

Business Feasibility Study: Consulting Services and Legal Assistance (Case Study on Bilik Hukum)

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Abstract

The purpose of this study was to determine the feasibility of the legal advisory and legal assistance service "Bilik Hukum" from both the financial and business risk aspects. The business finance strategy method focuses on calculating investment value by calculating Return on Investment (ROI), Net Present Value (NPV), Internal Rate of Return (IRR), Average Rate of Return (ARR), Profitability Index (PI), and Payback period (PP). The method in risk management is carried out in six stages, namely (1) risk analysis, (2) risk evaluation, (3) risk management, (4) communication and consultation, (5) monitoring and review, (6) recording and reporting. The results showed that the Bilik Hukum was financially feasible with a positive ROI value from the second to the fifth year, the NPV value was positive at Rp. 10,171,215,666,-, IRR is 68% above the discount rate of 10%, ARR is 319% (greater than 100%), PI is 3.41, and the payback period is 1 year 7 months. Risk management what was done by the Bilik Hukum succeeded in reducing the level of risk impact which was originally at a high level to a medium level and from a medium level to a low level.

Keywords

business feasibility study;
financial analysis; risk analysis



I. Introduction

Laws are customary regulations that are officially considered binding, which are confirmed by the authorities or the government. Law is defined as laws, regulations, and so on to regulate the social life of the community. In social life, there are regulations in the form of norms and sanctions made by mutual agreement. Laws are made with the aim of regulating and maintaining order and justice so that chaos can be controlled or prevented. In order for the purpose of the law to be achieved, it is necessary to have knowledge and public understanding of the law. This can be obtained through independent study or consultation with legal experts.

Currently, consulting services and legal assistance are very much needed by the people of Indonesia. The results of the initial survey stated that all respondents stated that legal regulations in Indonesia were very necessary, as many as 64% of respondents had faced the law and 36% of respondents had never faced the law. As many as 80% of respondents stated that legal access in Indonesia is not easy to reach and as many as 88% of respondents stated that the cost of consulting and legal assistance is quite expensive. As many as 93% of respondents think that they agree and need applications and websites related to legal consultation and assistance. This is driven by the increasingly advanced development of information and communication technology that can be utilized to meet needs. Development is a change towards improvement (Shah et al, 2020).

Currently, internet users in Indonesia reach 210 million people (Indonesian Internet Service Providers Association 2022). Utilization of information technology that is currently developing makes it easier for users to meet their needs, one of which is access to legal consultation and assistance via the internet. The presence of applications and websites for consultation and legal assistance can be a practical solution for people who want to solve problems in an effective and efficient way. This encourages the growth of the online consulting and legal aid business to continue to increase. Based on Playstore data in June 2022, the legal aid applications with the highest number of users are MyLawyers with >10,000 users, Jago Hukum with > 5000 users, OleCo Legal Consulting Online with >1,000 users, and Kisworo Advokat with > 500 users.

The purpose of this study was to determine the feasibility of the legal advisory and legal assistance service "Bilik Hukum" from both the financial and business risk aspects. The business finance strategy method focuses on calculating the investment value by calculating the IRR, NPV, ROI, and Payback period. The method in risk management is carried out in six stages, namely (1) risk analysis, (2) risk evaluation, (3) risk management, (4) communication and consultation, (5) monitoring and review, (6) recording and reporting. This research will involve the internal management of the Bilik Hukum and various external parties related to the Bilik Hukum business.

II. Review of Literature

2.1 Financial Feasibility Analysis

A company is said to have a competitive advantage if it has a high level of profit compared to the average normal profit rate defined in several ratios (Sobana, 2018). A financial ratio is an index that connects two accounting numbers and is obtained by dividing one number by another. The financial ratios are as follows.

2.2 Return on Investment (ROI)

ROI is the ratio of the ratio of the company's income before tax to total assets (Sobana, 2018).

$$ROI = \frac{\text{Earning after tax}}{\text{Total asset}}$$

2.3 Net Present Value (NPV)

Net Present Value is the difference between the present value of the investment and the present value of net cash receipts (operating cash flows and terminal cash flows) in the future (Sugiyanto et al, 2020).

$$NPV = PV \text{ Cash Inflow} - \text{Investment}$$

2.4 Internal Rate of Return (IRR)

This method is used to find the interest rate that equates the present value of expected future cash flows, or cash receipts by issuing the initial investment (Sugiyanto, 2020). Investment is accepted if $IRR > \text{Discount Rate}$.

2.5 Accounting Rate of Return (ARR)

ARR is the ratio between profit after tax on investment and is only based on financial statement data that measures the average level of profit obtained from an investment. The business is said to be profitable if the $ARR > \text{of the required profit level}$ (Ekowati et al, 2015).

2.6 Profitability Index (PI)

This method calculates the comparison between the present value (present value) of the planned net cash receipts in the future with the present value (present value) of investments that have been implemented or compares the present value of cash inflows with cash outflows (Sugiyanto et al, 2020)

$$PI = \frac{PV \text{ cash inflow}}{PV \text{ cash outflow}}$$

2.7 Payback Period (PP)

Payback period (PP) is a period required to recoup investment expenditure (initial cash investment) by using cash flow or the ratio between initial cash investment and cash inflow, the result of which is a unit of time (Sugiyanto et al, 2020).

$$PP = t + \frac{(b - c)}{(d - c)}$$

Information:

- t = the period before the meeting point
- b = initial investment
- c = accumulated cash inflows up to point t
- d = accumulated cash inflows up to point t+1

2.8 Risk Management

Risk Management is the process of identifying, measuring and ascertaining risks and developing strategies to manage those risks. Based on the sources of causes, according to Sumajouw & Sompie (2014) Risks can be divided into:

1. Internal risk; risks that come from within the company
2. External risk; risks that come from outside the company
3. Financial risk; risk caused by economic and financial factors, such as changes in prices, interest rates and currencies.
4. Operational risk; all risks that do not include financial risks and are caused by human, natural and technological factors.

III. Research Method

In this study, descriptive qualitative method is used, namely the method used to obtain in-depth data, a data containing actual data. While the quantitative research method is a scientific method because it has fulfilled scientific principles, namely concrete, objective, measurable, rational, and systematic (Sugiyono 2010). Qualitative research methods are used to obtain in-depth data, a data containing actual data and a value behind the visible data. While the quantitative research method is the scientific method because it has fulfilled scientific principles, namely concrete, objective, measurable, rational, and systematic. The Bilik Hukum requires a goal to represent the results of the strategy that has been carried out and must be quantitative, measurable, achievable, and sustainable with the company's vision and mission (Harinugroho et al, 2021). In conducting financial feasibility analysis, Bilik Hukum uses several methods of calculating feasibility, namely calculating Return of Investment (ROI), Net Present Value (NPV), Internal Rate of Return (IRR), Average Rate of Return (ARR), Profitability Index (PI), and Payback period (PP). The method in risk management is carried out in six stages, namely (1) risk analysis, (2) risk evaluation. (3) risk management. (4) communication and consultation, (5) monitoring and

review, (6) recording and reporting. The data obtained were analyzed using Microsoft Excel 2013 software.

IV. Results and Discussion

4.1 Financial Aspect Analysis

a. Return on Investment (ROI)

The ROI value of the Bilik Hukum from the second year to the fifth year is positive, then the Bilik Hukum is declared eligible.

Table 1. Return on Investment Bilik Hukum

	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit	55,176,600	717,850,512	1,779,180,823	3,738,165,006	7,272.228.138
Total Assets	4,212.159,150	5,061,672,656	7,198,344,190	11,647,685,743	20,262.175,690
%	-1%	14%	25%	32%	36%

b. Net Present Value (NPV)

There are two assumptions in assessing the feasibility of NPV, namely: (1) If the NPV is positive then the investment is accepted; (2) If the NPV is negative then the investment is rejected. The NPV value of the Bilik Hukum is Rp. 10,171,215,666, - and has a positive value. Based on these two assumptions, the Bilik Hukum is declared acceptable and feasible so that it has the potential to generate profits.

Table 2. Net Present Value (NPV) Bilik Hukum

	PV Factor – Single Sum	Budgeted Cash Inflow	PV Budgeted Cash Flow
PV 1	0.91	3,568,534,150	3,344,394,682
PV 2	0.83	1,034,288,506	854,783,889
PV 3	0.75	2,321,446,533	1,744,137,140
PV 4	0.68	4,634,116,533	3,165,163,960
PV 5	0.62	8,636.739,947	5,360,735,995
		PV Cash Inflow	14,371,215,666
		Initial Investment	4,200,000,000
		NPV	10,171,215.666

c. Internal Rate of Return (IRR)

The result of the IRR of the Bilik Hukum of 68% is quite far above the 10% discount rate, then the investment in the Bilik Hukum is said to be feasible.

Table 3. Internal Rate of Return (IRR) Bilik Hukum

Year	Budget Cash inflow
0	4,200,000,000
1	3,568,534,150
2	1,034,288,506
3	2,321,446,533
4	4,634,116,553
5	8,636.739,947
IRR	68%

d. Average Rate of Return (ARR)

Based on the calculation of the Bilik Hukum ARR, it is worth 319%, meaning that the ARR value is greater than 100%. The return obtained by Bilik Hukum is greater than the capital that has been invested. Thus, the Bilik Hukum can be declared eligible for investment.

Table 4. Average Rate of Return (ARR) Bilik Hukum

Year	NI/EAT
1	55,176,000
2	717,850,512
3	1,779,180,823
4	3,738,165,006
5	7,272.228.138
Total	13,452,247,879
ARR	320%

e. Profitability Index (PI)

An investment is said to be feasible if the PI value is greater than 1, whereas if the PI value is less than 1 then it is not feasible. The result of the PI value of the Bilik Hukum is 3.41, where above the number 1, it can be said that investing in the Bilik Hukum is feasible and will be profitable.

Table 5. Profitability Index (PI) of the Bilik Hukum

	Factor – Single Sum (n,%)	Budget Cash Inflow	PV Budget Cash Flow
PV 1	0.91	3,568,534,150	3,244,394,681.82
PV 2	0.83	1,034,288,506	854,783,889.45
PV 3	0.75	2,321,446,533	1,744,137,140,11
PV 4	0.68	4,634,116,553	3,165,163,959.60
PV 5	0.62	8,636.739,947	5,362,735,994.62
		PV cash inflow	14,371,215,665.60
		Initial Investment	4,200,000,000
		PI	3.42

f. Payback period (PP)

Payback period Bilik Hukum is 1 year 7 months which is quite fast, so it means that based on the payback period, investing in Bilik Hukum can be considered.

Table 6. Payback Period of Bilik Hukum

	year 0	year 1	Year 2	Year 3	Year 4	year 5
Cash inflow	4,200,000,000	3,538,834,150	1,102,593,506	2,357,640,283	4,671,080,991	8,675,713,606

$$PP = 1 + \frac{(4.200.000.000 - 3.538.834.150)}{(4.641.427.656 - 3.538.834.150)}$$
$$PP = 1 + \frac{661.165.850}{1.102.593.506}$$
$$PP = 1,6 \text{ Year}$$

4.2 Risk Analysis (Risk Analysis)

a. Risk Analysis

The purpose of risk analysis is to understand the nature of the risk and its characteristics including the appropriate level of risk. Risk analysis is carried out by providing a value for each risk that arises. From each risk that appears, an assessment (weight) is carried out in terms of the impact caused and the frequency of occurrence.

Table 7. Possible Values

Occurrence Frequency			Impact	
Score	Information	Frequency	Score	Information
1	Very rarely	<2 times per year	1	Very small
2	Seldom	2 – 5 times per year	2	Small
3	Normal	6 – 12 times per year	3	Normal
4	Often	1 – 7 times per month	4	Big
5	Certain	7 -12 times per month	5	Very large

Table 8. Impact Value

Score	Impact	Information
1	<i>Insignificant</i>	Very small
2	<i>Minor</i>	Small
3	<i>Moderate</i>	Normal
4	<i>Major</i>	Big
5	<i>Catastrophic</i>	Very large

Table 9. Assessment of Probability and Impact on Possible Risk

Code	Risk	Possibility	Impact
Internal			
R01	The application does not run completely	1	4
R02	Application is running slowly	3	3
R03	Response to old customers	2	1
R04	Integrity violation	3	4
External			
a. Vendor			
R05	Platform the one that is used has a problem	3	3
R06	Display on less attractive applications	1	2
R07	Conflict with vendors	3	3
b. Government			
R08	Regulatory changes	1	3
R09	Payment of taxes	1	1
c. Experts			
R10	Expert conflict	3	4
R11	Services that cause complaints and losses to the Bilik Hukum	3	4
d. Other Cause			
R12	The internet network is experiencing problems	4	4
R13	Power outage	2	3
R14	Fire	1	4

b. Risk Evaluation

The purpose of risk evaluation is to support decision making. The risk evaluation compares the results of the risk analysis with the risk criteria that have been established to determine the necessary follow-up. In evaluating risk, the Bilik Hukum has implemented the following evaluation parameters:

Table 10. Parameters of Risk Evaluation

Possibility	Impact	Risk Level
<i>Rare</i>	<i>Insignification</i>	Low
<i>Rare</i>	<i>Minor</i>	
<i>Rare</i>	<i>Moderate</i>	
<i>Unlikely</i>	<i>Insignification</i>	
<i>Unlikely</i>	<i>Minor</i>	
<i>Rare</i>	<i>Major</i>	
<i>Likely</i>	<i>Insignificant</i>	
<i>Possible</i>	<i>Insignificant</i>	
<i>Unlikely</i>	<i>Moderate</i>	Moderate
<i>possible</i>	<i>Minor</i>	
<i>Rare</i>	<i>Catastrophic</i>	
<i>Unlikely</i>	<i>Major</i>	
<i>Likely</i>	<i>Minor</i>	
<i>Certain</i>	<i>Insignificant</i>	
<i>possible</i>	<i>Moderate</i>	High
<i>Unlikely</i>	<i>Catastrophic</i>	
<i>possible</i>	<i>Major</i>	
<i>Likely</i>	<i>Moderate</i>	
<i>Certain</i>	<i>Minor</i>	
<i>Likely</i>	<i>Major</i>	Extreme
<i>possible</i>	<i>Catastrophic</i>	
<i>Certain</i>	<i>Moderate</i>	
<i>Likely</i>	<i>Catastrophic</i>	
<i>Certain</i>	<i>Major</i>	
<i>Certain</i>	<i>Catastrophic</i>	

This table shows the evaluation parameters of the likelihood, impact and level of each impact generated by the Bilik Hukum when a possible risk occurs:

Table 11. Risk Evaluation Matrix

Possibility	Impact				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Very Rare (1)	R09	R06	R08	R01 R14	
Rarely (2)	R03		R13		
Regular (3)			R02 R05 R07	R04 R10 R11	
Often (4)				R12	
Definitely (5)					

Table 12. Risk Evaluation Matrix based on Probability, Impact, and Risk Level

Code	Risk	Possibility	Impact	Level
Internal				
R01	The application does not run completely	1	4	Low
R02	Application is running slowly	3	3	High
R03	Response to old customers	2	1	Low
R04	Integrity violation	3	4	High
External				
a. Vendor				
R05	Platform the one that is used has a problem	3	3	High
R06	Display on less attractive applications	1	2	Low
R07	Conflict with vendors	3	3	High
b. Government				
R08	Regulatory changes	1	3	Low
R09	Payment of taxes	1	1	Low
c. Experts				
R10	Expert conflict	3	4	High
R11	Services that cause complaints and losses to the Bilik Hukum	3	4	High
d. Other Cause				
R12	The internet network is experiencing problems	4	4	Extreme
R13	Power outage	2	3	Moderate
R14	Fire	1	4	Low

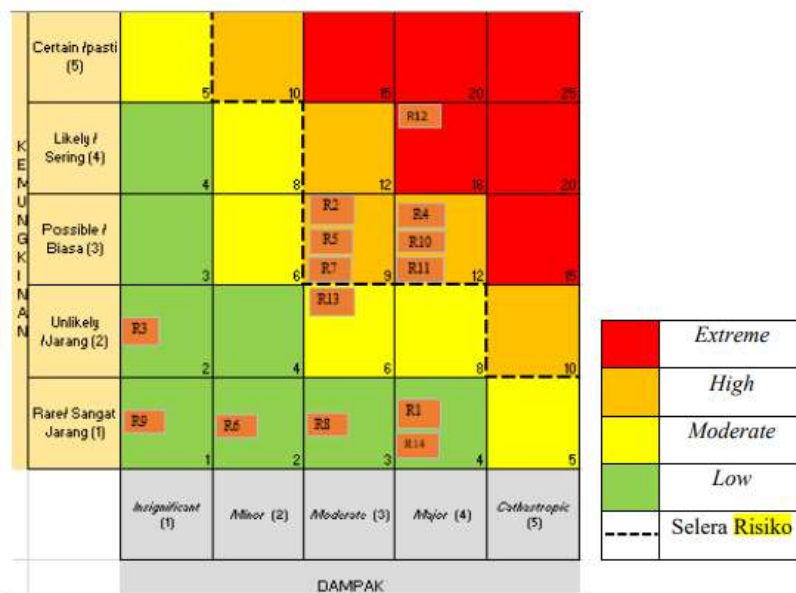


Figure 1. Inherent Risk Map

c. Risk Management

This process is a risk management process, the Bilik Hukum has determined steps to minimize the impact of the risks that have been previously identified according to the following table:

Table 13. Risk Management

Code	Risk	Mitigation
Internal		
R01	The application does not run completely	Cause search, application and website maintenance
R02	Application is running slow	Check memory availability and clean bugs every day
R03	Response to old customers	Responsive experts, do regular reminders
R04	Integrity violation	Provide direction and explain the importance of integrity in every existing process
External		
a. Vendor		
R05	The platform used is experiencing problems	Routine and periodic maintenance of the platform
R06	Display unattractive application	Customize the display as needed
R07	Conflict with vendors	Ensuring that all the rules set by the vendor are fulfilled and adhered to, establishing good cooperation with vendors
b. Government		
R08	Regulatory changes	Follow the regulations that have been set
R09	Payment of taxes	Avoiding tax manipulation, avoiding delays in paying taxes, recording transactions honestly and transparently
c. Experts		
R10	Expert conflict	Confirmation of cooperation agreement
R11	Services that cause complaints and losses to the Bilik Hukum	Confirmation of SOP (Standard Operating Procedure)
d. Other Cause		
R12	The internet network is experiencing problems	Selection of providers with high bandwidth, ensuring timely bill payments
R13	Power outage	Genset preparation
R14	Fire	Provision of fire extinguishers and insurance

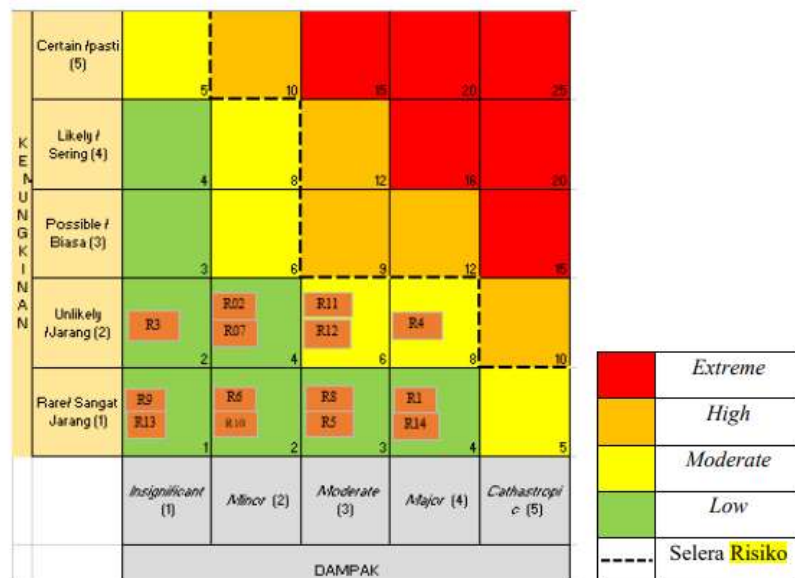


Figure 2. Reducial Risk Map

d. Communication and Consulting

The purposes of communication and consultation on risk management at the Bilik Hukum include:

1. Building a variety of expertise into one in the risk management process;
2. Ensuring that different views have been taken into account in formulating risk criteria and risk evaluation;
3. Provide adequate information to facilitate risk monitoring and decision-making processes; and
4. Build a sense of inclusion and belonging among the stakeholders affected by the risk.

e. Monitoring and Assessment

The Bilik Hukum carries out a process of monitoring and reviewing risk management consistently. The monitoring and assessment process is a process to ensure that the risk assessment and risk treatment have been running well and effectively and provide feedback and recommendations for improvement as needed.

f. Recording and Recording

The purposes of this recording and recording are:

1. Communicating the activities and results of risk management throughout the organization.
2. Generate information for decision making;
3. Improving risk management activities; and
4. Guiding interactions among stakeholders in accordance with their respective responsibilities and authorities.

V. Conclusion

The results of the business feasibility analysis from the financial aspect of Bilik Hukum show that Bilik Hukum is financially feasible with the following investment criteria: the ROI value for the second year to the fifth year is positive, the NPV value is positive at IDR 10,171,215,666,-, IRR is 68% above the discount rate which is 10%, the ARR is 319% (greater than 100%), the PI is 3.41, and the payback period is 1 year 7 months. A similar method of financial feasibility analysis was also carried out by Chakim et al (2021) in analyzing financial planning at Jamu Partnership startup, Kusuma et al (2021) in analyzing business feasibility from the financial aspect at Arena Corner and Xty, Yasuha, and Saifi (2017) in analyzing the financial feasibility of PT Pelabuhan Indonesia III (Persero).

Through risk management, the mitigation actions that have been carried out by the Bilik Hukum have succeeded in reducing the level of risk impact which was originally from a high level to a medium level and from a medium level to a low level. The stages of risk management carried out by Bilik Hukum are in line with research conducted by Erisha et al. (2021) at Kamala Clinics who have successfully implemented medical and non-medical risk management. In addition, this study is in line with research Jusnibilna et al (2021) at PT Marina and Saputra et al (2021) in the Jamu Partnership startup business. The risk management is carried out in six stages, namely: (1) risk analysis, (2) risk evaluation. (3) risk management. (4) communication and consultation, (5) monitoring and review, (6) recording and reporting.

Business feasibility study: financial analysis and risk management are very important to do to maintain business continuity, especially to assess whether the business is feasible and minimize the impact of risks that may occur. The researcher recommends that readers conduct a business feasibility analysis and risk management in their business so that business continuity can always be maintained and increase profits.

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