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The Financial Performance Assessment of University X Through ROI and EVA

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Abstract

Financial performance assessment is a crucial aspect in ensuring the sustainability and efficiency of higher education institution management, especially in an era of dynamic competition and economic change. This study aims to evaluate the financial performance of University X through two main approaches, namely Return on Investment (ROI) and Economic Value Added (EVA), to obtain a comprehensive overview of efficiency and value creation from the use of available resources. This research employs a descriptive quantitative approach using secondary financial data collected over five years (2020–2024). The components analyzed include net income, total assets, EBIT, cost of capital, and the university's capital structure. The findings reveal that the ROI of University X consistently remained above 30% and peaked in 2022 and 2024 with values exceeding 50%, reflecting high efficiency in asset utilization. Meanwhile, the positive EVA values throughout the research period indicate that the institution not only covered its capital costs but also consistently created additional economic value. These results demonstrate that University X has healthy and sustainable financial performance. The study recommends that the university continue to strengthen cost-efficiency strategies, enhance financial oversight, and develop innovation-based long-term investments to maintain its positive performance in the future.

Keywords: *Economic Value Added, Financial Performance, Return on Investment.*

INTRODUCTION

The financial management of higher education institutions in Indonesia plays a crucial role in ensuring the sustainability of operations and institutional development. Universities face various challenges in managing limited financial resources, including government funding, student tuition fees, and research grants.

Under such conditions, higher education institutions are required to manage their funds more efficiently to achieve optimal results in both academic and financial aspects. Although many universities have sought to optimize their resource management, their financial performance has often remained suboptimal, particularly in terms of creating sustainable added value. Moreover, with increasingly intense competition among universities and the high operational costs that must be borne, higher education institutions need to conduct deeper financial performance evaluations.

In this context, the use of measurement tools such as Return on Investment (ROI) and Economic Value Added (EVA) becomes highly relevant. ROI provides an overview of the return generated from the investments made by universities, while EVA focuses more on analyzing whether universities are able to create added value beyond the cost of capital incurred.

Several studies have explored the use of organizational performance metrics, particularly EVA and ROI, as tools for assessing financial and operational performance in various contexts. Subedi and Farazmand (2020) stated that EVA, as a financial performance indicator, measures the value created beyond the expected return of shareholders. They also demonstrated that applying EVA can encourage public managers to make more efficient decisions in terms of investment and operations. In the supply chain context, Galankashi and Rafiei (2022) revealed that EVA is often used alongside other metrics, such as ROI, and both have been widely accepted for evaluating organizational financial performance.

The implementation of EVA in state- owned enterprises in China has also shown significant results. A study by Shen et al. (2015) revealed that the application of EVA was associated with an increase in cash ownership value, indicating that EVA is effective in addressing issues of over- or under- investment and improving organizational efficiency. Furthermore, Bacidore et al. (1997) compared EVA with other performance metrics, such as Refined Economic Value Added (REVA). They found that although EVA has a strong correlation with shareholder value creation, REVA offers a superior approach to performance evaluation, particularly in terms of risk compensation (Chunghyeok et al., 2025).

Although previous studies have demonstrated the broad application of EVA and ROI in assessing

organizational performance across various sectors, several aspects remain unexplored and require further attention. Most earlier research focused on the implementation of EVA in industrial corporations and the public sector, but little has examined how EVA and ROI are specifically applied within the context of higher education institutions in Indonesia.

Studies such as those by Subedi and Farazmand (2020) and Galankashi and Rafiei (2021) primarily investigated EVA in the context of commercial enterprises and supply chains, which are not directly relevant to the education sector. Similarly, Shen et al.'s (2015) study on EVA in China emphasized state-owned enterprises, limiting its relevance to Indonesian higher education institutions. Earlier research by Bacidore et al. (1997) and Kleiman (1999) compared EVA with other performance metrics, but no studies have directly compared the application of EVA and ROI in evaluating the financial performance of universities, which is the main focus of this research.

This study aims to fill that gap by evaluating the application of EVA and ROI in Indonesian higher education institutions, particularly in the context of financial management challenges in resource utilization. By combining EVA and ROI in assessing university performance, this study provides a new perspective on financial performance evaluation in the higher education sector in Indonesia.

In addition, this study seeks to further develop the application of EVA and ROI in a more specific context by linking financial performance indicators to the effectiveness of resource management in universities—an aspect that has been underexplored in existing literature. Thus, this research is expected to make a significant contribution to the development of performance evaluation methodologies for higher education in Indonesia.

ROI is one of the ratios used to measure the level of profit generated by a company based on the total funds invested in assets to carry out operations. According to Munawir (2014), ROI measures how effectively a company generates profit from all its assets. In other words, ROI shows the company's ability to generate net income from its total wealth. This ratio is frequently used to evaluate a company's effectiveness in managing its investments.

As a performance measurement tool, ROI allows companies to determine how much profit is generated from the total investments in their assets (Munawir, 2014). Moreover, Aroon et al. (2025), Bolek (2025), and Sulistyowati et al. (2024) explained that financial ratios, particularly those related to return on investment, are widely used in financial analysis as tools for assessing company performance. ROI also helps compare a company's performance with others in the same industry to determine whether its performance is good or poor. This ratio is often referred to as an indicator of a company's income- generating capacity.

EVA is a method used to measure financial performance by taking into account the cost of capital incurred to generate profits. The concept of EVA was first developed by Stern Stewart & Co. and has since been widely adopted in evaluating financial performance. According to Stern & Stewart (1994), EVA is a better indicator of value creation because it measures profit after accounting for all capital costs, including the cost of equity. This distinguishes EVA from other financial metrics that only focus on profit without considering the cost of capital employed.

Badarinath et al. (2025) and Chen & Dodd (1997) argued that EVA demonstrates a strong relationship with a company's ability to create long-term value. They found that companies with positive EVA values have the potential to deliver better returns to shareholders because they are able to generate profits exceeding the cost of capital. This shows that EVA not only measures profitability but also efficiency in the use of capital.

Similarly, Chen & Dodd (1997), Idesatwika et al. (2022), and Machuga et al. (2002) found that EVA is more effective in predicting future earnings compared to other indicators such as Earnings Per Share (EPS). This is because EVA accounts for the cost of capital in its calculation, which EPS does not. As a result, EVA provides a more accurate picture of a company's potential for future growth.

METHODS

This research employs a quantitative approach with a descriptive research design to analyze the financial performance of University X during the 2020–2024 period. The data source used in this study is secondary data obtained from the annual financial statements of University X, which include the income statement, balance sheet, and cash flow statements over the five years. Data collection techniques were carried out through documentation, by gathering relevant

financial reports, as well as a literature review to deepen the theoretical foundation used in the analysis.

In this study, two main indicators are applied to evaluate financial performance: EVA and ROI. EVA is used to measure the extent to which University X can create economic value added after accounting for the cost of capital employed. ROI, on the other hand, is used to measure the effectiveness of University X in generating profit from the total funds invested in its assets. Both indicators are calculated based on the data available in the university's annual financial statements.

The analysis process begins with the calculation of EVA using the formula: EVA = Net Operating Profit After Tax − (Total Capital × Cost of Capital). Meanwhile, ROI is calculated using the formula: ROI = (Net Income/Total Assets)× 100%.

The results of the EVA and ROI calculations for each year will then be compared and analyzed to identify the trends in University X's financial performance during the study period. This analysis will also be strengthened by considering external factors that may influence financial performance, such as government policies or economic conditions. The results of the EVA and ROI calculations will be presented in tabular form to illustrate University X's financial performance year by year. Based on the findings, conclusions will be drawn regarding the financial performance of University X, followed by recommendations to improve financial management in the future, as well as suggestions for further research to deepen this study.

RESULTS AND DISCUSSION

Based on the recapitulation of the financial statement data of University X, the financial statements of University X for the period 2020–2024 are presented as follows:

Table 1. Recapitulation of the Financial Statements of University X for the Period 2020–2024

Description	2020	2021	2022	2023	2024
Total Liabilities	4,726,318,295	3,948,120,117	4,857,129,764	4,308,571,983	3,981,202,555
Equity	3,581,930,211	3,924,156,847	4,134,873,598	4,489,765,223	4,991,088,612
Current Liabilities	2,253,810,726	2,486,421,903	2,965,772,514	3,201,118,706	2,754,638,199
Long-Term	1,381,729,441	982,513,678	1,452,386,237	1,103,427,950	1,321,006,474
Interest Expense	473,925,108	691,352,400	832,144,237	915,738,126	992,603,841
Profit Before Tax	2,154,671,822	2,375,209,994	3,453,776,189	3,124,890,701	3,383,712,570
Net Profit After	1,653,291,074	1,932,840,716	2,713,874,119	2,462,750,338	2,631,943,187
Tax Expense	501,380,748	621,184,700	739,902,070	662,140,363	751,089,383
Total Assets	4,951,899,824	4,872,531,433	4,997,013,187	4,983,622,457	4,861,723,931
EBIT (Earnings Before Interest and Tax)	2,563,780,198	2,751,139,062	3,123,657,748	3,381,224,516	3,213,897,305

Source: Financial Data of University X (2025)

Based on the financial statement data, the ROI was calculated using the ROI formula, and the results are as follows:

Table 2. ROI

Year	Net Profit After Tax (Rp)	Total Assets (Rp)	ROI (%)
2020	1.653.291.074	4.951.899.824	33,39%
2021	1.932.840.716	4.872.531.433	39,66%
2022	2.713.874.119	4.997.013.187	54,30%
2023	2.462.750.338	4.983.622.457	49,42%
2024	2.631.943.187	4.861.723.931	54,15%

Source: Data Processed (2025)

Based on the Return on Investment (ROI) calculations from 2020 to 2024, the financial performance of the university shows a positive and stable trend, reflecting efficiency in asset management and the ability to consistently generate net income.

In 2020, ROI was recorded at 33.39%. This year marked the onset of the COVID-19 pandemic, which put significant pressure on the education sector. Distance learning, operational adjustments, and economic uncertainty caused many educational institutions to face severe financial challenges. However, University X was still able to record a fairly good ROI, indicating financial resilience despite the crisis. In 2021, ROI increased to 39.66%. This rise reflects the university's success in adapting to pandemic conditions, particularly through the digitalization of learning and administrative processes, which boosted operational efficiency. This performance demonstrates that the institution was beginning to recover and maximize its assets to generate higher net profits.

The year 2022 recorded the highest ROI in the last five years, at 54.30%. This significant increase was most likely influenced by the recovery of the national economy post-pandemic, the growing number of new student enrollments, and the optimization of revenue from various supporting business units. The high ROI serves as evidence that University X was able to take advantage of the economic recovery momentum and implement the right growth strategies.

In 2023, ROI slightly declined to 49.42%, though it remained relatively high. This decrease coincided with the implementation of cost-efficiency policies by management aimed at ensuring long-term financial sustainability. The positive impact of these efficiency measures began to be seen in 2024, when ROI rose again to 54.15%. This indicates that the efficiency policies not only succeeded in reducing costs but also maintained financial performance and institutional profitability.

Overall, ROI over the past five years demonstrates that University X successfully navigated the crisis period with adaptive strategies, utilized its assets productively, and implemented effective efficiency policies to sustain healthy and sustainable growth. The next step is the calculation of Economic Value Added (EVA), which involves determining the values of NOPAT, WACC, and Capital Charges. The results of each component's calculation are as follows:

Table 3. NOPAT

Year	EBIT (Rp)	1 - Tax	NOPAT (Rp)
2020	2.563.780.198	0,78	1.999.748.554
2021	2.751.139.062	0,75	2.063.354.297
2022	3.123.657.748	0,81	2.530.162.775
2023	3.381.224.516	0,84	2.839.828.594
2024	3.213.897.305	0,79	2.538.979.872

Source: Data Processed (2025)

Table 4. WACC

Year	1 − Tax	D (Rp)	E (Rp)	rd	re	WACC (%)
2020	0,78	4.726.318.295	3.581.930.211	0	0,1	11,10%
2021	0,75	3.948.120.117	3.924.158.847	0	0,1	11,23%
2022	0,81	4.857.129.764	4.134.873.598	0	0,1	11,05%
2023	0,84	4.308.571.983	4.489.765.223	0	0,1	11,37%
2024	0,79	3.981.202.555	4.991.088.612	0	0,1	11,33%

Source: Data Processed (2025)

Table 5. Capital Charges

Year	WACC (%)	Invested Capital (Rp)	Capital Charges (Rp)
2020	11,10%	8.308.248.506	922.216.584
2021	11,23%	7.872.276.964	884.610.730
2022	11,05%	8.992.003.362	993.665.371
2023	11,37%	8.798.337.206	1.001.288.734
2024	11,33%	8.972.291.167	1.016.360.714

Source: Data Processed (2025)

Table 6. EVA

Year	NOPAT (Rp)	Capital Charges (Rp)	EVA (Rp)
2020	1.999.748.554	922.216.584	1.077.531.970
2021	2.063.354.297	884.610.730	1.178.743.567
2022	2.530.162.775	993.665.371	1.536.497.404
2023	2.839.828.594	1.001.288.734	1.838.539.860
2024	2.538.979.872	1.016.360.714	1.522.619.158

Sumber: Data Diolah (2025)

Based on the EVA (Economic Value Added) calculations from 2020 to 2024, it is evident that University X consistently succeeded in creating added value for its capital owners. This is reflected in the EVA values, which remained positive throughout the entire period. In 2020, despite being in the midst of the COVID-19 pandemic, the university was still able to record an EVA of Rp1.07 billion. This indicates that the institution not only covered its cost of capital but also generated an economic surplus even during a time of crisis.

Performance continued to improve in the following years, with EVA rising to Rp1.17 billion in 2021 and peaking at Rp1.84 billion in 2023. This sharp increase highlights significant operational efficiency as well as the success of management strategies in optimizing asset and cost management. The cost-efficiency policies implemented in 2023 also appear to have had a positive impact, as the university not only reduced capital charges but also enhanced overall profitability.

Although EVA slightly declined to Rp1.52 billion in 2024, the result remains highly favorable and demonstrates that University X maintained a healthy financial condition. Overall, the consistently positive and stable EVA results reflect that University X is not solely focused on short-term profit, but also succeeds in creating sustainable economic value through efficient and responsible capital management.

When viewed together with the ROI results over the 2020–2024 period, both indicators show that University X has achieved strong financial performance and efficiency in resource management. ROI demonstrates the institution's efficiency in generating net income from total assets. For five consecutive years, ROI remained above 30%, and even exceeded 50% in 2022 and 2024. This indicates that the university was able to maximize its assets optimally to generate profit.

Meanwhile, EVA measures whether the net income truly exceeds the cost of capital employed. The consistently positive and rising EVA values demonstrate that University X not only generated profits but also created real economic value after accounting for capital charges. The significant EVA increases in 2022 and 2023, accompanied by high ROI in the same years, illustrate that the university was not only operationally efficient but also productive in creating added value for stakeholders.

While ROI emphasizes the ratio of profit to assets, EVA provides a deeper insight into the actual economic value created after considering the full cost of capital. In other words, although a high ROI may indicate efficiency, EVA ensures that such efficiency also translates into net economic benefit. In the case of University X, the consistent positivity of both indicators proves that the institution possesses strong financial governance, appropriate investment strategies, and effective, sustainable operational management.

CONCLUSION

Based on the analysis using the ROI and EVA approaches, it can be concluded that the financial performance of University X during the 2020–2024

period was in a healthy and productive condition. The consistently high ROI values, which remained above 30%, indicate strong efficiency in the utilization of assets to generate net income. At the same time, the positive EVA values each year demonstrate that the university was not only able to cover its cost of capital but also succeeded in creating tangible economic value.

The combination of ROI and EVA results reflects that University X has effective financial governance, efficient operational strategies, and a sustainable long-term orientation. Furthermore, to continuously increase EVA, the university may consider more selective and long-term–oriented investment strategies, such as developing digital-based business units or engaging in collaborations with industry partners. In addition, periodic monitoring and evaluation of financial performance should be strengthened so that management decisions can be made based on relevant data and indicators. It is essential for the university to maintain a balance between its academic mission and financial objectives, ensuring that financial success is not only reflected in figures but also contributes to enhancing the quality of educational services provided.

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