
FINANCING STRATEGY TO EXECUTE BUSINESS OPPORTUNITY IN SUPPLYING BUILDING MATERIAL IN REAL ESTATE

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ABSTRACT

Concerns about distribution and supplier quality are common among developer business owners. In the future, the cost of material transportation could prevent housing developer business owners from making a decision, not to mention the risk of goods availability when housing demand is high, or housing developers lose money when housing demand is high. Delivery damage. Adhyaksa Precast may be the answer, but before establishing a business, the founder must conduct analysis. Before starting, especially in the financial industry, the founder must determine the firm's long-term viability. The initiator must consider what will benefit and hurt his company. This research uses Minitab to predict home sales. A feasibility study is used to properly run the business. The margin between cooperating and not cooperating is small, and the business will last three years. 1. The company's finances. Bank loan plus own equity is the best funding option so far. 2. There is a large potential for income and profit if CV Satria Yaksa Mandiri and its clients can reach a commercial agreement soon. 3. The firm determined that a combination of bank loan and own equity could cover the entire investment (Rp.1.046.000.000). All bank loan feasibilities are positive (IRR, NPV, PI, ROI, PP, US Index, and PP). 5. With the lower price, cooperative business financial calculations are lower. The corporation prefers the cooperative relationship because it has more free cash flow (the rent fee is free).

Keyword: Financial Feasibility Study; Transportation Cost; Developer; Combined Funds Sources.

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INTRODUCTION

For the developer business, the raw material of the house is the key for building the product, they also seek for the cheapest and nearest supplier of raw material that is available. Sometimes buying the raw material causes problems to the developer, especially in the distribution many things could happen such as the fluctuation of the transportation cost, transportation costs can be an obstacle when shipping prices increase, this can be a variable that is very concerned by developers when they want to buy raw materials (Fitriyah & Haryati, 2013). Adhyaksa PreCast wants to remove that obstacle by making the production site located in the field where the developers' projects are located, thereby eliminating delivery costs. Availability of the raw material is also the main concern of ordering the materials, sometimes some producers of the housing materials didn't have sufficient stock to meet the demand of the developer, also there are risk for damage in the process of delivery.

CV. Satria Yaksa Mandiri as a contractor construction company has The idea of making "Adhyaksa Precast" as a business unit to stabilize their profitability, the idea is to make developer just in time materials and cutting the distribution cost, Adhyaksa Precast designed to support the

company in producing the construction material to build houses, roads, and water channels (three main aspects of a housing area). The production of the precast in the project location area increases the likelihood of surpassing cost and time targets and resulting in contractual disputes (Valverde-Gascueña et al., 2010). For Adhyaksa Precast potential market, the company that has been targeted clients are:

1. PT. ABC

PT. ABC is a company that operates in the property sector as a developer started in 2017. The Company prefers to build housing areas for small to medium-income people. The house's specification in the housing area is all regulated by the regulation, including the selling price. So, each housing developer should implement a wise business strategy to build the housing area as cheaply as possible but still get the margin from the regulated selling price. PT ABC is currently building a housing area. The total area will be built is 5.6 hectares and includes around 530 houses and 37 shops. Until November 2021, the developer has built and sold 220 homes and five shops. Due to the high demand for cheap/subsidized houses, the company regularly builds more or less six houses each month. Bank BTN also supports PT ABC as the official partnered bank to give the buyers funding to buy a house. Based on the survey by Top Brand Award in 2018, Bank BTN got the first position for its KPR/housing funding product (Yanto & Prabowo, 2020). However, sometimes the buyers also prefer to use different banks such as BNI and BSI. Whatever the bank, as long as they have the house subsidized quota from the government, the house buying process can be completed.

2. PT. DEF

PT. DEF is also a property business company in the developer sector started in August 2018, the housing is targeting medium-low income people. The company also applying the subsidized housing, but not all the land that has been prepared is all for the subsidized, in total they have prepared 4.5 hectares' land with 2.5 hectares targeted for the subsidize housing and the rest is for medium to low housing started price at Rp.283.000.000 type 52/60 and shops. For the subsidized house, they also follow the regulation that has been regulated, such as type of the house, pricing (depending on the location). The strategy for PT. DEF in selling their houses, they first building and selling the subsidize house in the back of the housing planning, then after the subsidize housing is reaching the selling target, PT. DEF started to build and sell their medium-low housing. Because of the high demand for subsidized housing in their area, per month they build 4-6 subsidized houses for stock. With the land size, they have planned to build 450 houses and 23 shops.

3. PT. GHI

PT.GHI is a property business company taking place as a developer that has started since December 2018, the business creates a medium-low housing project, the project itself mixing subsidize housing and also medium-low housing, the project started in early 2019, and have a positive market reaction, as a huge demand in medium-low housing in the area. The main focus of the company is selling out the subsidized housing and starting the medium-low housing. The location of the project is in the highlands and quite far from city central. PT. GHI project stands on 3.3 hectares' land that has been planned for 370 houses and 19 shops building in front of the housing area. As an answer to the market's high demand, PT.GHI built and stock more or less 5

houses per month. But as the pandemic strikes in the first 2020, their sales going down only could sell 2-3 houses per month, but in Q2 2021 they could bring up their house sales to 5-7 houses. As per Q4 2021 they have sold 102 Subsidize housing and prepare to build the medium-low housing.

The concern of the developer business owners over the distribution and also the quality possessed by the suppliers is something that always happens. It could be that someday in the future the cost of material transportation becomes a variable that blocks when the housing developer business owners want to make a decision, not to mention the risk of availability of goods when needing materials on a large scale when the market demand for housing is high, or housing developers lose money when the demand for housing is high. Damage to the material during delivery. Adhyaksa Precast could be the answer to that concern, but right now before starting a business, of course, analysis is needed that can make the initiator of Adhyaksa Precast confident in his decision to create this line of business. Especially analysis in the financial sector, before running, the initiator must know whether this business has good prospects and can also be profitable in the long term.

Consideration of investment alternatives is also questioned by the initiator in developing his business, especially in doing this it will cost money which is certainly not cheap, the initiator has to think deeply about the decision to be taken regarding what aspects will have a positive impact on his business.

METHOD

The author uses descriptive analysis research method to visualize which financing strategy will be the most profitable for the company. The author uses descriptive analysis method since the author has the complete data for conducting the research including house sales data and material needed. The logic sequences of the research are:

1. Company Current Business Analysis

The author uses almost all available business environments analysis such as Porter's Five Forces, Business Model Canvas, SWOT analysis, and PEST Analysis. All of those analyses will be useful in determining the surrounding business environment.

2. Generate future demand projections

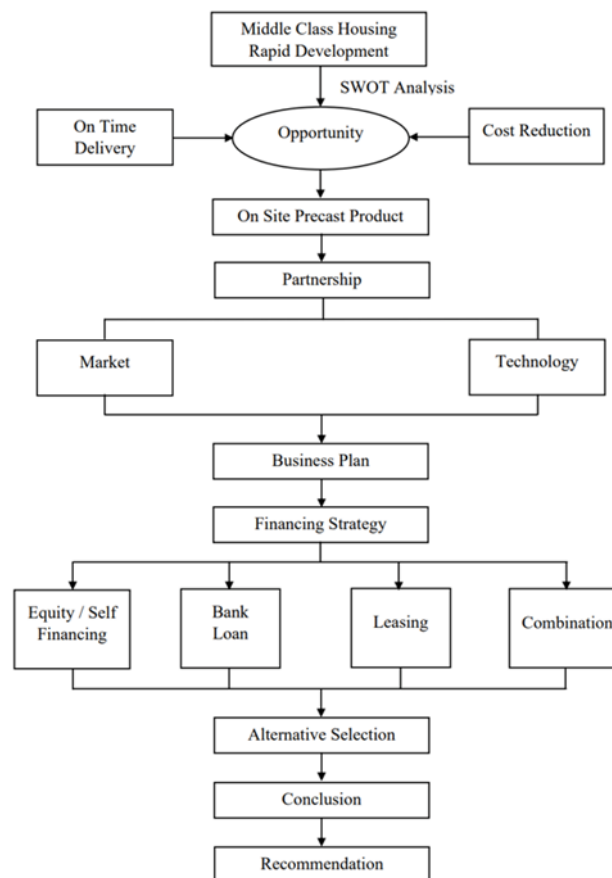
The author uses the company's past historical data to determine future demand projections. The demand projections are essential to ensure that the supply and demand of the company market will be balanced in the future.

3. Find the Investment Sources

The author also does a financial feasibility analysis to find the best possible funding option to execute the business strategy. The risk and opportunity analysis of each possible funding method also becomes the author's consideration to decide.

4. Give the Company Recommendation

The final output of this research will be a bunch of recommendations for the company to be followed based on any financial calculations provided in this research.

**Figure 1. Conceptual Framework**

Investing is not a game of chance (Abdullaevich, 2020). However, an investment may end up failing to make a profit if the investors lack sufficient knowledge of investment fundamentals and the investment's field. Investment failures are frequent in the current market. Significant losses appear to be the outcome of unjustified and unproductive investments in the majority of cases. For Investing in the business or starting a business needed approaches that will foreseen that the business will be profitable or not in the future, these are several approaches that would be use in this research:

1. Payback Period

The Payback Period (PBP) refers to the time frame in which the initial fee is refunded. In comparison to other options, the sooner the return, the more appealing the alternative. The Payback Period approach has the advantages of being simple to use and calculate, as well as being beneficial for selecting. Which investment has the quickest recovery time? Capital recovery can be used to forecast future uncertainty risk, and the quickest recovery period has a lower risk than the relatively longer recovery period (Purnatiyo, 2014). Generally speaking, the shorter the payback period, the more appealing the investment.

2. Incremental Cost

In economics and cost accounting, the term "incremental cost" refers to the additional expenses paid in comparison to a baseline in order to produce a new product or an equivalent result in a different way. The total cost of the project in this case would be equal to the baseline cost plus the incremental cost. Additional expenses associated with a chosen investment alternative that are proportional to the change in production volume are also considered incremental costs. Calculating the incremental cost is critical information for business management when determining the quantity of production capacity to purchase (addition and reduction).

3. US' Index

Dr. Ir. Uke Marius Siahaan, MBA established the US' Index theory. He is a lecturer in the MBA program at the Institute of Technology Bandung's School of Business and Management. Company should take the right decision on its capital structure, whether financed by debt or equity, in order to maximize its Operating Profit. Those financing should be able to generate profit greater than its operating cost and financial cost, that's why it is called as leverage. According to the US' Index theory, signs of US' Index values and the formula of the US' Index is available below (Siahaan, 2021).

$$US' Index = Basic Business Profitability (BBP) / Loan Interest Rate (I)$$

4. Profitability Index

The profitability index (PI) is a ratio calculated by dividing discounted benefits by discounted costs. It is an assessment of an investment's profitability that can be compared to the profitability of other comparable assets. Additionally, it is known as the benefit-cost ratio, the cost-benefit ratio, or even capital rationing. It is one of several methods for quantifying and determining the efficiency of a proposed investment (Gurau, 2012).

5. Internal Rate of Return (IRR)

Managers and practitioners frequently utilize the internal rate of return (IRR) to make investment decisions (Altshuler & Magni, 2012). The IRR is the discount (interest) rate which equates the sum of the present values of a cash flow to zero. If the NPV of a project is zero at a selected discount rate, that rate is, by definition, the IRR. The IRR is then an algebraic equivalence (Patrick & French, 2016).

6. Net Present Value (NPV)

The term "Net Present Value" refers to a technique for determining the difference between benefits or revenues and costs or expenses. The Net Present Value (NPV) method is frequently used in capital planning to determine the profitability of a project or investment projection. The NPV approach is probably the most widespread and advanced economic valuation technique. It entails discounting all future cash flows (both inflow and outflow) associated with the innovation project at a specified discount rate and then aggregating them. The merit of innovation is determined by its contribution to the generation of economic value relative to the required investment (Žižlavský, 2014).

RESULTS AND DISCUSSION

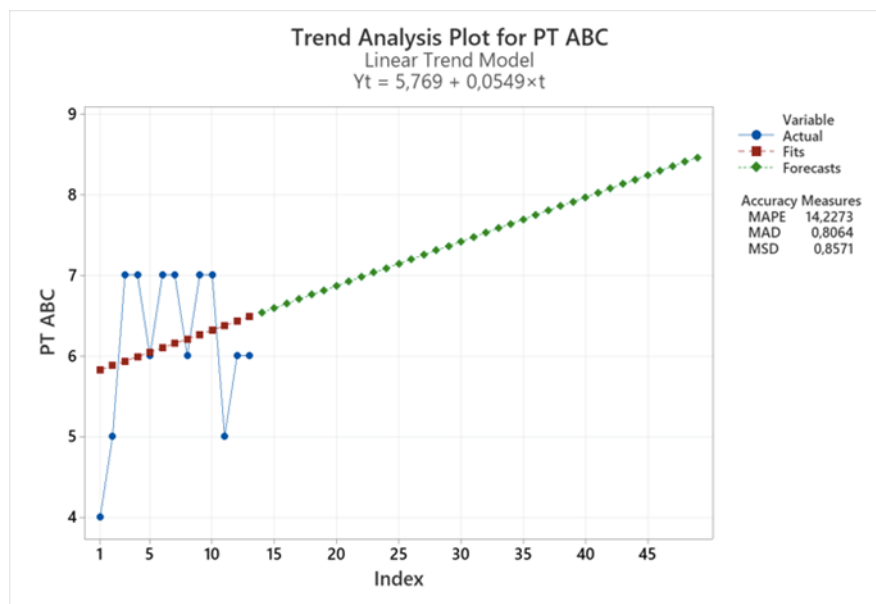


Figure 2. House Sold Projection PT. ABC

In processing data using the Minitab software above, the data selected is the data with the lowest error that can be obtained, the projection for PT ABC's house sales is calculated for the next 3 years. For error data from PT ABC shows MAPE data 14.2273, MAD 0.8064, MSP 0.8571. Future prospective buyer companies, namely PT ABC, have projected sales (Using Minitab) in 2022 to reach 82, in 2023 90 and 2024 to reach 97 housing units to be built and sold.

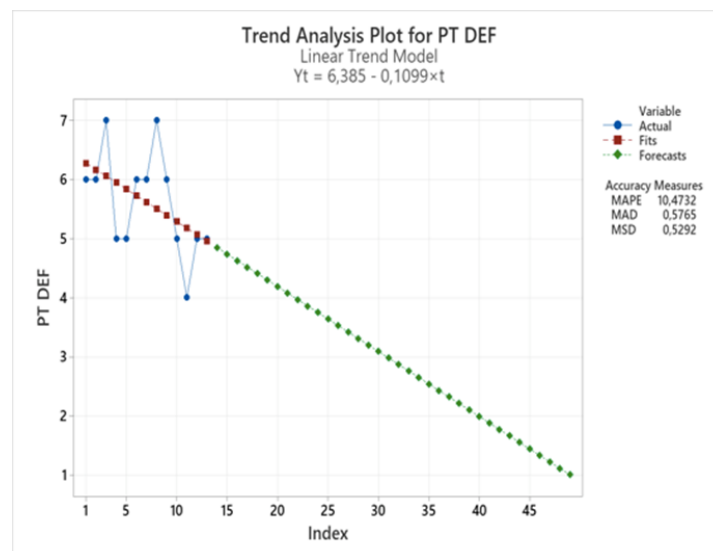


Figure 3. House Sold Projection PT. DEF

In processing data with the aforementioned Minitab software, the data picked is the data with the lowest possible error, and a three-year forecast for PT DEF's house sales is calculated. For error data from PT DEF, the MAPE is 10.4732, the MAD is 0.5765, and the MSP is 0.5292. Future prospective buyer firms, such as PT DEF, have forecast sales (using Minitab) to reach 50 units in 2022, 35 units in 2023, and 19 units in 2024. There is a decrease in the number of sales, it could cause by the land has turned into commercial housing and there is no plan for expansion from the company.

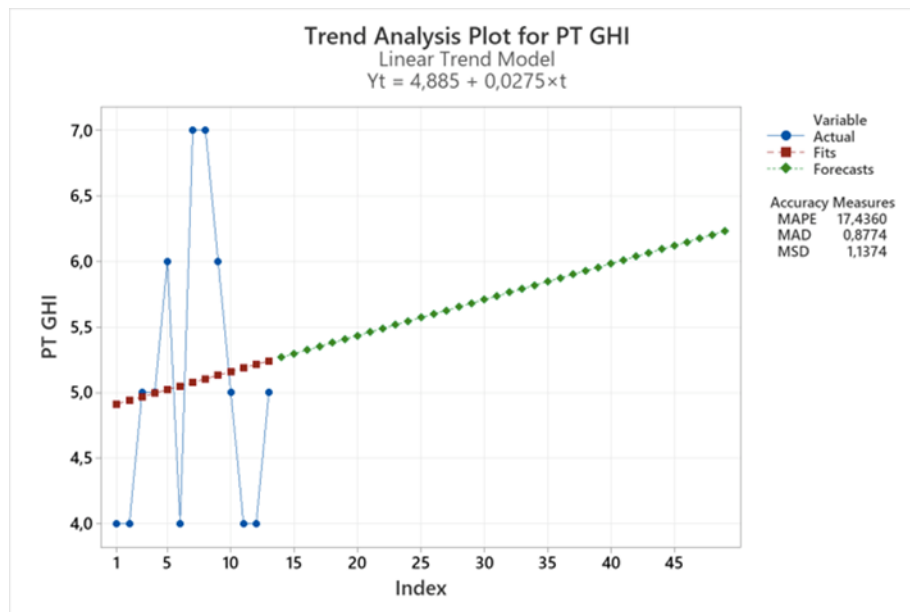


Figure 4. House Sold Projection PT. GHI

Using the aforementioned Minitab software, the data with the lowest feasible error rate is selected and a three-year prediction for PT GHI's home sales is computed. The MAPE for PT GHI error data is 17,4360, the MAD is 0.8774, and the MSP is 1,137. Future prospective buyer companies, including PT GHI, have predicted (using Minitab) that sales will reach 65 units in 2022, 69 units in 2023, and 72 units in 2024.

Table 1. Total Gross Profit If Not Cooperated

Total Revenue (Total)	Total Cost	Total Gross Profit
Rp. 6,547,042,500	Rp 3,455,427,000	3,091,570,500

Tabel 2. Total Gross Profit If Cooperated

Total Revenue (Total)	Total Cost	Total Gross Profit
Rp. 6,246,828,000	Rp 3,455,472,000	2,791,356,000

Table 3. Total Needed Investment

Item Needed	Qty	Item Price	Total Price
Paving Block Press Machine	3	Rp 82.000.000	Rp 246.000.000
Water Jet Jump	1	Rp 25.000.000	Rp 25.000.000
Herbel Mixer	3	Rp 40.000.000	Rp 120.000.000
Generator Form	1	Rp 15.000.000	Rp 15.000.000
U-Ditch Molding	4	Rp 20.000.000	Rp 80.000.000
Drying Fans	1	Rp 12.500.000	Rp 12.500.000
Transport Truck (Hino Dutro)	1	Rp 400.000.000	Rp 400.000.000
Production Plant	1	Rp 75.000.000	Rp 75.000.000
Warehouse	1	Rp 28.000.000	Rp 28.000.000
Genset	2	Rp 21.500.000	Rp 43.000.000
Paperwork	1	Rp 1.500.000	Rp 1.500.000
Total Needed Investment			Rp 1.046.000.000

Table 4. Financial Statement If Not Cooperated with Adhyaksa Precast

CV. Satria Yaksa Mandiri (Adhyaksa Precast)			
	2022	2023	2024
Sales	Rp 2.227.577.500	Rp 2.193.655.000	Rp 2.125.810.000
Cogs	Rp 1.175.696.000	Rp 1.157.792.000	Rp 1.121.984.000
Gross Profit	Rp 1.051.881.500	Rp 1.035.863.000	Rp 1.003.826.000
Over Head	Rp 280.000.000	Rp 280.000.000	Rp 280.000.000
Depreciation	Rp 220.000.000	Rp 220.000.000	Rp 220.000.000
Ebit	Rp 551.881.500	Rp 535.863.000	Rp 503.826.000
Interest Exp	Rp 180.000.000	Rp 120.000.000	Rp 60.000.000
Ebt	Rp 371.881.500	Rp 415.863.000	Rp 443.826.000
Tax 25%	Rp 92.970.375	Rp 103.965.750	Rp 110.956.500
Nat	Rp 278.911.125	Rp 311.897.250	Rp 332.869.500
R/G 20%	Rp 55.782.225	Rp 124.758.900	Rp 133.147.800
End Profit/ Year	Rp 223.128.900	Rp 187.138.350	Rp 199.721.700

Table 5. Financial Statement If Cooperated with Adhyaksa Precast

CV. Satria Yaksa Mandiri (Adhyaksa Precast)			
	2022	2023	2024
Sales	Rp 2.153.162.500	Rp 2.084.980.000	Rp 2.008.682.500
Cogs	Rp 1.175.696.000	Rp 1.157.792.000	Rp 1.121.984.000
Gross Profit	Rp 977.466.500	Rp 927.188.000	Rp 886.698.500
Over Head	Rp 180.000.000	Rp 180.000.000	Rp 180.000.000
Depreciation	Rp 220.000.000	Rp 220.000.000	Rp 220.000.000
Ebit	Rp 577.466.500	Rp 527.188.000	Rp 486.698.500
Interest Exp	Rp 180.000.000	Rp 120.000.000	Rp 60.000.000
Ebt	Rp 397.466.500	Rp 407.188.000	Rp 426.698.500
Tax 25%	Rp 99.366.625	Rp 101.797.000	Rp 106.674.625
Nat	Rp 298.099.875	Rp 305.391.000	Rp 320.032.875
R/G 20%	Rp 59.619.975	Rp 122.156.400	Rp 128.009.550
End Profit/ Year	Rp 238.479.900	Rp 183.234.600	Rp 192.014.325

CONCLUSION

Based on the discussion in the preceding chapter (business discovery, business solution, and financial analysis), the following are the research conclusions for CV Satria Yaksa Mandiri's business development finance plan. Due to the company's financial condition. So far, the mix combination method between Bank Loan and Own Equity still performs as the best possible funding option. There is a huge potential revenue and profit projection if both companies (CV Satria Yaksa Mandiri and its Clients) could reach the business agreement as soon as possible. Based on the financial feasibility study the company was sure that the combination of Bank Loan and own Equity could fulfill all of the needed investment (Rp.1.046.000.000). Especially for Bank Loan, all of the feasibility value calculations shows a positive number (IRR, NPV, PI, ROI, PP, US Index, and PP). Although the differences in financial calculation for cooperated operation seems to be lower, due to the given discounted price. The company still prefers to choose the cooperative partnership instead of non-cooperative, because the company will have more free cash flow (the rent fee is free).

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