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Investment Feasibility Analysis in Financial Aspects of Noor Halal Minimarket Business Development Over Islamic Schools

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PT. Noor Halal is a company who engaged retail sector by opening minimarkets in several Islamic Education Institutions, especially over Islamic Boarding Schools, Bogor, West Java. Science, January 2017 to December 2019, this company has 9 (nine) outlets with untapped market niche, especially in West Java Province because it has a large number of Islamic boarding school (*Pesantren*) especially Bogor District was chosen as a development location after seeing the potential number of *Pesantren* and student around 1,060 building and 71,750 people, respectively. The mainstay strategy in this company is use vending machine innovations by day-to-day operations for efficiency and application of tiered prices following a certain number of purchases. In this study the investment feasibility analysis is done by calculating and analyzing the parameters namely ROI, P, BEP, PP, and IRR with a corporate investment plan with 11.18 billion IDR also indicating that the investment is feasible to run. The investment feasibility analysis of several parameters was achieved by ROI in 5th year achieved with positive and significant growth reaching 25%; NPV calculated with a WACC interest rate of 13.21% with positive results; BEP or breakeven point will be reached within 1 year 10 months and The resulting IRR rate is 60.79%, respectively.

Keywords: ROI, NPV, BEP, PP, and IRR

1. INTRODUCTION

The potential of the modern retail market will continue to grow and have opportunities to improve the performance because not all the expectations and needs of customers can be met [1, 2, 3]. Share profit of retail stuff in minimarkets is higher than supermarkets [4]. At the moment the battle of large minimarkets such as local market such as *Indomaret* and *Alfamart* in massive residential over road environments and online services is quite strict. Thus, the developing halal minimarket in Islamic Education Institutions that have not been "glimpsed" by big minimarket network players. All hopes and needs will be applied to become innovative solutions that can be enhance with Sustainable Competitive Advantage. Noor Halal in this case chose Islamic education institutions as an untapped market niche, especially in the province of West Java because it has a fairly large number of Islamic boarding school (*Pesantren*), which is around 8,343 *pesantren* (ranked first in Indonesia). In the Province of West Java, especially Bogor Regency was chosen as the location of

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the development after seeing the potential number of *pesantren* and student totaling 1,060 building with 71,750 students, respectively. The mainstay strategy is to use vending machine innovations in day-to-day operations for the efficiency and application of tiered prices following a certain number of purchases. The capital to be invested to build 36 outlets is 11.18 billion IDR [5, 6, 7]. This investment is carried out in stages over a 5-year period divided into three targets, namely short-term (first and second years) by opening 10 stores, medium-term (third and fourth years) opening 12 stores and long-term (fifth year) opening another 14 shops [8, 9, 10]. Investment decisions are generally based on investor consideration of expected returns and risks to be faced. The results of investment analysis will be taken into consideration for investors in making decisions about investment plans [11, 12, 13]. Methods are needed to assess the feasibility of investment to identify prospects for investment plans. The prospect of an investment plan will be used as a basis for making a decision whether to accept or reject an investment to avoid an unprofitable investment [14, 15, 16].

2. METHODOLOGY

The investment analysis process is carried out following a financial planning framework [17]. Before an investment feasibility analysis is carried out, revenue planning, cost planning, capital needs planning, and funding source planning are carried out during the investment period [18, 19]. Analytic methods are used to calculate parameters commonly used to determine investment viability such as Return on Investment (ROI), Net Present Value (NPV), BEP, PP, and IRR [20, 21].

3. RESULT AND DISCUSSION

Calculation parameters to measure investment feasibility are based on previously prepared financial statements. Here, in the first 2019 is the pre-operation phase for investment on phase 1 while the three year (2022) is the pre-operation phase for investment while phase 2 and year 5 (2024) is the pre-operation phase for investment on phase 3. Expenditure before operation both operating expenses and capital expenditures in the preoperative phase are recorded by the financial statements of subsequent years. After preparing the cash flow plan, financial feasibility is carried out using the ROI, NPV, BEP, PP, and IRR parameters (see Figure 1).

Meanwhile, if the value is below the target, the investment is not feasible. The results of ROI calculations and achievement targets are listed in Table I.

Table I. Return on Investment (ROI) over PT. Noor Halal company

Description	Investment	Return On Investment (ROI)				
		Year 1	Year 2	Year 3	Year 4	Year 5
Project 10 stores (start first year)	1,500,000,000	12.46%	21.03%	17.33%	22.94%	25.70%
Project 12 stores (start third year)	1,999,515,887			11.70%	22.94%	25.63%
Project 14 stores (start fifth year)	2,677,872,851					25.0%

The Net Present Value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows for a certain period. Thus, it can be said that the NPV is the present value of assets minus the initial purchase price. Investment will be received if a positive NPV value is obtained. The NPV calculation formula is as follows:

$$NPV = C_0 + (C_1 / (1 + r)) \tag{1}$$

The interest rate used to calculate the NPV is the Weighted Average Cost of Capital (WACC). The WACC calculation is related to the concept of capital costs. Thus, calculated using the level of Islamic bank debt costs 13.5%, paid up capital costs 16.88% and company cash costs 6.0%. The calculation makes WACC of 13.21%. Table II below visualizes the results of NPV calculations for 5 years (see Table II).

Table II. NPV of Noor Halal

Interest		13.21%
Year	Net Cash Flow	Present Value
0	(1,279,458,553)	(1,279,458,553)
1	863,698,321	762,943,074
2	184,035,921	143,602,737
3	1,809,024,455	1,246,908,587
4	533,813,928	325,020,039
5	1,677,777,224	902,369,881
	NPV	2,101,385,764

Break Even Point (BEP) is a certain number of products or services that must be sold every period to make the company's operational activities not suffer losses. If the company can sell more than the break-even point of sale, the company can start making profits. The parameter used to assess the BEP is the target period for achieving the BEP expected by investors. If the period is below the expected target period, then the investment plan is feasible. Meanwhile, if the period is above the target, then the investment is not feasible. BEP calculation results and achievement targets are listed in Table III.

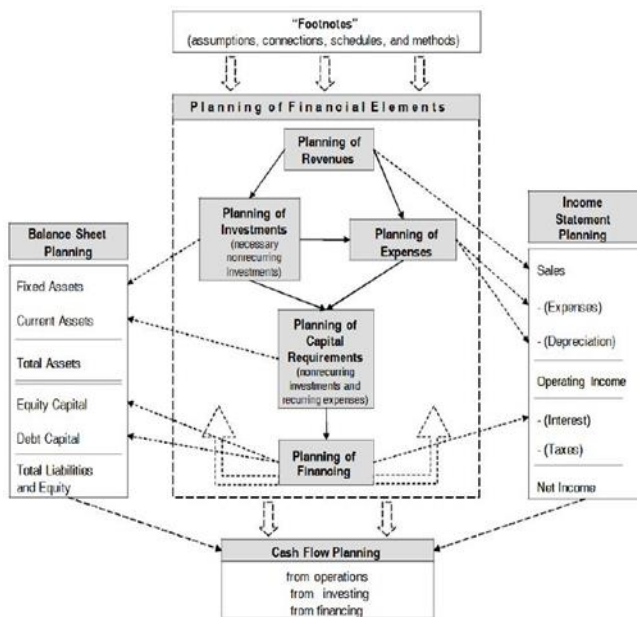


Figure 1. Planning of Financial Elements over PT. Noor Halal company

Return on investment is a key result of the amount assets in company to measure the management efficiency while the parameters can be used to assess ROI for achievement target who expected by investors. If the value is above the expected target, then the investment plan is feasible.

Table III. BEP of Noor Halal

BEP - Urit	1,724,481	
BEP - Rupiah	16,805,063,126	
	Year 1	Year 2
Revenue / year	8,775,216,450	9,752,456,464
BEP - Rupiah	(16,805,063,126)	(8,029,846,676)
	(8,029,846,676)	1,722,609,788
Period, year	1	0.823
BEP, Year		1.82
Target BEP		< 3 th

Payback Period (PP) is the period required to return the investment value that has been issued. This is also called the Return Period which is calculated using the results or net cash flow. Here, the parameter used to assess PP is the target period for achieving PP expected by investors. If the period is below the expected target period, then the investment plan is feasible. Meanwhile, if the period is above the target, then the investment is not feasible. PP calculation results and achievement targets are listed in Table IV.

Table IV. PP of Noor Halal

Description	Year 0	Year 1	Year 2	Year 3		
Investment Cash Flow	(1,279,458,553)					
Total Cash Flow		863,698,321	184,035,921	1,809,024,455		
More (less) - cash cover on investment	(1,279,458,553)	(415,760,232)	(231,724,311)	1,577,300,144		
		1	1	12.81%		
Payback Period - Investment, Year				2.13		
				Year 3	Year 4	Year 5
Investment Cash Flow				(3,499,515,887)		
Total Cash Flow				1,577,300,144	533,813,928	1,677,777,224
More (less) - cash cover on investment				(1,922,215,744)	(1,388,401,816)	289,375,409
				1	1	82.75%
Payback Period - Investment, Year						2.83
Target PP < 3 Year						

Internal Rate of Return (IRR) is the discount rate that can make the current value of expenditure equal to the current value of the investment results concerned, showing an interest rate that equates PV expenditure with PV income. If the IRR > interest rate is implied, the project is accepted. In this study, IRR calculations were performed using the IRR function in Microsoft Excel. IRR calculation results are presented in Table V.

Table V. IRR of Noor Halal

Interest	60.79%	
Year	Net Cash Flow	Present Value
0	(1,279,458,553)	(1,279,458,553)
1	863,698,321	537,152,099
2	184,035,921	71,182,461
3	1,809,024,455	435,161,076
4	533,813,928	79,860,258
5	1,677,777,224	156,102,659
	NPV	-

Based on the results of the calculation and evaluation of financial parameters on the feasibility of start-up business investment, Noor Halal, the analysis results shown in Table VI were obtained.

Table VI. Investment Feasibility Analysis Results

Parameter	Analysis Result
ROI	During the 5 years of Noor Halal ROI continues to increase, ROI which was originally almost the same as existing stores in pesantren experienced significant positive growth and at the end of the 5th year reached 25%. This shows that management will make continuous improvements in improving the efficiency of the utilization of assets (assets) of the company. This condition indicates that the assets (assets) will be managed well by the company's management. Corporate investment invested in assets (assets) will provide a pretty good return.
NPV	The NPV value calculated by the WACC interest rate of 13.21% shows positive results, so that the Noor Halal investment plan is feasible to run
BEP	From the BEP analysis the information is obtained that the break-even point will be reached within a period of 1.82 years or 1 year 10 months, when sales reach 1,724,481 units (for Rp. 16,805,063,126)
PP	The calculation results show that the initial investment payback period of Rp.1,279,458,553 will return within 2.13 years or 2 years 2 months. The second investment payback period is Rp. 3,499,515,887, - will return in 2,83 years or 2 years 10 months and a third investment of Rp. 6,177,388,739, - cannot be concluded yet because of data limitations, but investors can still be optimistic that future conditions will be better.
IRR	From the calculation, the level of IRR produced is 60.79% meaning that the investment invested produces 60.79% return / year. The minimum interest rate expected by investors is 16.88%. It is seen that investment in Noor Halal will provide results that exceed the expected minimum interest rate. It can be concluded that investors are eligible to invest in Halal Noor

4. CONCLUSION

From all calculations and analysis of financial parameters (ROI, NPV, BEP, PP, and IRR), it can be concluded that the investment planned by Noor Halal to establish 36 minimarket outlets in Pesantren for 5 years is feasible.

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