

## Chapter V:

### Conclusion

#### 5.1 Conclusion

Based on the analysis and discussion that has been done in this research, so the result of this research have the following conclusions:

1. This research is aimed to obtain an empirical evidence about whether there are significant differences between traditional ratios and cash flow ratios in liquidity measurement. The analysis of this research highlights the usefulness of the cash flow ratios in conducting an investigation about the liquidity measurement of companies to test the validity of the conclusions that can be made from analysis of traditional liquidity ratios.
2. This research used tobacco industry listed on Indonesia Stock Exchange (IDX) in year 2015 as the object of the research. Then, sampling technique used to select samples was census method. All four companies on tobacco industry listed on IDX were selected to be samples of research.
3. This research used Microsoft Excel version 2013 and SPSS version 23.0 in processing the data and testing the hypothesis
4. Based on the examination and the analysis conducted to each tobacco companies listed on IDX, the results proved that:
  1. PT. Gudang Garam Tbk (GGRM)

From the comparison of the company's traditional ratios and cash flow ratios, it indicate that most of cash flow ratios showed weaker position than traditional ratios compared: which are: cash coverage ratios, cash current debt coverage ratios, and cash interest coverage ratio. These result indicates that although this company had higher assets, but the company capability to generate cash from its operating activities to meet its commitment in paying obligations were still lower. Meanwhile, for one cash flow ratio of this company, which are critical need cash coverage ratios, showed stronger position than the traditional ratios compared. It indicates that company's cash available from its operating activities to meet its current liabilities, including the dividend and interest payments, were higher than the cash position at the end of the year. Thus, the results indicates that the cash flow management of this company had been low

## 2. PT. Handjaya Mandala Sampoerna Tbk (HMSP)

From the comparison of company's traditional ratios and cash flow ratios, it showed that some cash flow ratios showed weaker liquidity position than the traditional ratios compared, which are cash coverage ratios and cash current debt coverage ratios. It indicates that company's capability to generate cash from operating activities in order to meet company's commitment in paying the current obligations were still low. In other hand, some cash flow ratio of this company, which are critical need cash coverage ratios and cash interest coverage ratios, showed stronger position than traditional ratios compared. It indicated that although the company's

capability to generate cash from its operating activities were still weaker in five years, this result is better than the company's capability to generate profits.

3. PT. Bentoel International Investama Tbk (RMBA)

From the comparison of traditional ratios and cash flow ratios, it showed that the condition of company's net cash provided from its operating activities was better than its assets. It means, the company's capability to generate cash from its operating activities from its sales and total assets is better than company's capability to generate assets and profits.

4. PT. Wismilak Inti Makmur Tbk (WIIM)

From the comparison of the company's traditional ratios and cash flow ratios, company's cash flow ratios had weaker position than traditional ratios. It means, company's management in operational activities were still low. Because, the company's capability to generate assets from its operating activities was still weak.

5. Based on the analysis of industry liquidity position of tobacco companies listed on IDX, the results proved that:

1. The industry liquidity position showed that the liquidity position of tobacco companies listed on IDX in the five years based on traditional ratios was low. Because, among 80 traditional ratios calculated, only 27 ratios that could achieve the industry ratios. In percentage, only 33.8% of the traditional ratios of the companies in this research are equal or more than industry ratios. It indicated that the financial performance of tobacco

companies listed on IDX is not really good. Because, the company's capability to generate assets to pay its short term obligations was inadequate in five years.

2. The industry liquidity position showed that the liquidity position of tobacco companies listed on IDX in the five years based on cash flow ratios was low. Among 80 cash flow ratios calculated, only 29 ratios that could achieve the industry ratios. In percentage, only 36.3% of the cash flow ratios of the companies in this research are equal or more than industry ratios. It indicated that the financial performance of tobacco companies listed on IDX is not really good. Because, the capability company in generating cash from operating activities was low.

6. Based on the analysis conducted to see the significant differences between traditional ratios and cash flow ratios :

The result of this research proved that there are significant differences between traditional ratios and cash flow ratios in liquidity measurement of tobacco company listed on IDX. The traditional ratios showed higher mean rank than cash flow ratios which indicates that traditional ratios of tobacco companies listed on IDX were better than the cash flow ratios. But, its better to the stakeholders to used both types of ratios. Traditional ratios and cash flow ratios is the complementary, so should be used together to reach a comprehensive conclusion about the liquidity position of the companies. Moreover, cash flow ratios are more effective measures because it give more information about the company's ability to meet its commitment.

## 5.2 Implications

This research is expected to be useful:

### 1. 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. It can help the creditors and investors to avoid failure risk from their loan and investment by analyzing company's management in operational activities from cash flow from operation activities and cash flow ratios.

### 2. 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.

### 3. For Academicians

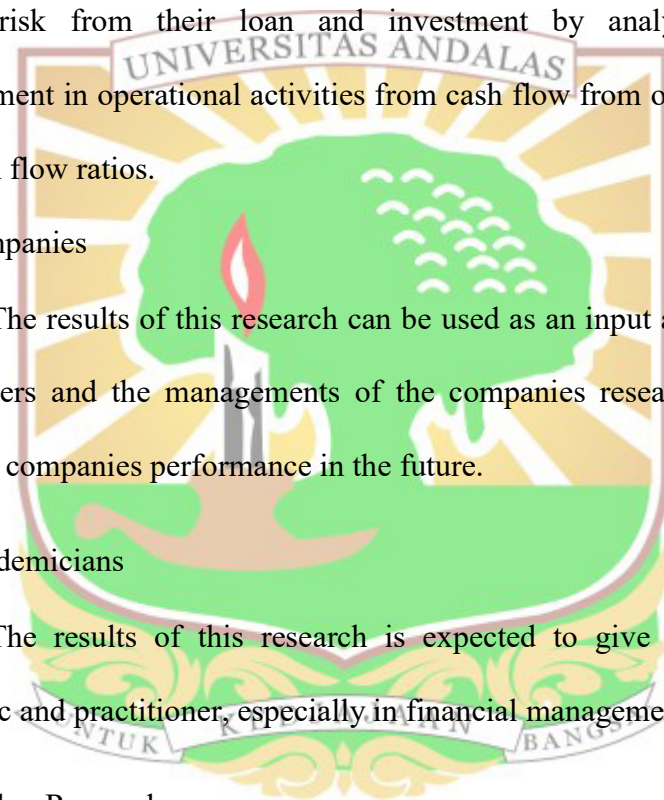
The results of this research is expected to give benefits for both academic and practitioner, especially in financial management subject.

### 4. 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.

## 5.3 Limitation

This research has some limitations, thus, the further research is expected to be able to improve the limitations as follows:

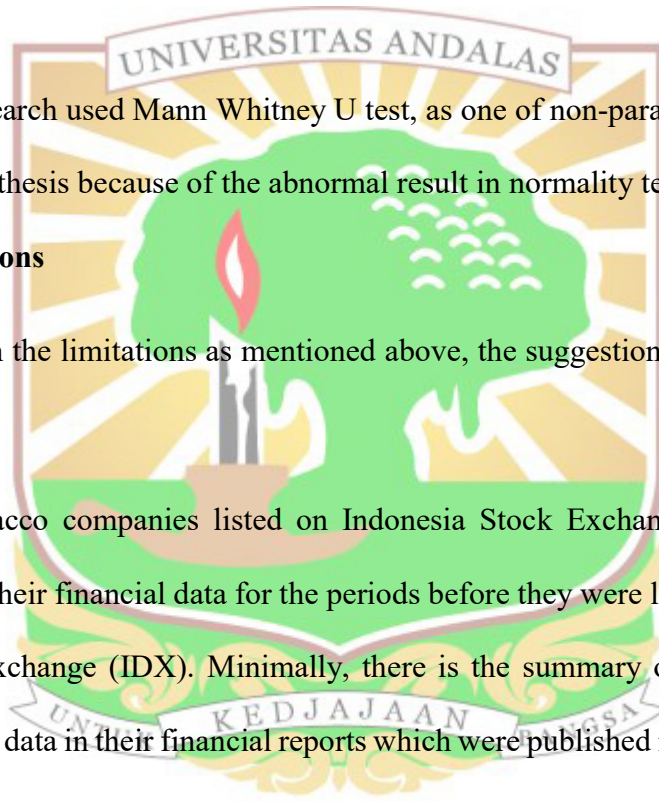


1. This research only used tobacco industry sector listed on Indonesia Stock Exchange (IDX) as a sample. So, it cannot be used as a general discovery to other industry sectors listed on Indonesia Stock Exchange (IDX).
2. This research only used five periods because of the data is difficult to find.
3. This research only used four kinds of both ratio from traditional ratios and cash flow ratios as the groups of independent variables to explain the dependent variable
4. This research used Mann Whitney U test, as one of non-parametric test, to test the hypothesis because of the abnormal result in normality test.

#### **5.4 Suggestions**

Based on the limitations as mentioned above, the suggestions of the writer are as follows:

1. The tobacco companies listed on Indonesia Stock Exchange (IDX), should publish their financial data for the periods before they were listed on Indonesia Stock Exchange (IDX). Minimally, there is the summary of their five years financial data in their financial reports which were published in the period when they were listed on Indonesia Stock Exchange (IDX). So it can give the description of their performances in the periods before listing.
2. The further research is expected to use other industry sectors in doing the similar research. So, the results obtained later can be used as an overview to other companies in other industry sectors.



3. The further research is expected to use more periods to be analyzed than this research. Hopefully, the amount of periods for all companies used to be researched are same. So, it can make the results are more relevant and reliable than this research.
4. The further research is expected to use more kinds of ratio, So, it can give more description about the performance of the companies.
5. The further research is expected to use Independent sample T-Test, as a parametric test to test the hypothesis. The using of Mann Whitney U test in this research is as an alternative when the result of normality test shows the abnormal distribution.

