

ABSTRACT

The pharmaceutical sub-sector company is a mainstay industry which is a priority industry that plays a major role as the main engine of the economy. This is stated in the Ministry of Industry's 2015-2035 National Industrial Development Master Plan (RIPIN). In 2019 the pharmaceutical industry was one of the industries that experienced an increase in growth against Gross Domestic Product (PDB) of 8.48% from the previous year which was -1.42%.

The purpose of this study is to knowing the difference of profitability and economic value added (EVA) as a measure of financial performance. In this study the dependent variable was not used because there were no variables that were influenced by the existing independent variables. The sample used is all pharmaceutical sub-sector companies that publish audited financial reports consecutively during 2015-2019.

This study uses a comparative quantitative descriptive method, which is compares the profitability ratio method and the economic value added method. This study did not intervene in the data because it did not change or manipulate the data that used. The data comes from the financial statements of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange 2015-2019.

Based on the test results, it shows that EVA has a value of 106.00, this value is higher than profitability ratio even though in 2018 the average of EVA has decreased to negative, while the average of profitability ratio shows an increase in that year.

The results of this study indicate that there is a significant difference between the profitability ratio and the EVA. This is because EVA pays attention to company risk by taking into capital charge while the profitability ratio only takes into company's profit without taking into capital charge. Therefore, EVA is better method of measuring financial performance.

Keywords: Profitability Ratios, EVA, Financial Performance