

## TRAINING ON MEASURING THE FINANCIAL FEASIBILITY OF THE BUSINESS AT MSME RAJUT DENZAA IN LAMPUNG

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### *Abstract*

*Feasibility analysis is essential for every MSME (Micro, Small, and Medium Enterprises) as a consideration for whether a business is feasible to continue. The result of financial feasibility analysis is expected to determine whether the business plan is economically profitable or not. The purpose of this service is to provide training on measuring business feasibility at MSME Rajut Denzaa in Jambi. This training aims to help MSME Rajut Denzaa understand whether the business they are running is financially viable. Viable means that the income received from the business exceeds all the costs incurred during its operation. The owner of the MSME must truly understand whether their business is indeed feasible to continue. Lack of knowledge on financial feasibility measurement is the core problem of MSME Rajut Denzaa. Therefore, the PKM Team needs to provide this training to help MSME Rajut Denzaa understand whether their business is feasible to continue or not.*

**Keywords:** *Business Feasibility, MSME, Financial Feasibility*

## INTRODUCTION

Currently, the creative industry in Lampung is thriving, including embroidery or knitting. Initially, knitting or embroidery was produced by households for their domestic needs. Various types of embroidered and knitted items such as tablecloths, pillowcases, bed covers, even flowers, and knitted bags have become business opportunities. One of the MSME that developed this embroidery and knitting business is Rajut Denzaa. Mrs. Farah Dina is the owner of the Rajut Deenzza MSME, which focuses on the production of handmade knitted crafts. The Rajut Deenzza business was established in 2016 and continues to operate to this day. Various knitted products are made, ranging from bags, tablecloths, knitted clothing, household accessories, and others.

In the beginning, when the Rajut Deenzza business was established, there were not many competitors producing similar knitted products in the vicinity, but recently, with the passage of time, new competitors have started to emerge, creating similar handicraft products. The increase in competition and the decline in partner sales due to the COVID-19 pandemic have made it more challenging for partners to remain competitive, leading them

to continuously improve the quality of their products, enhance customer service, and offer attractive promotions to potential new customers. Additionally, the partner's situation is worsened by poor financial management, making the company's actual financial condition unclear. This is due to a lack of knowledge on proper financial management. Financial management related to capital and costs incurred must be analyzed to measure financial feasibility. Whether with the available capital and required investments, MSME Rajut Denzaa can still make a profit. Whether additional capital is needed for business development, and if so, whether the business is still financially feasible.

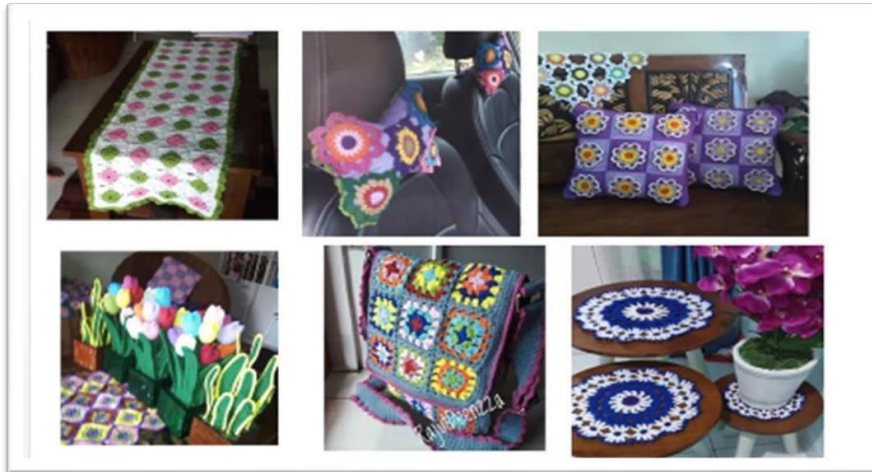
According to Husnan & Suwarsono (1999), a business is considered feasible if it can make a profit and meet its financial obligations. According to Hidayat et al. (2018) analysis, business feasibility is necessary to minimize risks and ensure optimal profit. A feasibility study is a procedure used to predict the results of an investigation or assessment of a planned scheme, along with the potential benefits. According to Putri & Wessiani (2021), feasibility analysis is required as a consideration for whether the business is feasible to continue.

The result of the financial feasibility analysis is expected to determine whether the business plan is economically profitable or not. In this feasibility analysis, the financial aspect will be evaluated, along with technical aspects concerning equipment and building conditions, and market aspects in determining sales volume. Additionally, risk analysis is necessary to avoid failure in planned cooperation and investments, providing an overview of potential factors that could affect the financial feasibility analysis results.

Financial feasibility analysis can be used to predict the future of the business and maintain profits. It also requires analysis that depicts the cash inflow and costs or expenditures from the business investment. These should also be analyzed as cash outflows so that MSME owners truly understand whether their business is feasible to continue or to be further developed. Financial feasibility analysis has relatively gained much attention from academics for analysis in various industrial fields (Kusuma, 2010; National Association of Certified Valuation Analysts 2005; Sutojo, 2000).

The problem faced by Rajut Denzaa is the lack of proper financial management, such as no recording of cash inflow and outflow, and no simple financial reporting. There is also no separation between the MSME's finances and personal finances, so the company's income is still used for personal needs, not for business development. This needs to be addressed so that the actual condition of MSME Rajut Denzaa can be clearly understood. The financial feasibility of the business carried out by MSME Rajut Denzaa has not yet been determined.

Whether it still provides profit, as measured by financial feasibility methods, is unknown. Based on this issue, the PKM activity aims to provide training on financial feasibility measurement for MSME Rajut Denzaa. Here are some examples of knitted handicraft products owned by Rajut DeenZaa.



**Figure 1. Rajut Denza MSME Products**

## **RESEARCH METHODS**

This PKM Program activity is carried out through several stages as follows:

1. Preparation Stage

The preparation stage of the PKM activity involves contacting and coordinating with partners, and determining a schedule for conducting the activity through a Zoom meeting.

2. Implementation Stage

In this stage, the service program is implemented by providing material on business feasibility measurement using various methods and approaches.

3. Evaluation

In this stage, the PKM team evaluates the material provided and holds a Q&A session with the partners to find solutions to the problems faced by the partners. In this case, the partners listen to and respond to the PKM activity material.

## **RESULTS AND DISCUSSION**

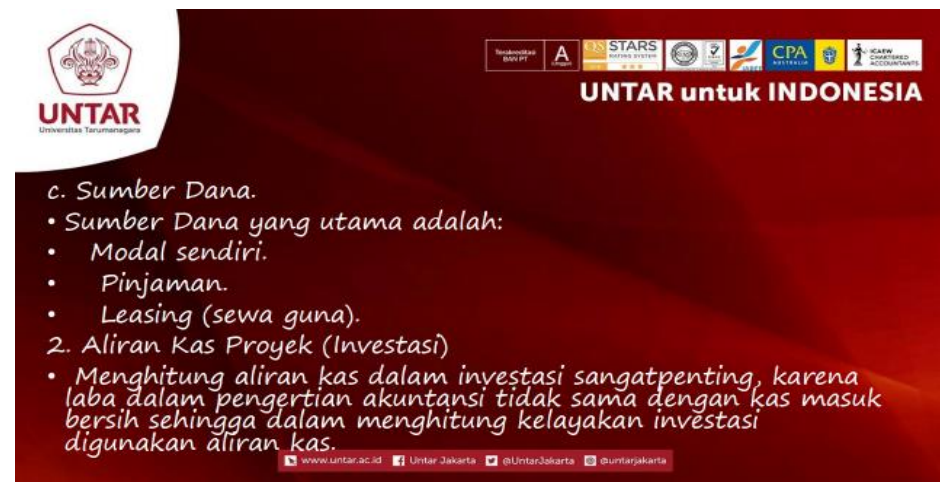
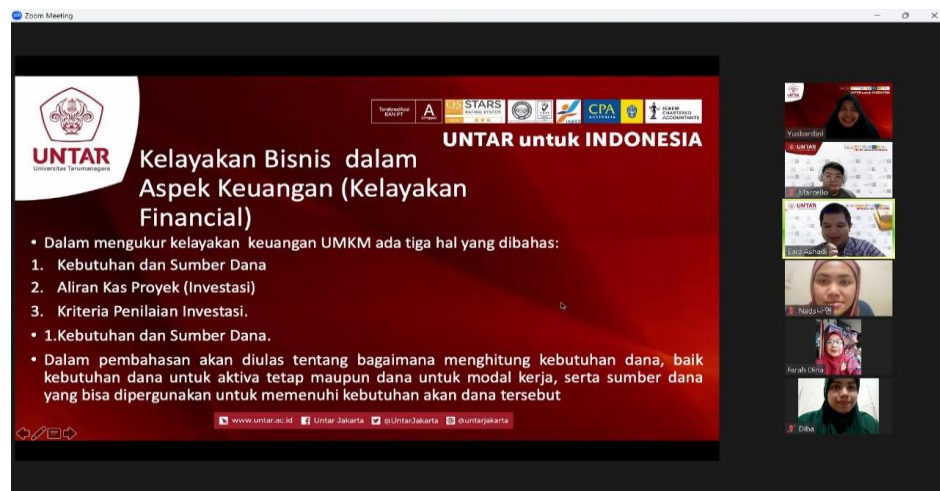
This PKM activity was carried out on 31<sup>st</sup> of July 2024, by the PKM team, focusing on the issue of financial business feasibility at MSME Rajut Denzaa in Lampung. The material

was presented online. The first material provided was the importance of understanding the financial feasibility of a business. The second material was about analyzing the financial feasibility of MSME using a quantitative approach, i.e., using formulas to determine whether the business being run is feasible by examining both cash outflows and inflows so that MSME owners can see whether the cash is positive or negative during the business operation. Then, the Net Present Value (NPV), Payback Period, and Profitability Index formulas were applied. These formulas helped determine the financial feasibility of the MSME. The entire material was presented in the form of a PowerPoint, which was delivered online by the PKM Team.

Mrs. Farah Dina, the owner of MSME Rajut Denzaa, paid close attention to the entire material provided by the PKM team. The PKM team also discussed with Mrs. Farah Dina the cash flows generated during the business operation. Mrs. Farah Dina was confident that her business could generate positive cash flow. However, she had not yet used quantitative methods to determine the financial feasibility of her business. Therefore, the PKM team guided Mrs. Farah Dina in analyzing the financial feasibility of the business using the formulas mentioned earlier. However, the assistance has not been fully provided.

According to Kasmir (2015), in the financial and economic aspects, there are six criteria commonly used to determine the feasibility of a business, namely Payback Period (PP), Net Present Value (NPV), Average Rate of Return (ARR), Internal Rate of Return (IRR), Profitability Index (PI), and investment criteria used in financial analysis including NPV (Net Present Value), IRR (Internal Rate of Return), Net B/C (Net Benefit Cost Ratio), Gross B/C (Gross Benefit Cost Ratio), and PP (Payback Period). NPV is obtained from the difference between the benefit and cost adjusted to a nine percent annual interest rate. Financial feasibility is calculated to determine whether a business is feasible to operate. To assess financial feasibility, several investment feasibility criteria can be used, including Net Present Value (NPV), Internal Rate of Return (IRR), Net Benefit Cost Ratio (Net B/C Ratio), and Payback Period. NPV and IRR values are determined using the applicable interest rate at the time of the study. The interest rate used is the Bank Rakyat Indonesia interest rate of 10%.

Below is an image from the PKM activity conducted online through a Zoom meeting on July 31, 2024. The PKM activity lasted for approximately two hours, with a presentation of the material in PPT format, followed by a discussion.



**ALIRAN KAS PROYEK** UNTAR untuk INDONESIA

Komponen Aliran Kas:

- Aliran kas yang berhubungan dengan investasi bisa dikelompokkan menjadi tiga yaitu:
- Investasi awal (initial cash flow),
- aliran kas operasional (operational cash flow)
- aliran kas akhir periode investasi (terminal cash flow).

**Kriteria Penilaian Investasi** UNTAR untuk INDONESIA

METODE PENILAIAN INVESTASI

- Metode Payback Period (PP)
- Metode Net Present Value (NPV)
- Metode Propability Index (PI)
- Metode Internal Rate Return (IRR)

Figure 2. Financial Viability Training Activities

## CONCLUSION

Overall, this PKM activity went well. The partner was able to understand the measurement of financial feasibility. The training conducted by the PKM FE Untar Team was a continuation of previous PKM activities that also discussed finance.

The financial feasibility training was conducted through discussions and Q&A sessions so that the partner could truly understand and practice calculating financial feasibility in their business to determine its financial feasibility. Further assistance is needed to better understand how to apply financial feasibility calculations in future PKM activities.

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