ABSTRACT

The infrastructure of toll roads on Java Island plays a crucial role in enhancing connectivity, aligning with the government's emphasis on bolstering investments in toll routes. PT B, as a private entity, supports this initiative and has undertaken the construction of toll roads that commenced operations in 2018. However, the year 2021 witnessed decrease in revenue due to Covid-19, posing a threat to the sustainability of toll business. In light of these challenges, a comprehensive review of the investment feasibility becomes imperative to assess the toll road's capacity to generate profits and its repayment capacity. Capital budgeting methods, including Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period (PP), are employed to evaluate the investment viability of the toll road developed by PT B.

Key Words: Toll Road, Capital Budgeting, NPV, IRR, PP

CHAPTER 1
INTRODUCTION

The first chapter explain the background problem of research, research problem, research question, research purposes, research benefits, and determine the limitation of the study which will be discussed in research scope.

1.1 Background Problem

Capital budgeting is the decision-making process or investment analysis used to identify projects that add value to the firm. It can also be employed to evaluate a project or investment. Several methods for calculating capital budgeting include net present value (NPV), internal rate of return (IRR), payback period (PP), and profitability index (PI) (Brigham & Daves, 2007). If the results of the capital budgeting show that the investment is feasible, the company also needs to forecast or analyze whether any future conditions might disrupt the investment performance. Sensitivity analysis can be utilized by the company to assess how unfavorable variables, such as lower volumes, shorter useful lives, or higher costs, are likely to affect the profitability of a project (Shim & Siegel, 2005).

The concept of capital budgeting and sensitivity analysis can be applied in various sectors, including financial institutions such as banks. According to Law No. 10/1998, a bank is defined as a financial institution that collects funds from the public in the form of savings and distributes the funds to the public in the form of credit/loans. Banks provide loans to help companies finance their