ISAT frequency has increased to 135Mhz, which is the second largest after Telkomsel, which has 155Mhz. In terms of number of subscribers, ISAT also experienced a jump of 50%, increasing from 62.9 million in 2021 to 96.2 million in semester I-2022.

Issues related to government policy, such as tariff regulations and frequency spectrum policies, also influence the performance of these companies. Uncertainty regarding regulations can create investment barriers and harm network development plans. PT Smartfren Telecom Tbk. (FREN), a telecommunications company that is part of the Sinar Mas group, experienced a net loss of IDR 379.9 billion in the third quarter of 2022. This is a significant change from the previous year's period, where the company recorded a profit of IDR 24.98 billion.

Even though FREN succeeded in increasing its business revenue to IDR 2.77 trillion, up 3.57% from the previous year which amounted to IDR 2.67 trillion, data revenue of IDR 2.44 trillion also rose 1.57% from the previous year, which amounted to IDR 2.4 trillion. trillion. There was a decline in non-data revenue of 6.19%, down to IDR 65.6 billion from IDR 69.9 billion in the first

quarter of 2022. In FREN's financial report, it was noted that investment in company shares, especially shares in PT Mora Telematics Indonesia Tbk (Moratel) was valued at IDR 851.69 billion, and Dalligent Solutions Pte., Ltd amounted to IDR 73.95 billion. However, MORA's share price experienced a significant decline of up to 17.5% year to date, standing at position 462 at the close of the trading session on Thursday (27/4/2023). Previously, MORA shares were at level 560 on January 2, 2023. This decline occurred after the President Director of Moratel, Galumbang Menak, was named a corruption suspect in January 2023.

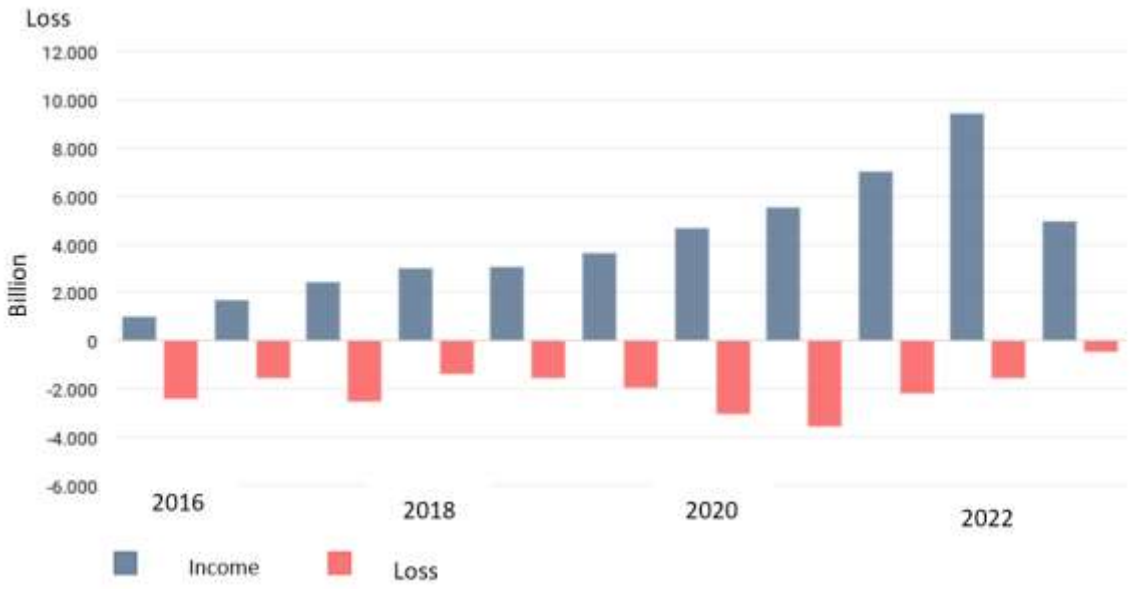

Figure 3. Income and Loss of PT Smartfren Telecom Tbk (2016- QW II-2022)
Source : databoks (2023)

Debt management is also a focus of attention. Several telecommunications companies in Indonesia, including Bakrie Telekom Tbk, face pressure from high debt loads, which could hinder their ability to make long-term investments and technological innovation. Based on exchange transaction information, Bakrie Telecom's share price last reached IDR 51 per share on March 6, 2013, before finally remaining at IDR 50 per share. However, since then, the share prices of companies affiliated with the Bakrie group have stagnated and have not experienced significant changes. When reviewing the financial statements of PT Bakrie Telecom Tbk (BTEL), it can be seen that the company's debt has continued to increase by 103% since 2010, reaching IDR 14.5 trillion as of the end of September 2017. Although financing through debt is considered a common thing, attention is focused on reducing the company's total assets drastically. For example, this has had a huge influence on the share price of PT Bakrie Telekom Tbk in the last 5 years, which has been very volatile; the data is presented in the following figure:

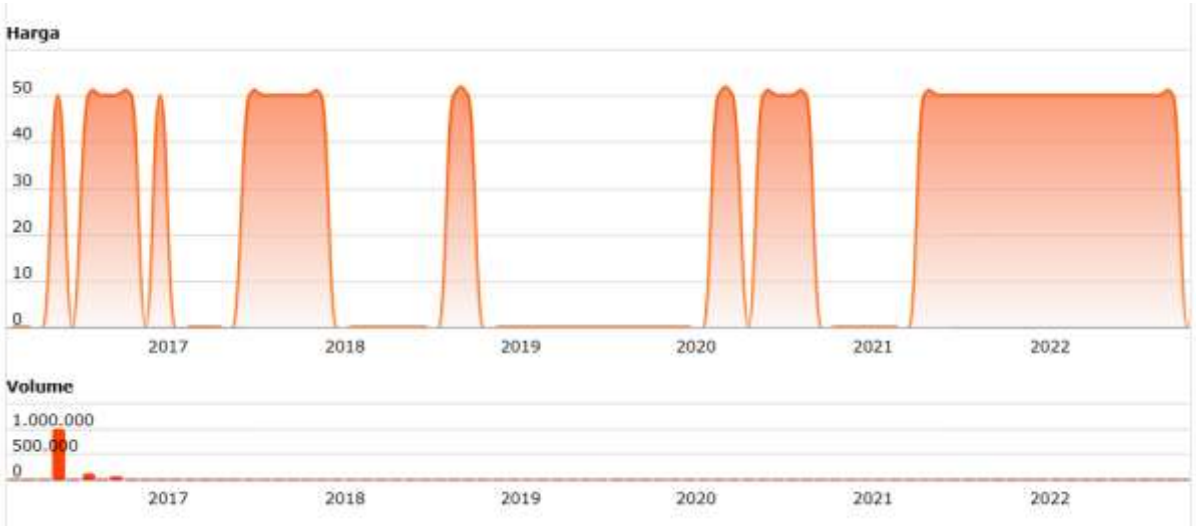

Figure 4. BTEL Share Price in the last 5 years
Source : Investing.com

At the end of the third quarter of 2017, the company's total assets only reached IDR 926.8 billion, equivalent to 8% of the position at the end of 2010, which reached IDR 12.3 trillion. The decline in company assets resulted from the inability to optimize debt to increase profits, especially because the Code-Division Multiple Access (CDMA) based telecommunications business experienced a setback. In 2010, the company recorded an operating profit. However, in the following years, until the first nine months of 2017, the company continued to experience losses.

Rapid changes in technology and consumer trends also pressure telecommunications companies to adapt and innovate continually. These companies must invest in the latest technology and develop relevant services to remain competitive and meet increasing consumer demands. By facing these challenges, telecommunications companies in Indonesia must have a strong strategy to overcome these problems and take advantage of growth opportunities amidst intense competition.

The choice of Economic Value Added (EVA) and Market Value Added (MVA) as the focus of research is based on the consideration that these two methods not only provide a comprehensive picture of a company's financial performance but also take into account the added value generated for shareholders and the company's position in the market. Measuring financial performance is essential to determine the extent to which the company can achieve its goals. In achieving company goals, management must pay attention to the company's financial performance, where the company's financial performance describes the company's condition in achieving company goals (Sabol & Sverer, 2017). Financial performance can be a benchmark for the success of an IDX generator over a certain period. A company's performance is mainly measured based on financial ratios for a certain period (Kurnianingsih & Rahayu, 2020; Sindi et al., 2023a). It is the ability of a company to use capital effectively to achieve maximum results or results obtained by company management in carrying out effective company asset management functions within a certain period (Jakub et al., 2015). Financial performance measurement can be done using the Economic Value Added (EVA) and Market Added Value (MVA) methods. EVA tries to measure the added value created by the company by considering the cost of capital because the cost of capital describes the

risk for the company (Zawna & Singh, 2020).

(Nakhaei & Hamid, 2013b) argue that with EVA, managers will think and act like shareholders, namely choosing investments that maximize the rate of return and minimizing the level of capital costs to maximize the company's value. This is by the investment law, namely the higher the level of investment risk, the higher the level of return demanded by investors commonly known as high risk, high return (Johan, 2018).

According to (Purnamasari, 2015), MVA is to see shareholder prosperity, which can be maximized by the difference between the market value of equity and the cost of capital submitted to the company by the shareholders (company owners). As a result, applying MVA in companies can describe profitable prospects for investments made now and in the future. Research conducted by (Sahara, 2018) showed that Financial Performance Analysis Using the EVA and MVA Method produces EVA and MVA values that are both positive.

The telecommunications industry is a sector that continues to develop rapidly and is full of dynamics. In this context, this research will provide an important contribution to the understanding of how telecommunications companies in Indonesia can optimize their financial performance to remain relevant and competitive. With EVA and MVA analysis, it can explain how the company's ability to provide added value to its owners can be reflected in management's ability to generate value from its total investment. Financial performance evaluation is carried out so that the company's investment capital is safe enough and an appropriate level of return is obtained from the investment invested by investors. The EVA and MVA approaches are used to measure a company's financial performance to align the interests of company management with the interests of the company's shareholders (Choong, 2021a; F. Irawan & Manurung, 2020).

This research aims to answer three main things: 1) Evaluate the financial performance of telecommunications companies in Indonesia using the EVA and MVA approaches; 2) Identify key factors influencing EVA and MVA results; and 3) Provide strategic recommendations based on research findings.

Economic-Value Added (EVA)

This literature review provides an in-depth understanding of Economic Value Added (EVA) as a financial performance evaluation tool that has become the focus of research in various industries. According to (Nakhaei & Hamid, 2013a), the EVA concept emerged as a response to the shortcomings of traditional metrics such as Return on Investment (ROI), which do not always reflect the actual value generated by a company. Research by (Zamzami, 2023) highlights that EVA provides a more accurate picture of a company's added value and incentivizes management to focus on long-term value creation. An empirical study conducted by (Silvia & Wangka, 2022a; Siniak & Lozanoska, 2019) on manufacturing companies shows that the implementation of EVA is positively related to the company's stock performance.

Economic Value Added (EVA) is a financial metric that measures the extent to which a company is able to create additional economic value above its cost of capital. The EVA concept was first

introduced by (Maitah et al., 2015) as a more holistic and accurate alternative to traditional metrics such as Return on Investment (ROI) or Return on Equity (ROE). EVA is calculated by subtracting the capital costs incurred to support the company's operations from net profit.

Research by (Awan et al., 2014) emphasizes that EVA not only measures a company's financial performance at a point in time but also provides incentives for management to focus on activities that can increase long-term company value. By considering the cost of capital, EVA provides a more realistic picture of how efficiently a company allocates resources and generates profits for shareholders.

An empirical study involving manufacturing companies by (Diana & Sriyono, 2022) shows that the implementation of EVA is positively related to the company's stock performance. The results of (Jankalová & Kurotová, 2020; Tikasari & Surjandari, 2020) study indicate that investors and shareholders appreciate the use of EVA as a metric that can provide a better view of the added value generated by the company.

In the context of the telecommunications industry, the application of EVA becomes increasingly relevant given the highly capital-intensive nature of this industry. This research aims to apply the EVA concept to telecommunications companies in Indonesia to provide in-depth insight into the company's financial performance in a dynamic and competitive environment in the telecommunications industry.

Market Value Added (MVA)

Previous research also includes Market Value Added (MVA) as a focus of attention in the financial literature. Copeland and Koller (1996) in (Ahmad et al., 2019a) describe MVA as the difference between a company's market value and the total capital that has been invested, indicating how effective the company is in creating value for shareholders. Research by (Mariyani et al., 2023) shows that MVA provides a broader perspective on company performance by combining internal and external aspects.

Market Value Added (MVA) is a financial metric that provides an overview of how effective a company is in creating added value for shareholders through increasing the company's market value. MVA is calculated as the difference between the company's market value and the total capital invested (Sindi et al., 2023b; Zhang & Aboud, 2019). This approach views the company from a market value perspective, measuring the extent to which investment and operational decisions have generated profits for shareholders.

According to (Sindi et al., 2023c), MVA provides a more comprehensive indicator than traditional financial metrics because it not only looks at the company's internal financial performance but also reflects the market's perception of the company's value. (Choong, 2021b) emphasizes that MVA creates a connection between corporate strategy and market value, allowing companies to measure the extent to which the strategy can increase corporate value in the long term.

MVA can also provide a different perspective when compared to internal financial performance metrics such as net profit or EVA. MVA analysis will be an important element in this research,

helping to identify factors that can positively impact a company's market value (Subedi & Farazmand, 2020). By understanding MVA, it is hoped that this research can provide more appropriate strategic recommendations to improve financial performance and company value in a dynamic and competitive environment in the telecommunications industry.

Telecommunications Industry in Indonesia

The telecommunications industry in Indonesia has experienced rapid development in line with technological advances and the country's economic growth. Previously dominated by fixed telephone services, the industry landscape has changed drastically since the 2000s with the emergence of wireless technologies such as cellular and the internet. Despite improvements in telecommunications infrastructure, challenges remain, particularly related to intense competition between service providers and the need to improve connectivity in rural areas. Changing regulations and the adoption of new technologies, such as 5G, are also factors influencing the dynamics of this industry.

Along these challenges, there are also significant opportunities, namely increasing connectivity in rural areas, growth in internet users, and innovation in telecommunications services, providing growth and income diversification opportunities. Collaboration between telecommunications service providers, technology companies and start-ups can also be key to bringing innovative solutions to market. The future of the telecommunications industry in Indonesia looks bright, focusing on the development of 5G technology, the industrial revolution and the development of smart cities. To face these challenges and capitalize on opportunities, telcos need to continue adapting to dynamic changes and play an active role in driving digital inclusivity across the country. In this way, the Indonesian telecommunications industry can continue to develop along with the evolution of global technology (Silvia & Wangka, 2022b).

Increasing connectivity in rural areas is important in providing equitable telecommunications services throughout Indonesia. Research (J. L. Irawan, 2021) highlighted that developing telecommunications networks in rural areas requires investment in physical infrastructure and the adoption of the latest technology, such as wireless and satellite technology. Implementing innovative solutions such as smartphone base stations and using renewable energy has also proven successful in improving network accessibility and reliability in previously difficult-to-reach areas.

Research by (Tanjung & Wahyudi, 2019) shows that innovations in telecommunications services, such as bundling packages with additional services such as digital content or exclusive access, can increase customer satisfaction and strengthen loyalty. The research notes that service providers delivering unique and comprehensive solutions can successfully overcome competitive challenges and increase revenue per customer. Concrete steps to face challenges and exploit opportunities in the Indonesian telecommunications industry involve a combination of infrastructure investment, adoption of the latest technology, service innovation, and strategies responsive to market changes. Integrating research and learning from these best practices can help telecommunications companies effectively address challenges and maximize opportunities in this dynamic ecosystem.

METHOD

Types of Research

The type of research carried out is quantitative research. This research will use numerical data that can be measured quantitatively to identify and analyze the financial performance of telecommunications companies in Indonesia. The main variables of this research involve Economic Value Added (EVA) and Market Value Added (MVA), while supporting variables include net profit, total assets and company capital structure. The companies in the research sample are Telkomsel Indonesia Tbk (TLKM), Bakrie Telekom Tbk (BTEL), Smartfren Tbk (FREN), Indosat Tbk (ISAT), and XL Axiata Tbk (EXCL). Companies were selected from a total population of 10 companies (IDX website).

The selection of research samples for communications businesses in Indonesia, especially in the last 5 years, can be based on several strategic reasons involving the diversity and significance of the company's role in the telecommunications industry. The following are several reasons for selecting the sample consisting of Telkomsel Indonesia Tbk (TLKM), Bakrie Telekom Tbk (BTEL), Smartfren Tbk (FREN), Indosat Tbk (ISAT), and XL Axiata Tbk (EXCL):

1. Market Leadership

Telkomsel (TLKM): As the leading cellular operator in Indonesia, Telkomsel has a large market share and covers the majority of customers in the telecommunications industry. Indosat (ISAT): As one of the main players in the industry, Indosat also has a significant impact on the market and is unique in its business strategy.

2. Business Diversity

Bakrie Telekom (BTEL): Despite facing challenges, the presence of Bakrie Telekom provides diversity in the communications business, focusing on telecommunications services. Smartfren (FREN): The focus on data services and technological innovation makes Smartfren an attractive player to include in the research sample.

3. Innovation and Growth

XL Axiata (EXCL): As an active operator providing innovation and focusing on customer growth, XL Axiata makes a unique contribution to industrial development.

4. Competition Impact

Telkomsel, Indosat, XL Axiata: These three companies are often fiercely competitive, and including them in the research sample will help understand the competitive dynamics in the industry.

5. Diversification of Services

Smartfren (FREN): Focus on data services and technological innovation makes Smartfren an

attractive player to include in the research sample.

This sample selection allows researchers to gain a more holistic understanding of trends, challenges, and opportunities in the telecommunications industry in Indonesia, illustrating strategic differences between companies and their impact on overall industry development.

The selection of this sample was influenced by the desire to gain in-depth insight into financial performance in the context of diverse telecommunications companies. The type of sample used in this research is purposive. Purposive sampling can be used if the research focuses on specific companies that are considered most relevant or have unique characteristics you want to explore.

Data Collection Method

Data for this research will be obtained through document analysis, focusing on the company's annual financial reports from 2017 to 2022. The data will be taken from financial reports published by the company and available on the Indonesia Stock Exchange (BEI), accessed via the official IDX website. The use of these financial reports is considered to provide a complete and detailed picture of the company's financial performance during the specified time period.

Data Analysis

EVA and MVA calculations will be carried out by implementing classic formulas involving net profit, cost of capital, company market value and invested capital. A comparative analysis will be carried out to compare EVA and MVA performance trends during the 2017-2022 period. Statistical correlation will be used to evaluate the relationship between financial performance and other supporting variables, such as net profit, revenue and total assets. Regression analysis was also applied to understand how changes in these factors can explain variations in EVA and MVA performance. This analysis also uses the Multiple Linear Regression Analysis method, because regression analysis is useful for understanding the cause-and-effect relationship between variables. For example, we can use predictor variables to explain and predict the value of a response variable.

RESULT AND DISCUSSION

Economic Value-Added Analysis

Economic Value Added (EVA) is a financial metric used to measure a company is effectiveness in creating added economic value for shareholders. EVA tries to combine aspects of profit and cost of capital to provide a more holistic picture of a company's financial performance. The EVA formula can be calculated as follows: 1) If the EVA value > 0, it indicates that the company has succeeded in generating profits that exceed its cost of capital, which means the company creates added economic value for shareholders; and 2) If the EVA value < 0, it indicates that the company is unable to generate sufficient profits to overcome its capital costs, which can be considered a sign of a lack of economic value creation (Ahmad et al., 2019b). The results of the analysis using

the EVA method are explained in the following table:

Table 1. Analysis results using the EVA method (in millions)

Company	2017	2018	2019	2020	2021	2022
TLKM	4,543	5,893	6,918	-4,154	-4,217	2,781
BTEL	-3,492	-17,189	3,125	-278,54	-322,73	-254,73
FREN	-1,439	-1,235	-1,012	-4,056	-13,213	-10,261
ISAT	-76,38	-876,28	3,123	1,316	-4,562	1,421
EXCL	3,707	44,542	7,453	-1,718	-4,759	5,172

Source: secondary data processed

Table 1 presents the results of the analysis using the Economic Value Added (EVA) method for five companies: TLKM, BTEL, FREN, ISAT, and EXCL, over the past six years (2017-2022), measured in millions of Indonesian Rupiah.

1. Telkomsel Indonesia Tbk (TLKM): From 2017 to 2019, TLKM demonstrated positive performance with a continuously increasing EVA. However, in 2020 and 2021, a negative EVA indicates that the generated economic value was lower than the cost of capital used. In 2022, TLKM experienced significant improvement with a positive EVA of 2,781 million Rupiah, signifying a return to positive performance.
2. Bakrie Telekom Tbk (BTEL): BTEL faced significant challenges in 2018 and 2019 with a highly negative EVA. Despite improvement in 2020, in the subsequent years, the company returned to negative EVA, indicating difficulty in creating positive economic value.
3. Smartfren Tbk (FREN): FREN experienced negative EVA throughout the research period, with a significant decline in 2021. Although still negative, there was a slight improvement in 2022, indicating efforts to overcome challenges.
4. Indosat Tbk (ISAT): ISAT underwent significant fluctuations in EVA performance during the period. Despite negative EVA in 2017 and 2018, there was improvement in 2019 and 2020. However, in 2021, ISAT again experienced negative EVA before a subsequent increase in 2022.
5. XL Axiata Tbk (EXCL): EXCL demonstrated positive performance throughout the period, with EVA continuously increasing from year to year. Despite a decline in 2021, in 2022, EXCL once again showed a significant increase with positive EVA.

This analysis shows that each issuer faces unique challenges and opportunities in creating added economic value. These companies need to conduct an in-depth evaluation of the factors influencing their financial performance and formulate appropriate strategies to increase economic value creation in the long term.

Market Value Added Analysis

Market Value Added (MVA) is a financial metric that measures the market value added of a company by comparing the current market value of the company's equity with the total capital that has been invested by shareholders and creditors. In other words, MVA describes the difference between the company's market value and the capital that has been invested by parties who have

an interest in the company. The calculation is as follows: 1) Positive MVA: If the MVA is positive, it indicates that the market value of the company's equity exceeds the capital invested by shareholders and creditors. This indicates that the company has created added value for shareholders and creditors, and their investments are appreciated in the market; and 2) Negative MVA: If the MVA is negative, it indicates that the market value of the company's equity is lower than the invested capital. This could be caused by unsatisfactory company performance or low market expectations for the company. A negative MVA can indicate that the company has not succeeded in creating the added value expected by shareholders and creditors (Lee & Kwon, 2019). The results of the MVA calculation in this research are presented in the following table:

Table 2. Analysis results using the EVA method (in millions)

Company	2017	2018	2019	2020	2021	
TLKM	15,648	20,067	22,378	19,504	16,872	15,162
BTEL	181,678	181.67	193,526	53,681	34,786	42,172
FREN	1,297.17	818,382	837,065	908,651	2,672	4,617
ISAT	914,615	3,506	2,609	1,592.13	3,378	5,182
EXCL	1,692.18	3,004.72	1,954.29	3,207.78	2,461	6,827

Source: Secondary data processed

Table 2 presents the results of an analysis using the Economic Value Added (EVA) method for five companies: TLKM, BTEL, FREN, ISAT, and EXCL, over the past six years (2017-2022), measured in millions of Indonesian Rupiah.

Telkomsel Indonesia Tbk (TLKM): From 2017 to 2019, TLKM showed positive performance with a continuously increasing EVA. In 2020 and 2021, negative EVA indicates that the generated economic value was lower than the cost of capital used. In 2022, TLKM experienced significant improvement with a positive EVA of 2,781 million Rupiah, signifying a return to positive performance.

Bakrie Telekom Tbk (BTEL): BTEL faced significant challenges in 2018 and 2019 with a highly negative EVA. Despite improvement in 2020, in the subsequent years, the company returned to negative EVA, indicating difficulty in creating positive economic value.

1. Smartfren Tbk (FREN): FREN exhibited negative EVA throughout the research period, with a significant decline in 2021. Although still negative, there was a slight improvement in 2022, indicating efforts to overcome challenges.
2. Indosat Tbk (ISAT): ISAT underwent significant fluctuations in EVA performance during the period. While experiencing negative EVA in 2017 and 2018, there was improvement in 2019 and 2020. In 2021, ISAT again experienced negative EVA before a subsequent increase in 2022.
3. XL Axiata Tbk (EXCL): EXCL showed positive performance throughout the period, with EVA continuously increasing from year to year. Despite a decline in 2021, in 2022, EXCL once again showed a significant increase with positive EVA.

A positive MVA value characterizes companies that have succeeded in creating added value in the market, while a negative MVA value indicates a mismatch between the market value of equity and invested capital, which can be caused by unsatisfactory company performance or low market expectations. Overall, A positive MVA value characterizes companies that have succeeded in creating added value in the market, while a negative MVA value indicates a mismatch between the market value of equity and invested capital, which can be caused by unsatisfactory company performance or low market expectations. A comparison of company performance can be seen in the following picture:

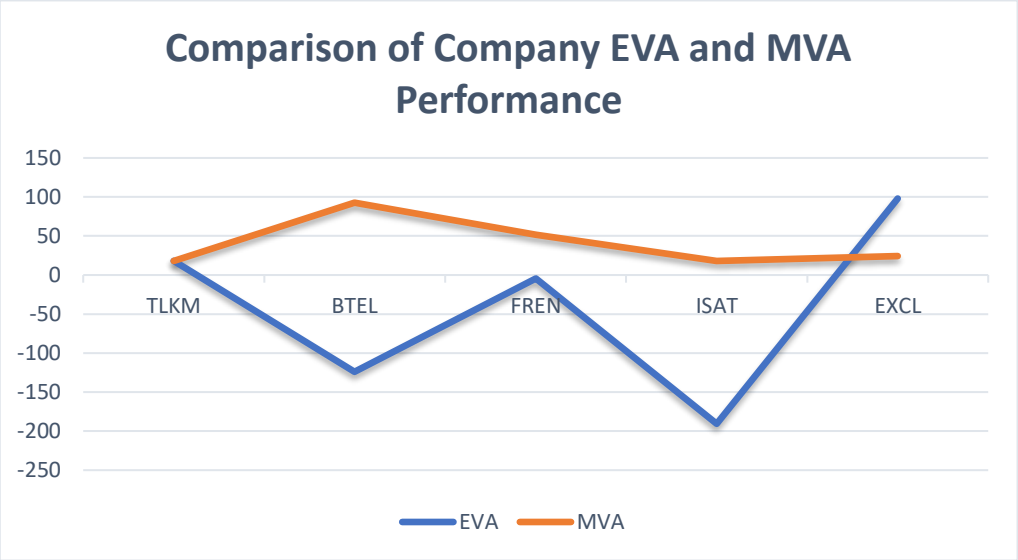

Figure 5. Comparison of Company EVA and MVA Performance

Source: data procecced

Comparative analysis between Economic Value Added (EVA) and Market Value Added (MVA) for TLKM, BTEL, FREN, ISAT, and EXCL issuers provides an in-depth understanding of each company's financial performance and market value. At TLKM, EVA recorded consistent positive values throughout the period, except in 2020 and 2021, indicating TLKM's efforts to create economic value despite facing a decline in the last two years. TLKM's positive MVA throughout the period shows market appreciation for the added value generated despite fluctuations.

Bakrie Telekom Tbk (BTEL) experienced significant EVA fluctuations, especially recording negative EVA in 2018 and 2019, reflecting challenges in creating economic value. A negative MVA in several years indicates a mismatch between the market value of equity and invested capital, reflecting unsatisfactory conditions.

Smartfren Telecom Tbk (FREN) showed consistently negative EVA throughout the period, indicating difficulties in creating economic value. However, FREN's positive MVA indicates that the market is appreciating the market value of the company's equity, despite operational challenges.

Indosat Ooredoo (ISAT) experienced significant EVA fluctuations, with a change from negative to positive in 2020, reflecting improved performance and economic value creation. A positive MVA indicates market appreciation of the market value of the company's equity, especially after positive changes in 2020.

XL Axiata Tbk (EXCL) recorded positive EVA in the early years, but experienced a decline in 2020 - 2022, indicating challenges in creating economic value. The positive MVA in the early years reflects market appreciation of the company's equity value, although it has decreased in recent years.

Even though some issuers face challenges in creating economic value in certain periods, a positive MVA value shows that the market still appreciates the market value of the company's equity. Shareholders and stakeholders need to pay attention to these fluctuations and analyze the company's strategy to understand potential improvements or risks that may be faced.

Multiple Linear Regression Analysis

Multiple linear regression analysis is carried out to understand the relationship between one dependent variable (dependent) and two or more independent variables (liberator). In other words, the main goal of multiple linear regression analysis is to explain the extent to which variations in the dependent variable can be explained by variations in one or more independent variables. This research uses financial performance with other supporting variables, such as net profit, revenue and total assets. Regression analysis was also applied to understand the extent to which changes in these factors can explain variations in EVA and MVA performance; the test results are presented in the following table:

Table 3. Multiple linear analysis test results (EVA Performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.819	1.685		.479	.571
	Net Profit	-.613	.056	-.923	8.292	.000
	Total Asset	.146	.052	.156	3.551	.008
	Revenue	-.325	.069	.219	4.622	.000
R^2	: 0.615					
Adjusted R^2	: 0.506					
F	: 72.346					
Sig. F	: 0.000					

Source: data proceed

The results of the regression analysis show that there is a significant influence between EVA and Net Profit, with correlation values that tend to be negative. Although in contrast to the common view, these findings suggest that telecommunications companies that create economic added value (positive EVA) may not always generate significant net profits. This can be interpreted that EVA, as an indicator of economic performance, can provide a more holistic picture of the added value generated by a company, although its impact on net profits may vary.

Total Assets shows a positive and significant correlation with EVA. This means that companies with higher Total Assets tend to have positive EVA values, indicating that asset allocation and management has the potential to have a positive impact on the creation of economic value. This reflects the importance of efficiency and management of company resources in supporting the achievement of better EVA.

The Revenue variable shows a significant negative correlation with EVA. This finding is interesting because it indicates that companies with lower revenues tend to have higher EVA. This may be due to the company's strategy focusing more on efficiency and added value rather than simply increasing revenue. Lower revenue but managed efficiently can lead to the creation of greater added value.

The results of this analysis provide a deeper understanding of how EVA interacts with key components of financial performance. Interestingly, the findings highlight the complexity of the relationships between variables and underscore the need for a holistic assessment of telecommunications companies' financial performance, not just based on conventional indicators such as net profit. Meanwhile, for multiple linear regression analysis, MVA performance is presented in the following table:

Table 4. Multiple Linear Analysis Test Results (MVA Performance)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.616	1.683		.479	.519
	Net Profit	.416	.034	.535	8.223	.001
	Total Asset	.486	.053	.172	2.255	.004
	Revenue	-.241	.035	.213	3.614	.000
R^2	: 0.614					
Adjusted R^2	: 0.645					
F	: 72.426					
Sig. F	: 0.000					

Source: data proceed

The results of multiple linear analyses show that MVA has a positive and significant influence on Net Profit. This means that telecommunications companies that are able to create high equity market value tend to also generate positive net profits. It reflects the market's perception of a company's potential profitability as a result of effective policies, strategies, and operational performance.

MVA also shows a significant positive correlation with Total Assets. This indicates that companies with high equity market value tend to have larger assets. This could mean that investors and shareholders view positively the allocation and management of company assets, which can create greater equity value. The importance of MVA as an indicator of financial performance can also be seen from the significant positive correlation with Revenue. Companies with a high market value of equity tend to have greater earnings, indicating that the market's perception of a company's value has a positive impact on customer attraction and revenue collection.

These findings provide a deep understanding of how the market value of equity (MVA) not only reflects market expectations and perceptions of a company but also has a positive correlation with key financial performance. In the context of telecommunications companies in Indonesia, MVA can be considered a more holistic and comprehensive indicator in assessing company performance, beyond just net profit figures.

The factors that influence the performance of Economic Value Added (EVA) and Market Value Added (MVA) in telecommunications companies in Indonesia are very complex and involve a number of interrelated variables. Several key factors that can influence EVA and MVA performance in the Indonesian telecommunications sector involve operational aspects, financial policies and market factors, including:

a. Operational Efficiency: EVA: The level of company operational efficiency, including cost and resource management, can influence the added economic value generated. Companies that are able to run their operations efficiently tend to create higher EVA. MVA: Operational efficiency can also positively impact equity market value. Investors often reward companies that can optimize their operations, which is reflected in a higher MVA.
b. Financial Policies: EVA: Management of capital structure, cost of capital and other financial policies play an important role in determining the value of EVA. A company's success in creating economic value can be influenced by how they manage this financial aspect. MVA: Financial policy can also significantly impact the market value of equities. Decisions regarding debt, dividends, and other financial policies can influence market perceptions of the company and create higher market value.
c. Innovation and Technology: EVA: Telecommunication companies that are able to innovate in their products and services can create additional economic value. Innovation in technology and product development can positively influence economic added value. MVA: Market perception of innovation and use of new technology can be reflected in the market value of equity. Companies that are considered leaders in innovation tend to have higher MVA.

d. Competition in the Market: EVA: The level of competition in the telecommunications industry can affect a company's ability to create economic value. Companies that can maintain or increase their market share may have higher EVA values. MVA: The level of competition also plays an important role in determining the market value of equity. Companies that successfully win competition and maintain their market share can have higher MVA.
e. Economic Conditions and Management Leadership: EVA and MVA: Overall economic conditions and company management's ability to manage economic changes and challenges can influence EVA and MVA performance. Positive economic conditions and effective management leadership can support economic value creation and increase the market value of equity.

These factors are interrelated and complex in influencing the performance of EVA and MVA in telecommunications companies in Indonesia. Companies that can understand and manage these factors well can improve their ability to create economic value and obtain higher market value of equity (Geng et al., 2021; J. L. Irawan, 2021). Understanding and wisely managing the interactions between operational efficiency, financial policies, innovation, market competition and other external factors is key in designing a successful business strategy (Maas et al., 2021; Maeenuddina et al., 2020). Telecommunication companies in Indonesia need to continue to review and adapt their approach to these factors in order to achieve optimal financial performance and market value.

CONCLUSION

The research results show that telecommunications companies that succeed in achieving high EVA do not always have a direct correlation with high net profits. EVA is an important indicator in evaluating the added economic value generated, revealing the complexity in the relationship between company operations and value creation. The importance of operational efficiency and smart financial policies is also reflected in the MVA. Companies with high equity market values tend to strike a good balance between operational efficiency, asset management, and supportive financial policies.

Challenges and opportunities arising from market competition and economic dynamics need to be recognized and become the focus of company strategy. The ability to adapt to innovation and new technology is key in achieving competitive advantage, which is reflected in both metrics, both EVA and MVA.

This research provides valuable insights for stakeholders in the telecommunications industry in Indonesia. A holistic business strategy, considering factors such as operational efficiency, finance, innovation and market competition, can be a solid foundation for achieving optimal financial performance and obtaining high equity market value. The practical implications of these findings can help companies formulate more informed long-term policies and strategies, giving them a better competitive edge in a dynamic business environment.

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