

## THE FEASIBILITY STUDY OF THE ESTABLISHMENT OF NONGNAPHAT LEASING CO., LTD.

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### Abstract

A Feasibility Study of the Establishment Nongnapat Leasing Company Limited in Tha Phra Municipality, Muang District, Khon Kaen province Covered four subject areas, which were feasibility in Marketing, Management, Technical, and Financial. Research instrument used questionnaire to survey with 400 samples and any relating data. The results of study found that the marketing was feasibility because of economic recession environment; the people were in need to spend while the banks strict in approval process. Therefore, it was Nongnapat Leasing Company Limited's opportunity to engage in business, the 40.25 percent of samples need to use the service from Nongnapat Leasing Company Limited. Forecasting of 5 years income found that there were income amounts of 10,224,758 Baht. The technique was feasibility because the company's location were located in community; there were easy access for transportation, car park space, and company sign's name, the shops area were divided into smaller section, the suitable of materials facilitate, and the procedures of consideration and improved quickly. The management was feasibility due to Nongnapat Leasing Company Limited had commercial registered to order of Department of Business Development, project owner had authority integrated decision that lead to make the operation flexibility, the procedures of consideration and improved quickly, there was sufficient staffs to serve customers, the selection of staffs with a suitable position and motivated employees with reasonable salary and welfare. The financial was feasibility; it found that the project can pay back (PB) in the period of 3 years 5 months 26 days, net present value (NPV) at 1,168,357 THB, and internal rate of return (IRR) 18.89 percent. In conclusion, the project establishment was feasible.

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**Keywords:** The Feasibility Study, Nongnapat Leasing



## Introduction

The bank loan approvals were more careful during the economic regression, in order to avoid Non-Performing Loans (NPLs), by examine settlement history of loans and credit card (Credit Bureau). The period of approval process took long time due to the process of examined of debt settlement capability, which sometime the approval were not fast enough to demand of loan customers who were in urgent for money. Some of the customers were not granted of approval, which made customer turn their loan requirement to other financial institutions that were not banks, such as leasing firms, mortgage firms and sell on consignment of their assets such as cars, houses, lands, etc. Theother financial institutions that were not bank provide an easy approval in securitization, with less complicated condition, but customers must provide the mortgage security. Thus, increased in number of people who were in urgent for money or did not grant loan approval from the banks turned their attention to other financial institute instead.

Thabon Tha Phra is in the urban area of Muang district, Khon Kaen province. Have population 18,453 people [1] and its area is the location of many factories such as CP ALL public company limited, CP ALL distribution center of Khon Kaen, Khon Kaen Glass industry company limited, Khon Kaen Brewery company limited and Tesco Lotus distribution center of Khon Kaen province that made condition of life in community become mixed urban community of industrial and agriculture. Moreover, the area has potential in urban community expansion of urban area from inner to outer city(according to Provincial development plan). Also, as Khon Kaen province entering ASEAN community that made Tha Phra municipal become more important, as a result of double tracks railway project route Nong Khai – Bangkok that transform Tha Phra to be transship point of goods, [2]Chinese investors bought the land to set establish green industrial estate and factories, [3] which impact to expanding of urban area and economic of Tha Phra area, and increased in number of population.

From the reason mentioned above, researcher interested in investing in leasing, mortgage and sell on consignment of their assets such as cars, houses and lands, from initial survey found that Tha Phra municipality area had 4 service providers, but not enough to cover the demand in leasing mortgage and sell on consignment of their assets such as cars, houses and lands. Thus this research focus on the study in feasibility of establishment Nongnapat leasing company limited in Tha Phra municipality, Muang district, Khon Kaen province in marketing, management, technique and finance, in order to use as consideration for decision making of investment.

## Objectives

To study the feasibility in establish Nongnapat leasing company limited in Tha Phra municipality, Muang district, Khon Kaen province in 4 factors, which were following feasibilities: marketing, management, technique and finance.

## Work process

### 1. Market feasibility study.

1.1 Study of behavior, demand and the factors influencing the service selection of leasing, mortgage and sell on consignment of their assets such as cars, houses and lands.

The population of this study was 400 people in Tha Phra municipality, Muang district, Khon Kaen province, which the sample of this research were calculated by using Taro Yamane formula. [4] Research instruments of this study were survey questionnaire to study behavior, demand and the factors influencing the service selection of leasing, mortgage and sell on consignment of their assets such as cars, houses and lands, by applied with consumer behavior questions which were followings: Who is in the target market?, What does the consumer buy?, Why does the consumer buy?, Who participates in the buying?, When does the consumer buy?, Where does the consumer buy? and How does the consumer buy?. The marketing strategy mix consisted of 7 Ps were Product, Price, Place, Promotion, Process, People and Physical.[5] Used the 5 points rating scale question and ask for demand in using service of Nongnapat Leasing Company Limited.

1.2 Analyzed general environment that influence to business operation in 5 points included of law and politics, economic, socio-cultural, technology and physical evidence. [6]

1.3 Analyzed competitive environment used Porter 5 forces theory included of Threat of competitive rivalry, Threat of new entrants, Threat of substitute products or services, Threat of bargaining power of customers (buyers) and Threat of bargaining power of suppliers. [7]

1.4 Analyzed success factors, used study result from questionnaire to create the success factors and applied in business operation.

1.5 Analyzed Marketing mix, the study in this part analyzed the marketing mix with 7 Ps of Product, Price, Place, Promotion, People, Physical and Process.

2. Feasibility study in management, included of business establishment model, organization structure, employment process, retain staffs and study of customers service process. [8]

3. Feasibility study in operation technique comprised of location selecting, shop layout designed and provides facilities to serve customers. [9]

4. Feasibility study in finance comprised of analyzed the financial statement, cash flow statement, balance sheet, net present value, internal rate of return, payback period and sensitivity analysis. [10]

5. Emergency plan was the planned for support situation of business, when initial establishment of business and follow every promotional step as planned, but did not achieve as expected.

## Result

### 1. Result of feasibility study in marketing.

The study found that feasibility in marketing was feasible, due to the economic recession environment; the people were in need to spend while the banks were strict in loan



approval. Therefore, it was Nongnapat Leasing Company Limited's opportunity to engage in business of mortgage, sell on consignment of houses and lands, trade in car and motorbike in Tha Phra municipality, Muang district, Khon Kaen province, where it had an constant expanding urban area and number of population as we can see 40.25 percent of samples need to use the service from Nongnapat Leasing Company Limited. The operation were according to study result of influencing factor that made business successful in mortgage, sell on consignment of home, land and real estate also trade in car, and refinance of car and motorbike, was because Nongnapat Leasing Company Limited provided wide range of service such as hire-purchase; sell on consignment of car, home and land; approval high credit limit; various channel of connection such as telephone, line chat application, etc; provided customers with consultancy and answered questions; service provider operate according to law and legislation; staffs had a good service skill in advise/ consult; staffs were friendly with smile, polite; and staff uniform were nice and clean. Form the 5 years forecasted found it had revenue of 10,224,758 Baht. Revenue of each year was as follows: 1<sup>st</sup> year 1,374,000 Baht, 2<sup>nd</sup> year was 1,648,800 Baht, 3<sup>rd</sup> year was 1,978,560 Baht, 4<sup>th</sup> year was 2,374,272 Baht and 5<sup>th</sup> year was 2,849,126 Baht.

## 2. Result of feasibility study in management.

Feasibility in management found it was feasible, because Nongnapat leasing company limited registered with the Department of Business Development. The owner was the sole decision maker that made business flexibility, had the swift credit approval process. The project included of 3 staffs of manager, collection staff and administers staff; this was sufficient to serve customers. The employment selection were carefully selected the right person to each position, and motivate by appropriate salary and benefit.

## 3. Result of feasibility study in technical

Feasibility in technical was feasible, because company located in community area of Tha Phra municipality, Muang district, Khon Kaen province (figure 1), where facilitate with easy access of transportation, had a parking spaces, had company signage, well equipped with layout designed, had appropriate facilities for office usage and had swift credit approval process.

## 4. Result of feasibility study in finance.

Feasibility in finance found it was feasible. The project had owner's budget of 3,136,000 Baht. Breakeven analysis suggested that the pay back of 5 years project period was 3 years 5 months 26 days (Table 1). Had Net Present Value of 1,168,357 Baht (Table 2), had return of project at 18.89 percent (Table 3). Thus it is feasible project to invested

## 5. Emergency plan

Emergency plan were study by researcher and had planned for cases as follows:

### Short term plan (1 - 2years)

#### 5.1 Case: If revenue does not goes as expected.

From operation of Nongnapat Leasing company limited, if revenue does not happen as expected, project will expand the customer base area to gain more customer in service of mortgage, sell on consignment of home and land, and trade in car and motorbike, to Muang Kao municipality and Baan Ped municipality within city municipality Khon Kaen, nearby districts within Khon Kaen province and Maha Sarakham province.

### 5.2 Case: Capital is not enough to customer demand.

From operation of Nongnapat Leasing company limited, if there are large amount of customers and capital is not enough for customers, then the first step to solve the issue is to request fundraising from relatives, second step is to request fundraising from investor who know the owner well, and last step is to pass customer on to alliance. In case customers demand higher credit limit than company limit, will cooperate with investor to consider and approve.

### 5.3 Case: None performing loan.

To avoid none performing loan, Nongnapat Leasing company limited policy is to collect the loan guarantee item such as transfer ownership of title deed agreement in presence of Registrar of Department of Lands, collected of vehicle registration book, and float transfer of ownership of vehicle and motorbike. Moreover the collection staff has good negotiation skill and provides suggestion option for client to settle debts.

### Long term plan (3-5 years)

If the revenue still not reached the goal, then the researcher would adjust the business from having office for service of mortgage, sell on consignment of home and land, trade in car and motorbike, to be no office and not hire staff. The researcher would become independent middle man in service of mortgage, sell on consignment of home and land, and trade in car and motorbike, who pass on cases to other finance company and also choose to approve the loan when see as appropriate.

## Conclusion.

Result of the study found that the establishment of Nongnapat Leasing company limited at Tha Phra municipality, Muang district, Khon Kaen province was feasible with all 4 factors, which were following feasibility: Marketing, Management, Technical and Finance.

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**Table 1** Pay back calculation.

Year	Capital	Cash flow	Cumulative cash flow
0	(3,136,000)		(3,136,000)
1		570,807	(2,565,193)
2		813,717	(1,751,476)
3		1,081,319	(670,157)
4		1,389,509	719,352
5		1,760,966	2,480,318

$$\text{Payback period} = 3 + \frac{670,157}{1,389,509}$$

$$= 3.48 \text{ years}$$

$$= 3 \text{ years } 5 \text{ months } 26 \text{ days.}$$

**Table 2** Net Present Value.

Year	Cash flow from operation	Cost of investment percent 8.00	Net Present Value from operation
1	570,807	0.926	528,525
2	813,717	0.857	697,631
3	1,081,319	0.794	858,386
4	1,389,509	0.735	1,021,330
5	1,760,966	0.681	1,198,484
Total Net Present Value			4,304,357
Capital			(3,136,000)
Net Present Value			1,168,357

Project Net Present Value 4,304,357 – 3,136,000 = 1,168,357 Baht

**Table 3** Calculation of Internal Rate of Return

Year	Net cash flow	Discount rate	Net Present Value	Discount rate	Net Present value
		16%		17%	
0	(3,136,000)	1.000	(3,136,000)	1.000	(3,136,000)
1	570,807	0.847	483,735	0.840	479,670
2	813,717	0.718	584,399	0.706	574,618
3	1,081,319	0.609	658,124	0.593	641,672
4	1,389,509	0.516	716,693	0.499	692,905
5	1,760,966	0.437	769,735	0.419	737,932
Net Present Value			76,685		(9,204)

At 18% discount rate, net present value was 76,685Baht.

At 19% discount rate, net present value was -9,204 Baht.

Different of discount rate of 1%, net present value different at 85,889 Baht

$$(76,685 / 85,889) * 1\% = 0.89 \%$$

$$\text{Thus: } \text{IRR} = 18 + 0.89 = 18.89 \%$$

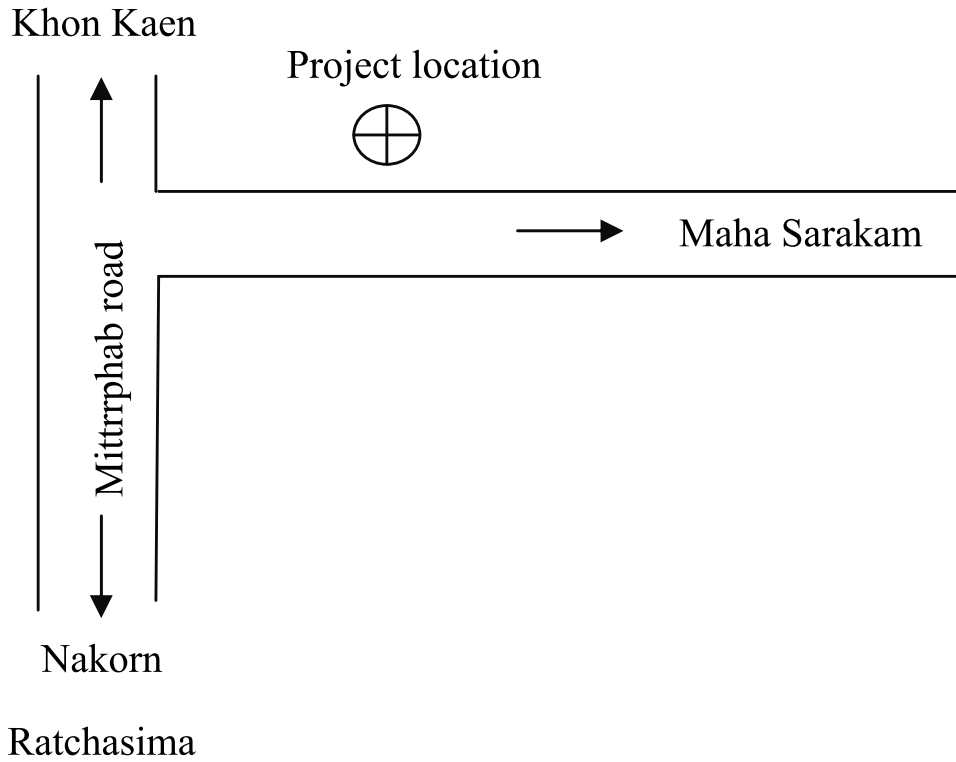


Figure 1 Project location