

ABSTRACT

UMKMs in the furniture sector remain a significant industry in Indonesia and are part of the manufacturing sector producing items such as window frames (kusen). The Indonesian furniture industry has experienced consistent growth, driven by high domestic demand and export potential. One such company is UD Amin, which is a primary choice for contractors and households, particularly for window frame demands. The growth in window frame demand is influenced by developments in the construction and real estate sectors, including residential, commercial building construction, and building renovations. Trends in urban and rural development and renovation have had a significant impact on the demand for these furniture products. In 2021, the construction and real estate sector grew by 0.71%, showing a slight improvement in real estate activity. In 2022, growth significantly increased to 5.17%, indicating a rise in demand or activity in the real estate sector, possibly influenced by post-pandemic economic recovery or other factors. Limitations in production space and workforce led to the inability to meet the entire demand for window frames, forcing the owner of UD Amin to outsource the production of window frames to other manufacturers. To address the problem of limited window frame production at UD Amin, expanding the production area to increase capacity became the required solution. In this study, the author offers the best alternative choice using the incremental method to select the optimal business development scenario, including calculations for increasing building capacity, facilities, and workforce. An evaluation of the alternatives was conducted to determine whether expansion to increase capacity was necessary. After conducting a feasibility analysis that includes market, technical, and financial aspects, all three alternatives were deemed feasible. The NPV for alternative 1 was IDR 843.710.356 with an IRR of 48%, a Payback Period (PBP) of 2.86 years, and a Profitability Index (PI) of 1,89. In alternative 2, the NPV was IDR 3.042.041.321 with an IRR of 66%, a PBP of 2.38 years, and a PI of 2,85. Meanwhile, alternative 3 had an NPV of IDR 692.113.592 with an IRR of 28%, a PBP of 4,37 years, and a PI of 1,31. In selecting the most profitable alternative using incremental analysis, the IRR gap (ΔROR) between alternative 1 and alternative 2 was 83% ($\Delta ROR > MARR$), while the gap

between alternative 2 and alternative 3 was -2% ($\Delta ROR < MARR$). Based on this, alternative 2 was selected as the best option, involving the expansion of business land.

Keywords: Alternative Selection, Incremental Analysis, Feasibility Analysis, NPV, IRR