

CHAPTER 1

INTRODUCTION

1.1 Background

Indonesia is the world's largest archipelagic State with 17.508 islands (of which 6.000 are inhabited), and 54.716km of coastline, and the world's fourth most populous nation (FAO, 2014). In 2012, Indonesia's fishery production reached approximately 8,9 million tonnes, of which inland and marine catch accounted for about 5,8 million tonnes and aquaculture 3,1 million tonnes in addition to 6,5 million tonnes of seaweeds. About 95% of fishery production comes from artisanal fishermen. The marine fishing fleet comprised 620.830 vessels in 2012, 28% of non-powered boats and 39% of out-board engine. An additional 184,900 vessels (of which 23% had engine) composed the fleet operating in inland waters (FAO, 2014).

Foreign and domestic investment opportunities in Indonesia's fishery sector are for the taking. According to the Processing and Marketing Association of Indonesian Fishery Product (AP5I), the total investment needed by the fishery sector for the 2015-2019 period reached 127 trillion IDR. Meanwhile, the total investment needed by the aquaculture industry during the same period reached 320,73 trillion IDR. In 2016, investment required by the capture fishery and aquaculture sectors is expected to reach 23 trillion IDR and 29,97 trillion IDR, respectively (FAO, 2014).

Therefore, 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 provide the company with fund without a decent consideration. 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 tool 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 of the 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 has interest to do this research entitled “The Performance Analysis using Cash Flow Ratio In TheFishery Company listed in Indonesian Stock Exchange”

1.2 Problem Definition

Based on the background explained before, the problem of the study is: Does the Financial performance of the Indonesian Fishery Company listed in the IDX from the year 2011-2015 are in a good performance condition according to the Cash Flow Ratio Method?

1.3 Research Objective

Based on the problems formulated above, the purposes of this research is to know whether the Financial performance of the Indonesian Fishery Company listed in the IDX from the year 2011-2015 are in a good performance condition according to the Cash Flow Ratio Method.

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

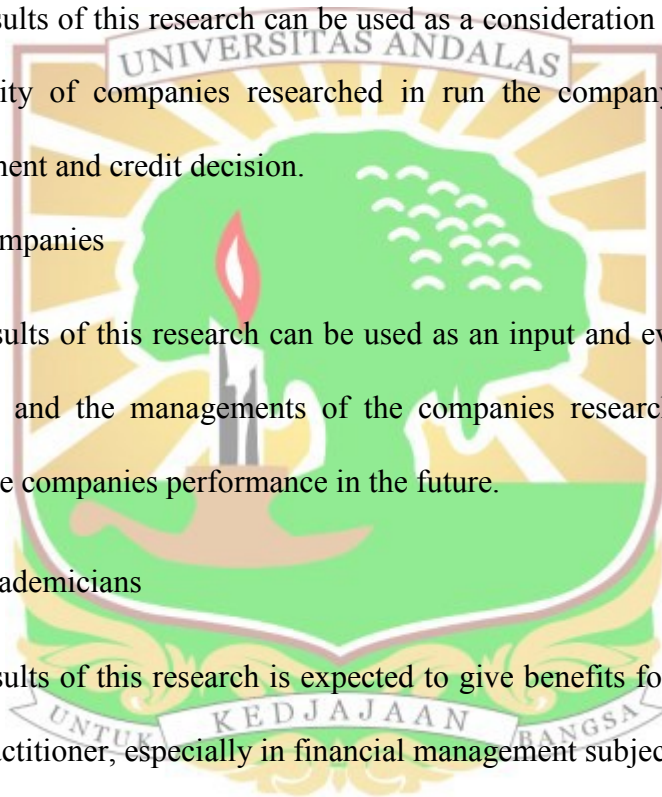
The results of this research can be used as an input and evaluation for the owners and the managements of the companies researched in order to improve companies performance in the future.

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.