

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

Indonesia is an agricultural country. The one of important commodity in Indonesia is Tobacco. Indonesia included in one of the biggest countries to produce tobacco between all of the another developing country and win against Malawi & Argentina (European Commission, 2003).

Tobacco is one of important commodity in the world, include Indonesia. The important thing is about the leaf for a cigarette. This product has a high value, so some of countries include Indonesia have a role in national economic, as source of foreign exchange, source of government income and tax, source of farmer income and job demand. (Muchjidin, 2009). According to Dinan, 2003, In 2011, foreign exchange from tobacco export is value US \$ 507,188 (106,570 ton) (Directorate General Of Estate, 2011). The data proved, a big income came from tobacco especially in foreign exchange activity. Therefore, the tobacco company have an important role to national economic in Indonesia.

The other role of the tobacco, the become one of the biggest taxpayer for Indonesia already stated in their financial report. As the financial statement reported for tobacco company is as result :

**Table 1.1**

**Amount Profit Company**

Company	Profit			
	2011	2012	2013	2014
<b>Gudang Garam Tbk.</b>	4.958.102	4.068.711	4.383.932	5.395.293
<b>Handjaya Mandala Sampoerna Tbk.</b>	8.064.426	9.945.296	10.818.486	10,014,995
<b>Bentoel International Investama Tbk.</b>	305,997	323,351	1,042,068	2,278,718
<b>Wismilak Inti Makmur Tbk.</b>	129.537	77.301	132.322	112.304

(source : financial report each company)

Based on table above, they get a big profit. The bigger they get, the bigger they will pay tax. It approved from the table below :

**Table 1.2**

**Amount Tax A Company**

Company	Tax			
	2011	2012	2013	2014
<b>Gudang Garam Tbk.</b>	1,656,869	1,461,935	1,552,272	1,810,552
<b>Handjaya Mandala Sampoerna Tbk.</b>	2.846.656	3.437.961	3.691.224	3,537,216
<b>Bentoel International Investama Tbk.</b>	485,237	156,138	255,159	532,955
<b>Wismilak Inti Makmur Tbk.</b>	19.149	28.275	42.797	37.236

(source : financial report each company)

For the case, the way out of the company pay the big amount of tax, they will increase their selling to get fund through production activity.

Beside from their selling production, the company get the fund from external, especially from investor & creditor. Because sometimes, owner's fund is limited and it cannot finance the high cost of company's operation. So, the company will need loans and investments as the sources of funding. It then causes

the existence of investors and creditors is a very important need for a company. Therefore, maximizing shareholder's wealth becomes a task for a company as the importance of investors and creditors.

Investor and creditor will not give the company fund easily. They should make a decision if they want to invest or not. Logically, people will not invest in something, without getting a return. Predicting of risks and returns from their investment is really important for investors as well as predicting the financial health of a company for creditors. Based on that, investor and creditor need a tools for them to make decision as the will invest or not. And the tools that they need and what company prepare for them called financial statement.

Financial statement is the tools that they need to making decision to invest or not. Financial report is report that show financial condition company in a certain time or in certain period (Kasmir, 2008). It show how the health of finance of the company. And one of kind statement they can use is cash flows statment.

Cash flow is one of the most important measurements used by investors in valuing a company (Amuzu, 2010). One way to calculate the cash flow statement is using cash flow ratio (Beaver, 1966). Investor and creditor will using cash flow statement in cash flow ratio especially using cash flow from operation (CFFO) that will see that how real performance in a company. Cash flow ratio is more reliable than using other ratio, because cash flows ratio can show finace company performance simultaneously and predict bankrupt and financial distress (Giacomino, 1993 in Nekhasius, 2012). With cash flows ratio, it will be easier to investor predict how much the the cash in or the cash out from the operating

activity in tobacco company, how efficient and effective their used the money to increasing their return and to get trust from their investor for the future.

And to get the cash flow ratio in cash flow statement that stated in financial statement, investor and creditor will see company that already listed in Indonesia Stock Exchange (IDX), because company that already listed in IDX, their financial statement already prospectus for public.

Based on that background, writer have interest to do research about “Analyze The Performance Of Tobacco Company listed in Indonesian Stock Exchange using Cash Flow Ratio Method”

### **1.2 Problem Formulations**

Based on the background explained before, the writer formulates the problems that will be discussed in this research as follows:

1. How is the analysis performance for each company in tobacco sector that listed in Indonesia Stock Exchange using sufficiency method in four period (2011-2014) ?
2. How is the analysis performance comparing each company in tobacco sector that listed in Indonesia Stock Exchange using efficiency method in four period (2011-2014) ?

### **1.3 Research Purpose**

Based on the problems formulated above, the purposes of this research are:

1. To analyze the performance of each tobacco company listed on Indonesia Stock Exchange (IDX) using sufficiency for year 2010 – 2014.

2. To analyze performance comparing for each of tobacco companies listed on Indonesia Stock Exchange (IDX) using efficiency method in a four period (2011 – 2014).

#### **1.4 Research Benefit**

The benefits of this research are as follows:

1. For Researcher

The results of this research are useful to improve knowledge about performance company using cash flow ratios.

2. For Creditor and Investor

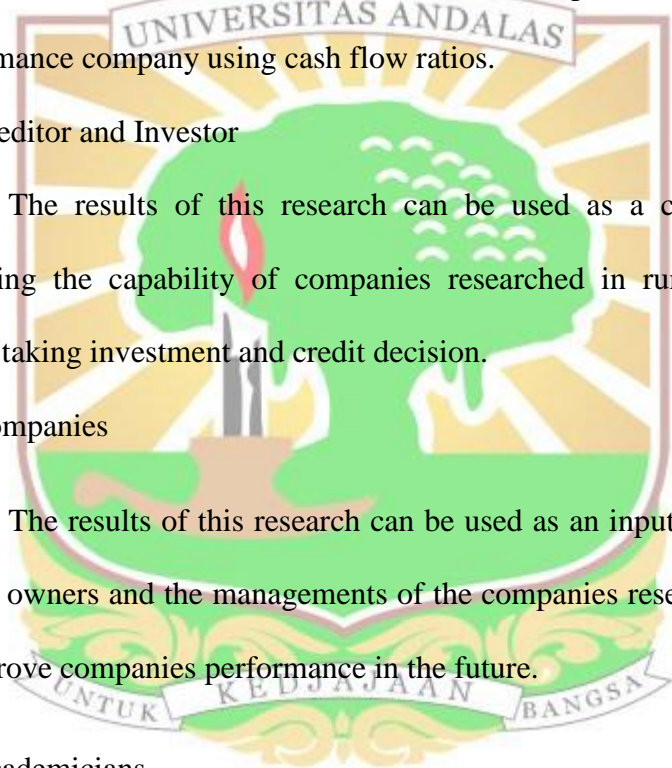
The results of this research can be used as a consideration in analyzing the capability of companies researched in run the company before taking investment and credit decision.

3. For Companies

The results of this research can be used as an input and evaluation for the owners and the managements of the companies researched in order to improve companies performance in the future.

4. For Academicians

The results of this research is expected to give benefits for both academic and practitioner, especially in financial management subject.



## 5. For Further Research

The results of this research can be used as a reference, comparison, judgment, and or development for further research in doing the similar research.

### 1.5 The Writing Systematics

This research is compiled with a systematic writing into five chapters as follows:

#### CHAPTER I

##### **Introduction**

This chapter outlines the research conducted, which consists of the background of the problem; problem formulation; the purposes and benefits of research; and systematical writing of the research.

#### CHAPTER II

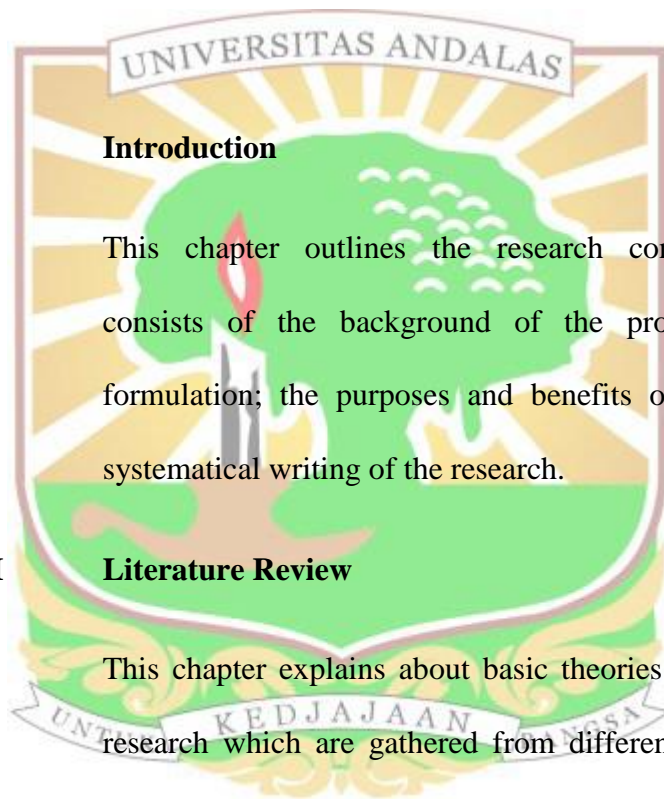
##### **Literature Review**

This chapter explains about basic theories underlying this research which are gathered from different sources (such as: opinions from the experts, books, journals, and internet-based information); review of previous researches; theoretical framework; and hypothesis.

#### CHAPTER III

##### **Research Methodology**

This chapter describes the way of research will be conducted. It contains the research methods used in the



research; population, sampling technique and samples; types and source of data; data collection method; research variables; and analysis techniques used to analyze the data in the research and test the hypotheses.

#### **CHAPTER IV      Result and Discussion**

This chapter explains the analysis of the results from the research based on the data and the information gathered. It also contains the answers of hypotheses developed.

#### **CHAPTER V      Conclusion**

This chapter describes the conclusions from the analysis of data, the implication of research, the limitations in this research, and also the suggestions from the researcher as a feedback.

