

INVESTMENT ANALYSIS OF SECTORS OF TRADE AND SERVICE, AND SUB-SECTORS OF TOURISM, HOTELS AND RESTAURANTS LISTED ON THE INDONESIAN STOCK EXCHANGE IN 2011-2015

JAM

15, 1

Received, December 2016

Revised, February 2017

Accepted, March 2017

Sakina Ichsan

Neneng Susanti

Faculty of Business and Management Widyatama University

Abstract: The tourism industry in Indonesia is increasingly developed. This is because governments are focusing and paying more attention to the tourism industry in Indonesia. Because of the bigger opportunity, it will be more company are keen to plunge into the world of tourism and take part in the tourism industry. The purpose of this study was to assess the feasibility of investment by using the technique of NPV and PI in trade, services and investment sub-sectors of tourism, hotels and restaurants listed on the Indonesian Stock Exchange in 2011-2015. From the research results can be seen that from the 19 companies listed on the Indonesian Stock Exchange, only six companies that are not worth the investment or not feasible, while 13 other companies eligible to invest. In generally in trade, services and investment sub- sectors of tourism, hotels and restaurants listed on the Indonesian Stock Exchange is feasible investment.

Keywords: investment, net present value, profitability index



**Jurnal of Applied
Management (JAM)**
Volume 15 Number 1,
March 2017
Indexed in Google
Scholar

The development of tourism industry in Indonesia is increasingly rapid. This is because governments are increasingly focusing and paying more attention to the tourism industry in Indonesia, one of them is by launching jargon "Wonderful Indonesia Visit Indonesia". According to Antara News, the authors extracted that "Development of tourism in Indonesia continues to grow based on the tourist visits from year to year and destination development. The record of tourism competitiveness index in Indonesia from the World Economic

Forum in 2015 put Indonesia on the order of 50 of 141 countries of world tourism destination. Therefore, besides tourism in Indonesia which is still growing, tourism in Indonesia still can be encouraged to become the best world tourism destination.

Indonesian government's seriousness in developing the tourism is also seen by improving the infrastructure and facilities of tourism destinations, ease of administration to visit Indonesia such as adding countries to visit Indonesia with visa-free regulation and deregulation of cruise ship visits in Indonesian waters.

Tourism in Indonesia has long been a central destination in the world. This can be seen by the increasing number of foreign tourist visits in Indonesia, which previously only 6.9 million in 2014 to 7.1 million in 2015. If we look at number of tourists visiting Indonesia, the government even targets to make tourism industry as the biggest foreign exchange

Correspondence Author:
Sakina Ichsan, Faculty of
Business and Management
Widyatama University, DOI:
<http://dx.doi.org/10.18202/jam23026332.15.1.17>

earner for Indonesia in the next few years. It is possible to be realized because for this time, there are many tourism destinations in Indonesia which are not known by many people and unreached by tourists. According to Antara News, which the writer extracted, "Based on the data from the Ministry of Tourism, the increase in foreign tourist visits reached 7.1 million people or increased 3:53% over the previous period, which was only 6.9 million people." Tourism industry has also given big contribution to foreign exchange for the domestic economy. According to the Minister of Tourism, Arief Yahya, "The government is targeting the tourism sector as the biggest foreign exchange earner for Indonesia in the next few years. In 2019, tourism sector was targeted to contribute \$ 20 billion to foreign exchange. At this time, tourism sector is the fourth foreign exchange earner after oil and gas, coal and palm oil."

Besides being able to attract foreign tourists, Indonesian tourism also can attract domestic tourists, who are Indonesians, to visit and enjoy their holidays in Indonesia. According the data from the Central Bureau of Statistics, the number of domestic and foreign tourists is increasing year by year. According to Antara news the number of foreign tourists visiting Indonesia was 7.1 million people, while according to data from the Central Bureau of Statistics, there were 10.9 million tourists, it can be seen that the domestic tourists were 3.8 million people for 2015.

Table 1. Number of Tourists in 2011-2015

Year	Number of Tourists
2011	6,323,730
2012	7,002,944
2013	8,044,462
2014	9,435,411
2015	10,994,100

Source: *bps.go.id*

If we see the big opportunities above, thus there will be more and more businessmen who take a role in tourism sector and take part in the tourism industry. Therefore, it is necessary to do an investment analysis for new businessman who will work in tourism industry, the whether this industry is still profitable or not. Because although tourism in Indonesia still has a chance to develop, but the capital invested by the

investors is big. Even the return cannot be said to be fast because tourism industry is seasonal industry. It is said to be seasonal because tourism places in Indonesia are not always filled with tourists every time, just at certain times such as holiday season. If we see many types of tourism places in Indonesia, it is not possible for the author to conduct research by visiting the object of research one by one, so the researcher took the secondary data from Indonesian Stock Exchange sector of trade and services, and investment of sub-sectors of tourism, hotels and restaurants.

Investment analysis is a calculation and drawing conclusion on the condition of a company. When company will conduct its business, the company will invest in the form of investment. The purpose of investment analysis is to see whether the returns that will be obtained is comparable or even more than the investment.

The way to conduct an analysis of investment can be through several methods: Payback Period (PP), Accounting Rate of Return (ARR), Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index (PI) and Pay Out Time (POT). Researchers will study only two methods, which are Net Present Value and Profitability Index. The reason why researchers did not use the Payback Period and Accounting Rate of Return was because Payback Period and Accounting Rate of Return did not take into account the time value of money, so that the results obtained will not be accurate because the value of money today is not the same as the value of money in the future. The reason why the researchers did not use Pay Out Time was because the calculation results of Payout Time was in the form of the time in year and month, and calculation by using the time of year and month are rarely used by company. While the reason why the researchers did not perform the analysis with Internal Rate of Return method was because investors rarely request the maximum percentage, but investors are asking for the advantage in the form of great rupiah.

Based on the phenomenon that occurs above, the formulation of the problems associated with this phenomenon is how the condition and feasibility of the companies listed on the Indonesian Stock Exchange sector of trade, services, and investment

sub-sectors of tourism, hotels and restaurants if seen from the calculation of capital budgeting, and whether investors are still eligible to invest in the sectors of trade, services, and investment sub-sectors of tourism, hotels and restaurants based on the calculations that have been done.

The purpose of this study is to see the conditions and the feasibility of the companies listed on the Indonesian Stock Exchange sector of trade, services and investment sub-sectors of tourism, hotels and restaurants if seen from the calculation of capital budgeting, and assess whether the investors are still eligible to invest in the sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants based on the calculation of capital budgeting. The results of this study are expected to provide benefits for Investor, Government, Company, Academics, and Researchers. For Investor, This research will provide benefits for market participants, namely investors as a reference and consideration in the decision to invest in Indonesia, especially in sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants. For Government, as reference material on the condition companies in Indonesia, so that they can know the condition of the companies and sectors in BEI. For Company, It is expected that this research can be an evaluation matter and feedback for the company to improve the company's performance, and can provide information to predict in decision-making, especially investment decisions. For Academics and Researchers, It is expected to be able to add knowledge on financial management and as an additional literature for research researches.

LITERATURE REVIEW

Investment

Business planning is a planning study that is made in detail about the outline of the organization. Capital budgeting is the planning and supervision of the expenditure of capital goods of companies. These investments are usually investment over one year. Investment is distributing source of funding right now (by delaying consumption) and expecting their profits in the future because these investments are in the long term by compensating with the time value of money, inflation value and risk.

The initial investment is usually obtained through preliminary calculations when the company will be established, but for a company that has been running, calculation of the initial investment can be obtained through the retained earnings. Retained earnings can be divided into two, namely appropriated retained earnings and inappropriate retained earnings. The use of appropriated retained earnings which has been determined is the company profits which inserted again into capital (equity) of the company and are not used directly to shareholders. While the use of inappropriate retained earnings which have not been determined yet is company's profits which are inserted again into the capital (equity) of the company but it is used directly for the interests of shareholders. The greater the retained earnings, the greater the distribution of dividends to the shareholders. From the explanation of retained earnings, it can be concluded that the company's investment is obtained from the data of retained earning which the use has been determined consumer or appropriated retained earnings because in the retained earnings, the use of available funds has been determined to be used for company's investment.

Capital Budgeting

"Capital Budgeting is the process of planning and managing a firm's long term investment." (Ross, et.al., 2008: 3)

Capital budgeting is the process of planning, identifying, analyzing, evaluating and selecting long-term investment, which NPV value is positive, which aims to maximize the wealth of the company. The investment decision consists of four stages. The first stage is determining the type of investment that will be one by company. This stage begins by recognizing the business opportunities that can be described as an investment proposal. The second stage is finding information that can be used to perform financial analysis of the proposed investment. The information required to perform the analysis are initial investment, cash flow and discount rate. Initial investment is intended to fund investment when the investment begins. Cash flow gives a description of the amount of funds available at any time that can be used for a variety of operational needs of companies, including

investment, also includes the amount of income and expenditure which is arranged by searching and reviewing the income statement and the balance. The discount rate is used as the benchmark of profit rate which is decent on a business project. The third stage is using quantitative selection criteria in order to decide whether to approve a proposed investment or not. Four types of quantitative selection criteria which are usually used to decide whether to approve an investment proposal or not, namely payback period, net present value (NPV), internal rate of return (IRR) and profitability index. The fourth stage of investment decision is always following the progress report on the implementation of the investment which is special in order to see how the realization of cash inflow that is happening.

Cash Flow

Cash flow is the amount of money coming in and money coming out of the company from when the investment is made until the end of the investment. In addition to looking for value of money in and money out, it must find the difference between money coming in and money going out, which is called net cash. According to Kashmir and Jafar (2003: 92), investment decisions with operational cash flow can be formulated as follows:

Cash flow = profit after tax + depreciation + interest x (1-Tax)

Or

Cash Flow = EBIT x (1-tax) + depreciation

Investment Assessment Method

Assessment methods of investment project used to assess if seen from the financial are Net Present Value (NPV), Internal Rate Ratio (IRR), and Profitability Index (PI)

Net Present Value (NPV)

Net Present Value (NPV) is a sophisticated capital budgeting technique, found by subtracting a project's initial investment from the present value of its cash inflows discounted at a rate equal to the firm's cost of capital. (Gitman, 2009: 429). The way to find the present value of net cash is by creating and counting from cash flow of company in the particular

life of an investment. NPV calculation is used to give a decision on the acceptance of project. NPV calculation is as follows:

NPV = Present Value of Cash Inflows – Initial Investment

$$NPV = \sum_{t=1}^n \frac{CF_t}{(1+r)^t} - CF_0$$

The assessment criteria of NPV is if NPV is positive, then the investment is accepted. If NPV is negative, then the investment is rejected

Profitability Index (PI)

Profitability Index (PI) or benefit cost ratio is the present value of an investment's future cash flows divided by its initial cost. (Ross, Westerfield, and Jordan, 2008: 287). Profitability Index is the ratio of activity of the amount of current net income and the amount of current investment value outlay in the life of the investment. This method is often called benefit cost ratio. Profitability Index can be formulated as follows:

$$PI = \frac{NPV + I}{I}$$

PI assessment criteria is if the PI is greater than 1, the project is accepted; if the PI is less than 1, the project was rejected.

RESEARCH METHOD

The type of this research is descriptive analysis, which is the research method of case study that describes the actual phenomenon from the condition of company, then analysis of the problems in the company is done. Descriptive method according Sugiyono to (2010: 11), Descriptive research is a research which is conducted to determine the value of an independent variable, either one or more variables (independent) without making comparisons or connecting with another variable. Descriptive method was used because this study was conducted to get a clear picture of a problem, and then analyze it in order to draw conclusions in accordance with the purpose of research. This is done by examining and processing secondary data. Secondary data in question is the data of financial report of companies that are listed on Indonesian Stock Exchange in the period 2011-2015. Variables which are processed are

variables of capital budgeting technique that consists of Net Present Value (NPV), and Profitability Index. The data source in this research is secondary data collection. Secondary data, that is the financial statement of companies that are “go public” through Indonesian Stock Exchange sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants, and then look for data obtained from books, literature, newspapers and problems which are relevant with the study. The data collection technique which used was literature research. Problem-solving plan for investment analysis of companies that are “go public” through Indonesian Stock Exchange sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants is by doing capital budgeting analysis for the year that has been already running. Then the analysis of investment feasibility currently is performed.

Research Objects

The objects used in this study were 20 companies listed on the Stock Exchange, namely: Bayu Buana Tbk, Bukit Uluwatu Villa Tbk, Fast Food Indonesia Tbk, Grahamas Citrawisata Tbk, Hotel Mandarine Regency Tbk, Saraswati Griya Lestari Tbk, Island Concepts Indonesia Tbk, Indonesian Paradise Property Tbk, Jakarta International Hotel and Development Tbk, Jakarta Setiabudi International Tbk, MNC Land Tbk, Mas Murni Indonesia Tbk, Panorama Sentrawisata Tbk, Destinasi Tirta Nusantara Tbk, Pembangunan Graha Lestari Indah Tbk, Pembangunan Jaya Ancol Tbk, Pudjiadi and Sons Tbk, Red Palnet Indonesia Tbk, Pioneerindo Gourmet International Tbk, Hotel Sahid Jaya International Tbk. The problem solving for the plan draft of investments made in this study are Calculating the initial charge, Calculating cash flow projection for 2011-2015, Calculating capital budgeting, which is Net Present Value and Profitability Index for 2011-2015, and Performing analysis and drawing conclusion from the calculation of capital budgeting.

FINDINGS AND DISCUSSION

Calculation method to assess the feasibility of a project that is commonly used is NPV (net present value) and PI (profitability index) method. Calculating

the initial cost of new companies is done by calculating the cost spent by the company so the company can be established and run their business operations, but for a company that has been established for a long time, and initial cost when company is just established is unknown. It can be done by calculating the amount of appropriated retained earnings. The use of appropriated retained earnings is because retained earnings are not distributed to the shareholders, but it is used for the benefit and the continuity of the company.

Based on the data that has been processed, it can be seen that the average retained earnings that have been determined by company is 212.000.000.000 rupiahs, in which the biggest retained earnings that have been determined is the retained earnings of PT Pembangunan Jaya Ancol and the smallest retained earnings that have been determined is PT Panorama Sentrawisata. Companies are required to report the periodic financial reports in each period, both quarterly and yearly. In this study, the data used is data of annual financial statements which are reported by companies to Indonesian Stock Exchange. In these financial statements, there is cash flow statement of company, which is used to determine the amount of cash in and out in each period, and to investigate the use of company funds. Based on the data that has been processed, it can be seen the average cash flow in 2011 was 83.000.000.000 rupiahs, in which the biggest cash flow is the cash flow of PT Jakarta Setiabudi Internasional and the cash flow of PT Panorama Sentrawisata. Based on the data that has been processed, it can be seen the average cash flow in 2012 was 105.000.000.000 rupiahs, experiencing an increase of 22,000,000,000 rupiahs from the previous year where the biggest cash flow is the cash flow of PT Jakarta Setiabudi Internasional and the cash flow of PT Panorama Sentrawisata. The largest and smallest cash flows for 2011 and 2012 are PT Jakarta Setiabudi Internasional and PT Panorama Sentrawisata. For 2011 to 2012, PT Jakarta Setiabudi Internasional and PT Pembangunan Jaya Ancol increased significantly in the acquisition of their cash flow. Based on the data that has been processed, it can be seen that the average cash flow in 2013 was 116.000.000.000 rupiahs, experiencing an increase of 11.000.000.000 rupiahs from the previous year where the biggest cash flow is the cash flow of PT Jakarta

Setiabudi Internasional and PT Panorama Sentrawisata. The largest and smallest cash flows for 2011, 2012 and 2013 were PT Jakarta Setiabudi Internasional and PT Panorama Sentrawisata. For 2012 to 2013, PT Jakarta Setiabudi Internasional increased quite significantly in the acquisition of its cash flow. However, if in the previous year PT Pembangunan Jaya Ancol increased significantly in the acquisition of cash flows, for 2012 to 2013 PT Pembangunan Jaya Ancol experienced quite significant decrease in the acquisition of its cash flow. Based on the data that has been processed, it can be seen that the average cash flow in 2014 was 129.000.000.000 rupiahs, experiencing an increase of 13.000.000.000 rupiahs from the previous year where the biggest cash flow is the cash flow of PT Jakarta Setiabudi Internasional and PT Panorama Sentrawisata. The largest and smallest cash flows for 2011, 2012, 2013 and 2014 are PT Jakarta Setiabudi Internasional and PT Panorama Sentrawisata. For 2013 to 2014, PT MNC Land Tbk increased significantly in the acquisition of its cash flow. However, PT Pembangunan Jaya Ancol experience a quite significant decrease again in the acquisition of its cash flow. Based on the data that has been processed, it can be seen that the average cash flow in 2015 was 125.000.000.000 rupiahs, decreasing 4.000.000.000 rupiahs from the previous year where the biggest cash flow is the cash flow of PT Jakarta Setiabudi Internasional and PT Panorama Sentrawisata. The largest and smallest cash flows for 2011, 2012, 2013, 2014 and 2015 are PT Jakarta Setiabudi Internasional and PT Panorama Sentrawisata. For 2014 to 2015, PT Indonesian Paradise Property Tbk increased significantly in the acquisition of its cash flow. But unlike previous years in which it always experienced increase in the acceptance of cash flow, PT Jakarta Setiabudi Internasional experienced significant decrease in the acquisition of its cash flow. From the data above, it can be seen that the government plans to focus on the tourism sector, and it is welcomed by the companies of the sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants. Therefore, generally it can be seen that cash flow of companies of the sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants has increased from year to year. Discount factor for the calculation of NPV and PI

amounted to 6.9%. This value is the average of the discount rate of Bank Indonesia for 2011-2015. For the calculation of NPV (Net Present Value) and PI (Profitability Index) of 19 companies listed in the sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants, there are only 6 companies whose results of the calculation were negative, or not feasible. Those companies are PT Grahamas Citrawisata, PT Hotel Mandarine Regency, PT Mas Murni Indonesia, PT Destinations Tirta Nusantara, PT Red Planet Indonesia and PT Pioneerindo Gourment Indonesia. Those six companies above based on the calculation of capital budgeting are not eligible for investment due to the amount of the use of retained earnings which are determined is too big and not comparable with the cash inflows, and the cash inflow is too little. While for the rest, which are 13 companies listed in the sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants, by using the calculation of capital budgeting with NPV and PI technique, then those thirteen companies are feasible for further investment. Those thirteenth companies are PT Bayu Buana Tbk, PT Bukit Uluwatu Villa, PT Fast Food Indonesia Tbk, PT Saraswati Griya Lestari Tbk, PT Island Concepts Indonesia Tbk, PT Indonesian Paradise Property, PT Graha Andrasenta Propertindo Tbk, PT Jakarta International Hotel&Development Tbk, PT Jakarta Setiabudi International Tbk, Pt MNC Land Tbk, PT Panorama Sentrawisata Tbk, PT Pembangunan Graha Lestari Indah Tbk, PT Pembangunan Jaya Ancol, PT Pudjiadji and Sons Tbk. In general, it can be seen that the sectors of trade, services, and investment sub-sectors of tourism, hotels and restaurants are still feasible for investment, and this is in line with the government program that focuses on the tourism sector as a source of income for Indonesia.

CONCLUSIONS

Based on the calculation above, it can be concluded that from 19 companies listed in the sector of trade, services, and investment sub-sectors of tourism, hotels and restaurants, there are only 6 companies which are not eligible for investment due to cash inflows that are not comparable with the investment. In general, the sector of trade, services, and invest-

ment sub-sectors of tourism, hotels and restaurants are still feasible to be invested, it is in line with the government program that focuses on the tourism industry as a source of income for Indonesia. For companies that are not eligible to be invested according to the calculation of capital budgeting, it is necessary to do calculation by using another technique because this study only used two techniques, namely Net Present Value and Profitability Index. For further research, it is suggested to search the amount of initial investment when the company was established and then the time value of money is calculated to make more accurate calculation.

REFERENCES

- Brealy, Richard, A., Stewart, C., Myers, and Alan, J., Marcus. 1995. *Fundamental of Corporate Finance*. Mc Graw Hill.
- Gitman, Lawrence, J. 2000. *Principle of Managerial Finance*. Ninth Edition. Addison Wesley, Longman.
- Husein, Umar. 2003. *Studi Kelayakan Bisnis*. Edisi kedua. Jakarta: PT Gramedia Pustaka Utama.
- Kasmir dan Jakfar. 2003. *Studi Kelayakan Bisnis*. Jakarta: Predana Media.
- Ross, Stephen, A., Randolph, W. Westerfield and Bradford D. Jordan. 2008. *Corporate Finance Fundamentals*. Eighth Edition. McGraw Hill.
- Weston, J., Fred, and Eugene, F. Brigham. 1999. *Essential of Management Finance*. Ninth edition. The Dreyden Press International.