

Analysis of Business Feasibility Study in Trade and Service Unit Bumdes Kuala Alam Bengkalis Regency

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ABSTRACT

This study aims to determine the feasibility of BUMDES KUALA ALAM Service Unit and what are the inhibiting factors for the feasibility of the business. This type of research is descriptive qualitative. In this study, interview and observation techniques were used to collect data. The study on the Service Unit was seen from the aspects of the market and marketing, management/organizational aspects, legal aspects, socio-economic aspects and financial aspects and what factors inhibit the feasibility of the business. According to the research results and conclusions, from the market and marketing aspects, management/organizational aspects, legal aspects are very feasible to run because they have met the assessment criteria of several indicators. For the economic social aspect, it cannot be said to be feasible to run because socially it has not had an impact on the community, especially the XXXX Village community and the financial aspect is not feasible to run because the Payback Period is 5 Years 6 Months 5 Days, Net Present Value <0 with a value of -60,848,781, Profitability Index <1 with a value of 0.188 and the inhibiting factors for the feasibility of the business at BUMDES KUALA ALAM Service unit are limited capital participation, lack of expanding market share and poor financial management.

Keywords: Business, Business Feasibility Aspects, Trading and Service Units, BUMDES

1. Introduction

One example of BUMDES in Bengkalis is BUMDES KUALA ALAM. BUMDES KUALA ALAM has been established since November 17, 2015, concerning the establishment of BUMDES through Village Regulation No. 3 of 2015 with the intention of BUMDES KUALA ALAM as a means to improve the economic level of the people of KUALA ALAM Village, poverty alleviation, providing income for the original income of the Village and opening up employment opportunities for the community. BUMDES KUALA ALAM was established through a Village deliberation and where Mr. Zulfikri is the director of the BUMDES.

The location of BUMDES KUALA ALAM is a strategic place because the surrounding area is densely populated and where every year the number of immigrants who want to earn a living increases rapidly. The location of BUMDES KUALA ALAM is located in Bengkalis Regency, Riau. BUMDES KUALA ALAM formed 1 business unit in 2018, namely the Plantation unit and ran its business in 2019.

In 2020, BUMDES formed 2 more business units, namely the Trading unit and the Kuala Karya Management unit.

Of the several units in BUMDES KUALA ALAM, the trading and service unit is the most productive unit. It can be said that the most productive unit because the trading and service

unit is the unit that markets the Kuala Makmur plantation unit and the Kuala Karya management unit and to facilitate the community's productive economic efforts to become BUMDES partners. The purpose of the trading and service unit is to buy and market products produced by the community and provide WIFI services after a survey and feasibility have been carried out by BUMDES. The business of the trading unit of BUMDES KUALA ALAM is to sell or market MSME products, both in the form of food or drinks, while the service unit of BUMDES KUALA ALAM is to install WIFI.

To develop BUMDES KUALA ALAM, especially the trade and service unit, of course a business feasibility study must be conducted in order to measure the chances of success of the trade and service unit at BUMDES KUALA ALAM in the future. By conducting this business feasibility study, BUMDES KUALA ALAM trade and service unit can avoid the risk of loss, facilitate planning, facilitate work implementation and maintain business activities so that they continue to run and can develop as desired. Based on this explanation, also because many business units at BUMDES have failed to operate their businesses, the author is interested in conducting research entitled «Business

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Feasibility Study at BUMDES KUALA ALAM Trade and Service Unit, Bengkalis Regency»..

According to Danang (2014) a business feasibility study is an evaluation that determines whether a project or business is feasible in terms of profit, legal, social, and other aspects. The goal is to avoid losses, facilitate planning, implementation, supervision, and control (Adnyana, 2020). This study is important for investors, creditors, management, and government. The stages of a feasibility study include data collection, processing, analysis, decision making, and providing recommendations. Important aspects include market, legal, management, social economic, and financial with evaluation methods such as NPV, PI, and Payback Period.

Village, according to the Regulation of the Minister of Home Affairs Number 113 of 2014, is a legal entity of society with territorial boundaries that is authorized to regulate and manage government affairs and the interests of the local community based on community initiatives and traditional rights. Village communities have the same rights to develop in the economic, political, social, and cultural fields. Village economic development is important for welfare and is part of Indonesia's national ideals.

The decentralization system through village autonomy, as regulated in Law Number 33 of 2004, expects villages to be independent in financial management. Village-Owned Enterprises (BUMDES) are one of the institutions that are expected to improve village welfare through economic management and public services.

According to Rohman and Ferina (2018) The objectives of BUMDES are:

1. Improving the village economy.
 2. Optimizing village assets.
 3. Increasing community efforts in managing village economic potential.
 4. Developing cooperation between villages or with third parties.
 5. Creating opportunities and market networks.
 6. Opening up employment opportunities.
 7. Increasing community welfare and village original income
- according to Nur (2023) however, BUMDES often fails due to factors such as:
1. Lack of competent human resources.
 2. Lack of socialization and assistance.
 3. Lack of government support.
 4. Low community participation.
 5. Conflict of interest between community members and village government.
 6. Lack of types of business units.

2. Method

This research was conducted at BUMDES KUALA ALAM, Bengkalis District, Bengkalis Regency, Riau, for four months from March to June 2024. The object of the research was a business feasibility study at the BUMDES Service Unit. The data used included qualitative data (description) and quantitative data (numbers), with primary sources (directly from the

location) and secondary (from literature and documents). Data collection techniques included interviews and observations, while data analysis used qualitative methods including data reduction, display, and verification. Analysis criteria included market, legal, management, socio-economic, and financial aspects with the NPV, PI, and Payback Period methods.

1. Market and marketing aspect analysis

Market and marketing aspects have criteria that must be met, namely being able to determine the market share to be selected and how much supply/demand, being able to set targets and strategies to be sold and being able to determine marketing programs through the marketing mix

2. Legal aspect analysis

The legal aspect includes the legality and validity of documents. The criteria for assessing business feasibility that will be used in the legal aspect analysis are business actor permits (BUMDES Management Decree & NPWP) and business-related permits (Legal Entity Certificate)

3. Management/organizational aspect analysis

Management/organizational aspects to make the use of resources more effective in accordance with the company's capacity and needs. What will be analyzed in the management/organizational aspect is the number of managers, types of training and job descriptions of managers

4. Social economic aspect analysis

What will be analyzed in the social economic aspect is the economic impact on the community or managers and the social impact on the community or Village

5. Analisa Aspek Keuangan

a. Net Present Value (NPV)

NPV is the difference between the present value of benefits and costs. This NPV is a method for finding the difference between the present value and net cash flow with the present value of an investment. NPV shows the benefits that will be received during the life of the investment.

The following is the NPV formula:

$$NPV = \sum_{t=1}^n (B_t - C_t) / (1 + i)^t$$

Information:

B_t = Project revenue in year t

C_t = Costs in year t

n = Economic life of the project

i = Investment credit interest rate

With decision criteria:

If NPV = 0, it means that the business is at break even point

If NPV > 0, it means that the business is feasible

If NPV < 0, it means that the business is not feasible

b. Profitability Index (PI)

The formula used to find the value is as follows:

$$\text{Profitability Index (PI)} = \frac{PV \text{ Arus Kas}}{Investasi}$$

According to Hasugian, et al. (2020) the benchmarks used in this method are as follows:

- $PI > 1$, Investment project is feasible.
- $PI < 1$, The investment project is not feasible.
- $PI = 1$, The feasibility assessment is continued with IRR analysis

c. Payback Period

The formula for finding the payback period is as follows:

$$\text{Payback Period (PP)} = \frac{\text{Net Cash}}{\text{Investment/Year}}$$

The shorter the payback period, the faster the return process of an investment (Purwana and Hidayat, 2016). The operational definition of the research variables is described to facilitate data collection and measurement.

3. Results and Discussion

Aspects of Business Feasibility Study

In the analysis of the feasibility study of the BUMDES XXXX Service Unit business, calculations are required through aspects of the business feasibility study which can help the running of this business so that it runs well and as it should.

1. Market and Marketing Aspects

Market research and market analysis aim to evaluate the marketing potential of a product and the existence of market opportunities. In the case of the service Unit, the demand for WIFI installation is high due to the growing need for technology and information.

This unit has two targets: short-term for WIFI installation in all residents of XXXX Village and long-term for the entire Bengkalis community. Their strategy includes improving customer service and promotions to expand the market.

The Service Unit has dominated the market in XXXX Village with 70 out of 200 family cards subscribing in 14 months. They also have 4 customers outside the village and serve the village office and training.

Despite high competition from other providers such as Indihome and Iconnet, as well as slightly higher prices, this unit still attracts consumers because of advantages such as three internet speed options that suit the economic capabilities of the community.

The marketing mix includes 4 important things, including:

- a. Product: Service Unit focuses on WIFI installation.
- b. Price: Paket 3 Mbps: Rp 175.000 per bulan, Paket 5 Mbps: Rp 250.000 per bulan, Paket 10 Mbps: Rp 450.000 per bulan
- c. Place: Located in Bengkalis Regency, which is strategically close to densely populated areas and boarding houses.
- d. Promotion: Using word of mouth, WhatsApp social media, and brochures to reach the Bengkalis community. Promotion on social media is very effective in this digital era.

2. Management/ Organizational Aspects

The Service Unit is managed by five people, including four permanent employees and one technician, all of whom have high school education. Their duties are as follows:

- a. Head of Unit: Organizes and is responsible for all unit activities.
- b. Secretary: Creates programs and archives documents.
- c. Treasurer: Records and manages finances.
- d. Cashier: Receives WIFI bill payments.
- e. Technician: Manages WIFI installation and maintenance, and handles network disruptions.

Although their educational background is only high school, the managers have undergone management, marketing, and technician training in 2023. They work according to their job descriptions and are ready to face challenges, with technicians responsible for consultation and equipment maintenance in the event of network disruptions.

3. Legal Aspects

In terms of law, the Service Unit as a BUMDES has compliance with regulations. This unit is in the form of a Village business that is a legal entity and is managed by the community and the Village Government, in accordance with Village regulations.

According to the results of an interview with the BUMDES director, this unit has fulfilled several important permits:

- a. BUMDES Management Decree: Determined by the Village government based on applicable regulations.
- b. NPWP: Issued by KP2KP with the number 41.222.499.0-219.000.
- c. Legal Entity Certificate: In the process of being processed and expected to be issued at the end of 2024, in accordance with PP No. 11 of 2021.

The completeness of these documents is important to comply with legal provisions and overcome potential problems in the future.

4. Social Economic Aspects

According to an interview with Mr. Zulfikri, director of BUMDES KUALA ALAM, the Service Unit has a positive economic impact by absorbing local workers and reducing unemployment in the village. However, the income of the manager is still minimal and there are no facilities such as a mess or official vehicles for technicians.

Nevertheless, this unit is committed to developing the business and increasing profits. The increased income will be used to help build facilities and infrastructure in the village and outside the village, with decisions made through deliberation between the village government, BUMDES, and the community as needed.

5. Financial Aspects

service unit has been established for 14 months with a pure source of capital participation from the village government in building and implementing its operational activities. service unit itself does not have loans from banks or other parties. The capital issued by the government is Rp. 75,000,000, income for 14 months is Rp. 154,285,000 and general costs are Rp. 82,700,200 and operational costs are Rp. 20,380,730. The total depreciation of service unit assets is Rp. 373,708 for 1 month.

Table 1. Cumulative Cash Flow

No	Month	Cash Flow	Cumulative Cash Flow
1.	Mei 2023	Rp. 492.708	Rp. 492.708
2.	Juni 2023	Rp. 448.908	Rp. 941.616
3.	Juli 2023	Rp. 449.408	Rp. 1.391.024
4.	Agustus 2023	Rp. 805.808	Rp. 2.196.832
5.	September 2023	Rp. 916.226	Rp. 3.113.058
6.	Oktober 2023	Rp. 1.083.728	Rp. 4.196.786
7.	November 2023	Rp. 858.808	Rp. 5.055.594
8.	Desember 2023	Rp. 1.475.208	Rp. 6.530.802
9.	Januari 2024	Rp. 1.687.708	Rp. 8.218.510
10.	Februari 2024	Rp. 1.343.048	Rp. 9.561.558
11.	Maret 2024	Rp. 1.599.408	Rp. 11.160.966
12.	April 2024	Rp. 1.650.408	Rp. 12.811.374
13.	Mei 2024	Rp. 1.378.918	Rp. 14.190.292
14.	Juni 2024	Rp. 1.602.468	Rp. 15.792.760

Data Source: Processed Data 2024

a. Payback Period

Payback Period is the rate of return on investment, one of the methods in assessing the feasibility of a business used to measure the period of time for returning business capital.

Payback Period

$$= 75,000,000 : 15,792,760 \times 14 \text{ months} \\ = 66.48$$

Based on the calculation of the payback period that has been explained, the payback period for the Service unit is 5 Years 6 Months 5 Days.

b. Net Present Value (NPV)

Net Present Value (NPV) is found by discounting cash expenditures and equivalents by giving a certain interest rate over the life of the business. The difference in the present value (discounted value) of cash expenditures and receipts. The following is the calculation of NPV assuming the BRI bank interest rate in July 2024 is 10%.

$$\text{PV} = \text{Rp. } 15.792.760 : (1+0,116)^1 \\ = \text{Rp. } 15.792.760 : 1,116 \\ = \text{Rp. } 14.151.218$$

$$\text{NPV} = \text{Rp. } 14.151.218 - \text{Rp. } 75.000.000 \\ = - 60.848.781$$

The Net Present Value is negative (-) which is Rp. - 60,848,781, thus this Service unit is not feasible to run.

c. Profitability Index

Profitability Index is the present value of cash flow compared to the investment value. If the PI value > 1, then the investment is said to be feasible but if PI < 1, then the investment is said to be not feasible.

PI = Total PV Cash Flow : Investment Value

$$\text{PI} = \text{Rp. } 14,151,218 : \text{Rp. } 75,000,000$$

$$\text{PI} = 0.188$$

Thus, the PI value < 1 means that this business is not feasible to run

Based on the analysis of the business feasibility of the Service unit, the following conclusions can be drawn:

Table 2. Aspects Business feasibility

No	Aspects Business feasibility aspects	Information
1.	Market and Marketing Aspects	Worthy
2.	Management/ Organizational Aspects	Worthy
3.	Legal Aspects	Worthy
4.	Social Economic Aspects	Unworthy
5.	Financial Aspects	Unworthy

Data Source: Processed Data 2024

In terms of market and marketing aspects, the Service business can be said to be feasible to run. This is proven by the existence of a perfect competitive market form in the Service unit, there are also consumer targets that the Service unit wants to achieve, namely the Bengkalis community, especially the XXXX Village community, and has advantages that competitors do not have. Apart from that, the form of marketing carried out by the Service unit is also quite developed.

In terms of Management/organization, the management has participated in business training such as management training and marketing training that can support the Service unit business, so it can be concluded that the organization and management of the Service unit are relatively simple but the regulations applicable in the Service unit are already classified as good and feasible to run.

In terms of Law, it can be concluded that the Service unit is considered feasible, because it already has all the objects used as a reference for whether or not the business is feasible in terms of law.

In terms of socio-economic aspects, the Service unit has helped to reduce the village unemployment rate, but the Service unit has not contributed to village facilities and infrastructure. It can be concluded that the Service unit is not yet feasible to run.

In financial aspects, it is not feasible to run because the Payback Period or investment return period is quite long, which is 5 Years 6 Months 5 Days, Net Present Value or the current cash flow value of the expected future cash flow <0 with a value of -60,848,781, Profitability Index or calculation of potential profit <1 with a value of 0.188. Based on the results of the analysis of all aspects, there are 2 aspects that are not feasible to run, namely the socio-economic aspect and the financial aspect. However, the Service unit business can still be run with improvements or

complements that can change these aspects. This is supported by Kasmir's theory (2015) that if one aspect is not met, then improvements or additions are needed.

Inhibiting Factors of BUMDES Business Feasibility

The inhibiting factors of the business feasibility of the Service unit are:

1. Limited Capital Participation
From the results of the interview with the director of BUMDES KUALA ALAM, the capital participation provided by the Village government to the Service unit is very limited. This can be proven by the infrastructure or tools available which are still too minimal.
2. Lack of Expanding Market Share
In the development of this business unit Service Unit, the market share of the Service unit is still only in one Village. It would be better if the Service unit expanded its market share by utilizing existing online promotions to increase the number of customers of the Service unit which will later have an impact on the financial aspects of the Service unit.
3. Poor Financial Management
Allocation of funds is a very basic thing in financial management. However, according to the author, the allocation carried out by the Service unit is still not good because it uses funds for excessive operational costs.

4. Conclusion

Based on qualitative data analysis, the business feasibility study on the Service unit showed varying results. From the market and marketing, management, and legal aspects, this business is considered feasible to run because it has met the required criteria. However, in the socio-economic aspect, although this unit has helped reduce unemployment in the village, it has not made a significant contribution to village facilities and infrastructure. From the financial side, this unit is not feasible because of the long investment return period and negative financial indicators. Therefore, although there are two aspects that are not feasible (social economic and financial), this business still has the potential to be run by making improvements or additions that can improve its performance.

The main inhibiting factors for business feasibility at BUMDES KUALA ALAM Service unit include limited capital participation, lack of market share expansion, and poor financial management nuscript.

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