Feasibility Analysis of Investment in *Pt. Sahabat Kasih Nusantara* at South Central Timor Regency

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***Abstract* - One business with good prospects for development in Timor Tengah Selatan Regency is raising laying hens and distributing chicken feed because the community/consumer need for chicken eggs increases both for household consumption needs and raw materials of various types of cakes, and culinary. This type of business is profitable, but on the other hand, it contains a risk of loss that needs to be analyzed from various aspects and precisely the financial aspect carefully. The results of the investment feasibility analysis from the financial aspect show that this business is feasible to continue in terms of payback period, an average rate of return, net present value, internal rate of return, profitability index. It means that this type of business has the opportunity to benefit investors in its development from the financial aspect.**

Keywords: analysis, investment feasibility, finance

I. BACKGROUND

Investments made in various fields of business require a certain amount of capital (money), in addition to expertise and other supporting factors. The capital needed to finance a business, ranging from pre-investment costs, is fixed assets to working capital. The amount of investment capital required depends on the type of business being worked. The calculation of the amount of investment fund needs to be done before the investment is started or developed.

The investment decision is risky because it requires capital now, intending to get more significant benefits or profits in the future, so there will always be a risk. An investment feasibility analysis is needed to minimize risk and estimate the amount of profit to be obtained. Through proper feasibility analysis, it can eliminate the risk of loss and ensure the company's goal of obtaining profit.

This study aims to analyze and determine the feasibility of investing in PT. Sahabat Kasih Nusantara in Timor Tengah Selatan Regency is seen from the financial aspect. Significant research is conducted to analyze the feasibility of investment to facilitate decision-making in increasing working capital for investment development in the future with minimal risk.

II. LITERATURE REVIEW

2.1 Feasibility Study

A business study is an activity that is studied in-depth about a business or business being run to determine whether or not the business is feasible (Kasmir and Jakfar, 2012). The study has benefits derived from a business carried out to know the risks and benefits that will be obtained in the future. Studies are constructive in consideration for deciding on new investment or business development.

The aspects assessed in the business feasibility study are market aspects, technical/operational aspects, management aspects, economic and social aspects, and

environmental impact (Kasmir and Jakfar, 2012). In this study, the focus is more on the financial aspect. The financial aspect is to assess the company's ability to earn revenue and the number of costs incurred. From this assessment, one can get an idea of how long and the funds invested and how much profit will be obtained. A measuring tool used to determine in a particular place in a business from several specific approaches such as (1) Payback Period, (2) Average Rate of Return (ARR), (3) Net Present Value (NPV), (4) Internal Rate of Return (IRR) dan (5) Profitability Index (PI).

2.2 Investment Valuation Criteria

Several criteria are needed to be applied in determining the measurement of investment. Each assessment deserves to be given a standard for similar businesses by comparing it with the industry average or a predetermined target. (Kasmir and Jakfar, 2012).

2.3 Payback Period (PP)

The PP method is an assessment technique for returning on investment in a project or business. The calculation can be seen from the calculation of net cash (proceed) obtained every year. Net cash value is the sum of profit after tax plus depreciation (with a note if the investment is 100% using own capital).

2.4 Average Rate of Return (ARR)

The ARR method is a way to measure the average return on interest by comparing the average profit before tax / Earning After Tax (EAT) with the average investment.

2.5 Net Present Value (NPV)

The NPV method or present value is a comparison between the Present Value (PV) of net cash (PV of Proceeds) and PV of investments (capital outlays) over the life of the investment. Alternatively, in other words, NPV is the difference between the value of PV proceeds and PV of investment.

2.6 Internal Rate of Return (IRR)

The IRR method is a tool to measure the rate of return on internal results. IRR is the interest rate that will make the total present value of the proceeds expected to be received (PV of Future proceeds equal to the total present value of capital outlays).

2.7 Profitability Index (PI)

Profitability Index is also known as Benefit and Cost Ratio (B/C Ratio), which is the ratio of activity from the total present value of net income to the present value of investment expenditures over the life of the investment.

2.8 Investment

Investment is the placement of several funds to obtain several benefits in the future. Investment can be interpreted as a commitment to invest some funds at this time to obtain profits in the future (Herlianto, 2013). Investment is essentially the placement of some funds at this time with the hope of obtaining profits in the future. Investment is also a commitment to many funds or other resources currently carried out, intending to obtain a profit in the future (Halim, 2001; Peandong, 2014).

2.9 Cash flow

Cash flow is cash flow or cash flow in the company in a certain period. Cash flow describes how much money comes in (cash in) to the company and the types of income. Cash flow also describes how much money comes out (cash out) and the types of costs incurred (Kasmir and Jakfar, 2012).

III. METHOD

The method used in this research is document study.

3.1 Data analysis

Analysis of investment feasibility data was conducted using financial ratio analysis techniques. It applied some formulas, such as (1) Payback Period, (2) Average Rate of Return (ARR), Net Present Value (NPV), Internal Rate of Return (IRR) and Profitability Index (PI) (Purwana & Hidayat, 2018).

IV. RESEARCH RESULTS

4.1 Payback Period (PP)analysis

PP is a technique of assessing the period of return on investment in a project or business, which can be seen from calculating net cash (proceeds) obtained every year. The results of data analysis showed the value of PP = 1.67

It means that within 1.6 years, the invested capital has returned. Thus the investment in laying hens is feasible to continue because it has profitable prospects.

4.2 Analysis of Average Rate of Return (ARR)

ARR is a way to measure the average return on interest by comparing the average profit before tax / Earning After Tax (EAT) with the average investment. The analysis results show the ARR value of 309.51%, meaning that this business is feasible to continue because it has a high ARR value, thus promising profits for investors.

4.3 Net Present Value (NPV)

The NPV method or present value is a comparison between the Present Value (PV) of net cash (PV of Proceed) and PV of investment (capital outlays) over the life of the investment, or NPV is the difference between the value of PV proceeds and PV of investment. The analysis results show the value of NPV = Rp.307,770,976, meaning that the business is feasible to continue from the financial aspect because the net cash acquisition value is greater than the amount of investment made.

4.4 Internal Rate of Return (IRR)

IRR is a tool to measure the rate of return of internal returns, taking into account the interest rate related to the present value of the investment compared to the value of net cash receipts in the future. The analysis results show the value of IRR = 33%, meaning that the amount of profit obtained by this company is greater than the percentage of bank credit interest expense, so it is feasible to do so.

4.5 Profitability Index (PI)

Profitability Index is also known as Benefit and Cost Ratio (B/C Ratio), which is the ratio of activity from the total present value of net income to the present value of investment expenditures over the life of the investment. The analysis results show the value of PI = 315.68% or greater than one, and then this business is feasible to continue because the value of cash receipts is greater than the value of investment expenditure.

V. CONCLUSION

Based on the results of the investment feasibility analysis from the financial aspect, it can be concluded that the investment made by PT, Sahabat Kasih Nusantara in TTS Regency is feasible to be continued or developed because it promises profits in the future.

5.1 Suggestion

Management can increase working capital from both internal and external sources so that business scale can be developed while taking into account the efficiency and effectiveness of the use of capital while taking into account risk factors.

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