

INVESTMENT ANALYSIS OF STANDART INNS BECOME THREE STARS

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Abstract

Economic growth in terms of an area must travel equipped with supporting facilities such as lodging or hotel. Currently each region has an appeal that is different about the way the region in attracting tourists who will visit the area. One area that attracts tourists domestic and foreign countries to visit is in the district of Banyuwangi. Level of tourist arrivals in Banyuwangi increased significantly. Number of foreign tourists In 2013 increased 90% to 10 462 people and local tourists increased by 24% to 1,057,952 people, which have an impact on the greater demand for hotel rooms. Currently there is a lot of land that awakened rentals with all limitations such as the number of rooms are only a dozen, inadequate condition of the building and land use is not maximized. The purpose of this study was to obtain the investment costs for the increase of the inn into a hotel with the method of assessment of the value of IRR, NPV, BEP, PP, ROI, RE and room-based decent. Investment calculation results standartnya development Inns converted into a 3 star hotel in Banyuwangi is feasible, considering the value of NPV > 0. IRR > MARR, BEP obtained within a period of 6 years, payback period of 4 years 6 months 14 days, ROI > 1, RE > 1. the minimum rental price of the room according to standard budget hotel between Rp. 200,000 - Rp. 400.000, -

Keywords: *Investment, Inns, Hotels, IRR, NPV*

INTRODUCTION

Banyuwangi district is located at the end of the Eastern part of Java Island and the adjacent Bali Strait. Banyuwangi is an area in East Java area of 5782.50 km² (Wikipedia, 2003). Banyuwangi economic growth in the last 5 years average of 5.85 s / d from 7.14%. This condition is supported by tourist traffic in Banyuwangi always increased significantly. In 2013 foreign tourists reached 90% from 2012 to 10 462 people, and local tourists increased by 24 percent to 1,057,952 in 2013 (Alvara Strategic Research, 2013). Jakarta, foreign tourist spending in Banyuwangi around Rp 3 million per tourist by 2.5 days long visit. This means that there are funds flowing to Banyuwangi during 2013 of foreign tourists only Rp 31.4 billion. does not include local tourist shopping. Growth of tourists visiting Banyuwangi causes the demand for hotel rooms getting bigger, it became the economies conducive climate for investment in the field of hospitality, so the need to improve infrastructure facilities and supporting infrastructure such as the availability of venue. Facilities and infrastructure of the inn that is currently the most widely in the form of rentals for their demands to improve the facilities of existing services, it is necessary to increase facility rentals into a hotel.

REVIEW OF LITERATURE

Definition Inn

Inn (from the French "logement", "residential", through the Dutch language) is a type of commercial accommodation that offers cheaper rates than hotel. (www.id.wikipedia.org, 2015), rentals have facilities almost like jasmine, but the budget hotels are equipped with air conditioning (AC), while rentals only equipped with ordinary fan.

Understanding Hotel

According to decree the minister of Tourism, Post and Telecommunications No: KM 34 / HK 103 / MPPT-87, Hotel is a type of accommodation that use some or all of the building to provide an accommodation, food and

beverages as well as other services for the public, commercially managed and comply with the requirements set out in the government.

the types of naming rooms in the hotel are as follows:

- a. room standard / *regular room* is a hotel room the facilities available in a standard room is the place bed, bathroom, desk, television, telephone, refrigerator, wardrobe, luggage rack,
- b. suite / *suite room* is one room in the hotel where the rooms are characterized by two separate rooms in a single room, the guest rooms and sleep. Types naming suite rooms in the hotel include: *Deluxe Suite, Suite Superior, Family Suite /Room, Presidential suites and the Penthouse.*

Classification Hotel By Amenities

Classification of hotels in Indonesia will conduct a review every three years once that is done by the Indonesian Hotel and Restaurant Association (IHRA) by considering some aspek.dari number of rooms, facilities and equipment are provided, the management system model, the motto of service. by considering aspects.

Table 1. Classification of hotel based facilities

Facilities Hotel	Type Hotel		
	Inn	Stars 2	Stars 3
Number min standart rooms	-	20 rooms	30 rooms
Number min room suite	-	1 room	2 kmr
layout of bathrooms	Outside	In	In
Tv and telephone	Condition al	There	there are
security doors	Manual	Otomtis	Otomtis
Rules of the air vents	vents	AC /vents	AC24°c
Restaurant / bar	-	bar	Restauran t
Lobby	-was	there	no

source: Indonesian Hotel and Restaurant Association (IHRA)

Investment Feasibility Analysis

Investment is the exciting activities the funds are then used to purchase goods capital at the present time, and seek the realization of profits in the future, because investing is dealing with the future is full of uncertainty, before carrying out the investment necessary to do a feasibility study to determine whether an investment program that can be provid oriented (Salim Basalamah, 1994: 24). Investment feasibility analysis is the process of calculation to determine an investment project is feasible or not to be implemented as well as calculate the economic benefits of an investment. According to Faith Suharto (1995).

Calculation of Minimum Lease

Lease a minimum price calculation, where other factors such as location and so on are not taken into account. The value of the minimum lease is obtained if the same building revenue and expenditure. Gross revenue per year according to Hartono Poerbo (1998: 55) is calculated by the following formula:

$$R = EXAX L \times 365 \times r \tag{1}$$

Where:

- R = Revenue
- a = Percentage room occupancy rate (%)
- L = Area hotel room (m²)
- 365 = Number of days in a year
- r = Rental Rates per room (USD)
- e = coefficient hotel revenues

while to find the magnitude expenditure is calculated by summing all the expenditure incurred.

Analysis assessment of investment

Method used for investment appraisal is *NetPresentValue (NPV), Internal Rate of Return (IRR), Calculation Analysis of breakeven / Break Event point (BEP), payback period (PBP) , Return on Investment (ROI)* before and after tax Return on Capital.

Net Present Value (NPV)

Present Worth (Present Value) is used to determine whether a plan has an advantage in the time period of analysis. it is calculated on the *Present Worth of the Revenue* (PWR), and *the Present Worth of Cost* (PWC). Cash flow project capital costs, operations, production, maintenance, and other expenses - other. The following formulation:

$$NPV = PWR - PWC \tag{2}$$

Where:

NPV = present value of net

PWR = present value of the income

PWC = present value of costs / expenses

Internal Rate of Return (IRR)

Returns /*Internal Rate of Method return* (IRR) by Robert J. Kodoatie (1994) is the magnitude of the interest rate that makes the cost of expenditures and revenues equally. This method is used to obtain an interest rate which the net present value of the expenditure (NPV) is zero.

$$NPV (0) = PWR - PWC - I \text{ at } i = ? \tag{3}$$

NPV = present value of net

PWR = present value of the income

PWC = present value of the cost / expenditure

I = investment costs after construction

criteria for a decision to determine whether or not an investment in the IRR method is if: $IRR > MARR$ (*Minimum Attractive Rate of Return*), the investment proposal is accepted.

Break Event Point (BEP)

Break Even Point is the state of a business that does not make a profit and no loss position, meaning that an undertaking is said to break even if the amount of revenue is equal to total costs. If the profit contribution can only be used for fixed costs alone (Mulyadi: 2001).

So *Break Event Point* is a condition where:

1. Cumulative revenue = Cumulative expenditure
2. Cumulative income - Cumulative expenditure = 0

Break event point can be illustrated in the calculation of *net cash flow* or *stock break eventpoint*.

Payback period (PBP)

Payback period is basically aimed to find out how long (period) investment will be returned when the condition of the break-even point (break even point). The length of the payback period (k) when the conditions BEP are:

$$k_{(PBP)} = \frac{\text{investasi}}{\text{annual benefit}} \times \text{periode waktu} \tag{4}$$

If $k < n$ then the investment otherwise economically feasible and if $k > n$ then investments is an investment not economically feasible.

Where: k = payback period

n = age investment

Return of investment

Return on investmen (ROI) to distinguish between ROI before taxes (ROI *beforetax*) and ROI after tax (ROI *aftertax*). (Jimmy.S Juwana, 2005)

a). *Return On Investment* (ROI) Before Taxes:

Before the loan is paid off, the year 1 to the year to 5:

Profit before tax plus depreciation:

Lb 1-5 = income - loan interest costs - operating costs - insurance costs - interest costs of capital itself - credit loan principal - the principal of equity capital

before the loan is paid off, the year 6 to year 15:

Profit before tax plus depreciation:

Lb 6-15 = income - loan interest costs - operating costs - insurance costs - the principal of their own capital amount in the present value 1 s / d year-on-n:

$$PVb = \frac{(1+i)^n - 1}{i(1+i)^n} \times Lb \tag{5}$$

After the loan is paid off that year by 16 s / d 50 years:

La = revenue - operational costs - insurance costs

Total value now (in 16 s / d 50 years)

$$PVA = \left(\frac{(1+i)^{50} - 1}{i(1+i)^{50}} - \frac{(1+i)^{15} - 1}{i(1+i)^{15}} \right) \times La \tag{6}$$

So the present value to earnings before taxes plus depreciation is:

$$L = PVB + PVA \tag{7}$$

$$RIB = \frac{L}{I} \tag{8}$$

Value RIB > 1:00

b). *Return On Investment (ROI) after tax:*

L'b 1-5 = income-operational expenses -cost-interest loan insurance costs - the cost of equity capital tax- - the principal of equity capital - capital loan principal - the principal of equity capital

L'b 6-15 = income-loan interest cost - the cost operational- insurance costs - taxes - the principal of their own capital

amount of the present value in 1 s / d year-on-n:

$$PV'b = \left(\frac{(1+i)^n - 1}{1(1+i)^n} \right) \times L'b \tag{9}$$

Once the loan is paid off, that is, from the 16 s / d in 50

Profit after tax plus depreciation:

L'a = revenue - Operational costs - insurance costs - taxes

$$PV'a = \left(\frac{(1+i)^{50} - 1}{i(1+i)^{50}} - \frac{(1+i)^n - 1}{i(1+i)^n} \right) \times L'a \tag{10}$$

$$L' = PV'b - PV'a \tag{11}$$

$$RIA = \frac{L'}{I} \tag{12}$$

Value RIA > 1:00

Rate of Return of Capital

The capital investment for the first, then the rate of return on equity:

$$RE = \frac{L''}{I} - 1 \tag{13}$$

Research Methods

Research Sites

This research was conducted at the hotel Multisari located in the Wahid Hasyim No. , 66, Rogojampi, Banyuwangi. The building inn was built on a land area of 1685m².



Figure 1. Location Map Hotel Multisari

Phase of studies 7 (seven) stages:

Stage 1

Preparatory Phase.

Phase 2

Data collection phase

of Phase 3

Phase calculation of investment costs, direct costs derived from the calculation of the plan budget cost of construction of the physical hotel Muktisari, indirect costs derived from the percentage of 20% of direct costs (Hartono Poerbo: 1998), the overhead is taken 10% of the total cost of direct and indirect.

Stage 4

Phase calculation of expenditure and income.

Stage 5

Stage evaluation investment by the method of *net present value*(NPV).

Stage 6

Stage follow-up evaluation, after unknown NPV value hotel is greater than the NPV rentals, then proceed to a feasibility evaluation of investment with methods *Internal Rate of Return (IRR)*, *Break Event Point (BEP)*, *Pay Back Period (PBP)*, *Return of investment before and after tax (ROI)* and *Return on Equity(RE)*.

Phase 7

Phase discussion, recapitulate the results of the analysis and pricing of the minimum lease hotel rooms per day.

DISCUSSION

Planning Database

Investment planning includes data - based that is required in the calculation of investments such as land area, gross area of the building, net area of the building, the cost of investment, number of rooms, the economic life of the building, hotel occupancy rates, and others.

Investments Database of Inn Muktisari

Inn Muktisari located at Jl. Wahid Hasyim No.66, Rogojampi district, Banyuwangi Regency, has been in operation for ± 20 years, the cost of the investment project Inn Muktisari assumed all wear capital from the owner or the capital itself.

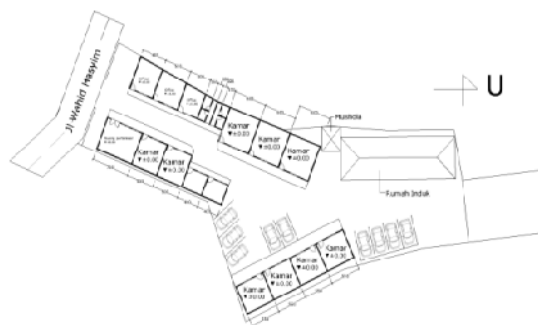


Figure 2. Plan Situation Inns

land fee of Rp. 2.52639 billion, building costs Rp. 1.14954 billion, the economic life of the building for 30 years, building economic residual life for 10 tahun, interest own capital amounted to 6.5% (BI rate), the number of rooms by 11 rooms, occupancy coefficient of 65%.

Investment Planning Hotel Muktisari

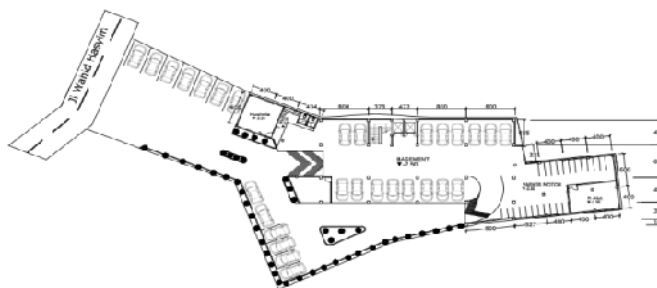


Figure 3. Hotel site plan

Size of plot area of 1684.26 m², Number 7 floors + 1 basement, basement height 2.5 m, 5m first floor, 2-7 floor 3.5 m, net floor area consists of the total room hotel with a total area of 2857.8 m², number of rooms 142, KDB earned 56% less than the requirements set by the government banyuwangiyaitu 60%, KLB dipeoleh 353% less than the requirements set by the government Banyuwangi is 800%, the unit price of land Rp.1.500.000, occupancy at 65.99%

Calculation of the investment costs

Directly obtained from the fee calculation of the budget plan the physical development Muktisari hotel Rp. 35.743 billion, indirect costs derived from the percentage of 20% of direct costs (Hartono Poerbo: 1998), which amounted to Rp. 7.1486 billion, the *overhead* is taken 10% of the total direct and indirect costs, which amounted to US \$ 4.28916 billion, total investment cost for the construction of hotel Muktisari Rp. 47.18076 billion.

Annual Income

To obtain the annual gross revenue, taking the equation 1.

Annual spending

Annual spending consists of operating and maintenance costs, depreciation costs, insurance costs, capital costs, the cost of the loan capital, the cost of company tax.

Table 2. Pendapatan and expenditure rentals muktisari

Description	The amount of
Revenue	Rp.933 561 937
Expenditures	
- Operating costs	Rp. 298 561 937
- Depreciation	Rp. 38.318 million
- Insurance costs	Rp. 24,839,048
- Company tax	Rp. 424.459.26

Table 3. Revenue and expenditure muktisari hotel

Description	Magnitude
Revenues	
Expenses	
- Operating costs	= Rp. R 516 254
- Depreciation	= Rp. 714 860 000
- Insurance	= Rp. 43 021 r
- Cost of Capital Loan	= Rp. 2,580,032,679
- Interest Expense Loan	= Rp. 3101973290
Capital	
- Cost of Equity	= Rp. 4,157,332,667
- Interest Expense Equity	= Rp. 1609095608
- A Corporate Tax (th 1-5)	= Rp. 174 235 r - 68,521,226
- Corporate Tax A (6-15 years old)	= r + Rp.174.235 28,080,224
- Corporate Tax B (16-50 years old)	= Rp.174.235r + Rp. 107 229 000
- Expenditure Restaurant	= Rp.146 000 000

From the comparison value **Income** =Expenses,hotel room rental price obtained a minimum of Rp. 11 199/ m².

Table 4. Revenue and expenditure muktisari hotel after being multiplied minimum rental prices

Description	Value With r = Rp.11 199
Annual income	
Income Hotel	Rp.19,272,065,850.
Revenues Restaurant	Rp 365 000 000
Annual expenses	
Operating costs	Rp.5,781,619,755.
Depreciation	Rp 714 860 000
Insurance	USD. 481 801 646
Cost of Loan Capital	Rp.6,020,062,772
Interest Expense Loan Capital	USD. 527 658 502
Cost of Equity	Rp.3,219,278,056
1. Interest Expense Equity	USD. 644 009 676
2. Corporate Tax A (th 1-5)	Rp. 1882775440
3. Company Tax A (6-15 th)	Rp. 1979376892
4. Company Tax B (16-50 years old)	Rp. 2058525667
5. Expenditure Restaurant	Rp. 146.000.000s

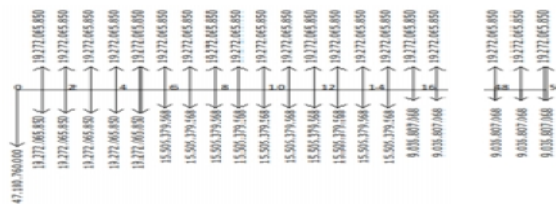


Figure 4. Diagram cash flow

Analysis of the net present value (NPV)

- 1. Annual Gross Revenue = Rp. 993 561 937 / year
Present Value = Rp.4.13.191.907
- 2. Annual expenditure = Rp. 424,459.260 / year
Present Value = Rp. 1767448360

NPV = PWR - PWC > 0

NPV = 4.13.191.907 - 1,767,448,360
= 2,369,743,547 > 0

Analysis muktisari hotel investment appraisal

Analysis of Net Present Value (NPV)

- 1. Gross Revenue = Rp19.272.065.850
Present Value Rp.287.569.507.165=
- 2. Expenses1-5 = Rp19.272.065 .850
Present Value Rp.80.248.882.201=
- 3. expenses6-15 = Rp.15.505.379.568
Present Value Rp.111.886.818.964=
- 4. Spending15-50 = Rp.9,036,807,068
Present Value = Rp.14.313.943.506

NPV = PWR - PWC > 0.

NPV = 287.569.507.165- 80.248.882.201- 14313943506-111886818964
= 91,119,862,492 > 0.

From the above it CALC hotel more promising investment than investment in rentals of hotel investment then it could be implemented.

Analysis of Internal Rate of Return (IRR)

$$NPV (0) = PWR - PWC - I$$

$$= \text{Annual Earnings (P / A, i\% .50) - A Annual Expenditure (P / A, i\%, 5) - Annual Expenditure B (P / A, i\%, 10) - Expenditure Annual C (P / A, i\%, 35) (P / F, i\%, 15) - I}$$

Know of perhitungan, NPV = 0 is between i = 13% to i = 14%, then the interpolation method IRR value will be as follows:

$$IRR = 13\% + \frac{5,581,257,751 - (-228,125,956)}{5,581,257,751 - (-228,125,956)} \times (14\% - 13\%)$$

$$= 13\% + 0.04 = 13.04\% > 6.5\%, \text{ (MARR) then investasi feasible.}$$

Analysis of break-even point(BEP)

$$\text{net income per year} = \text{Annual Income} - \text{Annual spending} - \text{investasi}$$

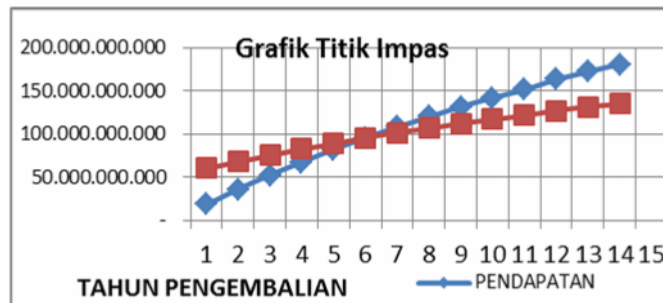


Figure 5. Graph Calculation of breakeven point Fixed Based System

shows that the coefficient value of the minimum lease is equal to 0.6599, break-even point(BreakEvent point) is reached after:

$$n = 6 + \frac{-83,550,600}{+83,550,600 - 6,730,811,702} \times (7 - 6)$$

$$= 6.0123$$

$$= 6 \text{ years } 5 \text{ days}$$

so the time it takes for an investment to be at the breakeven point is 6 years 5 days .

Summary of evaluation of the feasibility of hotels muktisari

calculation muktisari hotel investment feasibility evaluation, obtained some results of the assessment are summarized in the following table 5 .

Analysis Methods	Analysis results		Description
	Hotel	Inn	
NPV	91,073,972,021	2,369,743,547	Worth
IRR	20.165% > 6.5%	-	Worth
BEP	6 years 5 days	-	-
Payback Period	4 years 6 months 14 days	6 years, 5 months, 18 days	-
ROI before tax	3.58 > 1, r = Rp.11.300	-	-
ROI after tax	3.29 > 1, r = Rp.11.500	-	-
RE >	1,377	1	Decent

Price minimum Rent room

minimum rental price per room is obtained by multiplying the minimum rental prices per m² with an area average - average per room. Hotel room rates are then added cost of 21% - 30% for tax and service / *tax and service* (Hartono Poerbo, 1998)

With the division percentage tax charge a maximum of 10% (Law No. 28 of 2009, Local Taxes and Levies) and a service fee of 11%. So the value of the minimum lease each room as follows:

The minimum rental price of renting rooms used Rp11,500 m² / day

Standart Room

Rental / Spacious	= 15.6 x 11.500	= USD. 179 400
Tax 10% x rent	= 10% x 179 400	= Rp. 17,900
Service 11% x sewa	= 11% x 179 400	= <u>Rp. 19 734</u>
Total		= US \$217 074

1Superior Room

Rental / Spacious	= 19.5 x 11.500	= USD. 224 250
Tax 10% x rent	= 10% x 224 250	= Rp. 22,400
Service 11% x sewa	= 11% x 224 250	= <u>Rp. 24 667</u>
Total		= USD271 342

Superior Rooms 2

Rent / Spacious	= 27 x 11,500	= Rp. 310 500
Tax 10% x rent	= 10% x 310 500	= Rp. 31,500
Service 11% x sewa	= 11% x 310 500	= <u>Rp. 34 155</u>
Total		= US \$ 375 705

CONCLUSION**Conclusion**

From the analysis and discussion it can be concluded as follows:

- Investment development Inns Muktisari modified into a 3 star hotel in Banyuwangi is feasible, with a value judgment Muktisari hotel NPV (Rp. 91,073,972,021 > 0) is greater than the NPV inns Muktisari (Rp. 2.369.743.54 > 0). IRR obtained 20 165% greater than the interest rate of Bank Indonesia 6.5%, BEP obtained 6 years and 1 day faster than loan repayment period of 15 years, payback period of 4 years 6 months 14 days, before tax gained 3.58 ROI greater 1, ROI after tax gained 3.29 greater than the terms 1 and RE gained 1.37 greater than 1
- Minimum rental price of hotel suite to recover the cost of investment of Rp. 11,500 / m² / day. With the minimum rental prices room / day as follows:

standard rooms	= Rp. 217 074 / room / day
room superior 1	= Rp. 271 342 / room / day
room superior 2	= Rp. 375 705 / room / day

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