

ABSTRACT

The telecommunications service users who continue to rise has caused the potential share of telecommunications industry to keep augmenting thus it will attract investors to invest. In relation to that, there should be a research related to telecommunications companies's financial performance based on value added by way of Economic Value Added concept (EVA) and Market Value Added concept (MVA) to find out if the companies manage value added for the investors.

This study aims to observe the financial performance based on EVA and MVA methods in the telecommunication companies that posted an operating profit since those gained operating profit do not necessarily add the value as indicated by positive EVA and MVA. EVA or Economic Value Added is the difference of net profit after tax (NOPAT) and capital charges for that period whilst MVA or Market Value Added is the difference between the value of equity market of a company compared to book value presented in the Balance Sheet.

The research method used is quantitative descriptive method using purposive sampling technique on telecommunication companies listed on the Stock Exchange and posted profit within 2011-2015 so that there were three telecommunication companies acquired as a sample namely PT. Telekomunikasi Indonesia, Tbk, PT. Indosat, Tbk, and PT. XL Axiata, Tbk.

The result showed that best financial performance, based on the telecommunication companies that were designated as a sample, awarded to PT. Telekomunikasi Indonesia, Tbk with positive EVA and MVA point for the past five years thus generating average EVA point and positive MVA whilst the worst financial performance was given to PT. Indosat, Tbk with negative EVA and MVA for the past five years thus generating average EVA point and negative MVA. PT. XL Axiata, Tbk on the other hand, acquired fluctuated EVA and MVA point for the past five years thus generating negative average EVA point and positive MVA.

Based on findings of the research there is a tendency noted that if the EVA of a company shows positive result, the investor will then award it by responding the share price positively making an increased market value and at the same time the company's MVA wil rise with positive gain.

Keyword: *Financial Performance, EVA, MVA*