## UNIT -4. IDENTIFICATION OF BUSINESS OPPORTUNITIES

### MEANING OF PROJECT

An entrepreneur takes numerous decisions to convert his business idea into a running concern. His/her decision making process starts with project/product selection. The project selection is the first corner stone to be laid down in setting up an enterprise. The success or failure of an enterprise largely depends upon the project. The popular English proverb "well began is half done" applies to project selection also indicates the significant of good beginning.



### MARKET FEASIBILITY STUDY

A market feasibility study is carried out to assess the market potential of a project.

The following questions need to be primarily answered during this

1. What would be the aggregate demand for products as well as for spare parts in the months and years to come?
2. What would be the target group (buyers) for the products?
3. What would be the company's market share?
4. How would competition affect the proposed company's market share?

To answer the above questions, a wide variety of information would be required to be collected as given below:

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Following are some of the techniques both objective and subjective which help in analyzing the various issues.

1. Consumption trends in the past, present consumption levels and consumption trends for the future.
2. General performance of the Industry to which the product belongs.
3. Past and Present supply position.
4. Production possibilities and its constraints
5. Structure of competition - national and international
6. Prices of competing products
7. Demand elasticity
8. Consumer behavior with respect to preferences attitudes, brand loyalty, religious beliefs, advertisements etc.
9. Distribution channels - available or proposed
10. Administrative, technical and legal constraints.



### 1. Demand Forecasting Techniques

a. Judgmental Methods

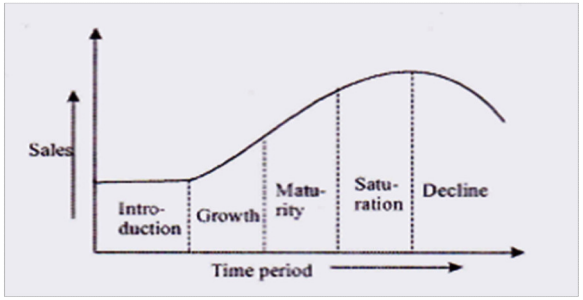
- (i) Opinion polls
- (ii) Market Trials
- *(hi)* Delphi Technique
- *(iv)* Nominal Group Technique

b. Analytical Methods

- (i) Time series methods
- *(ii)* Exponential smoothing
- (iii) Regression method

## 2. Life Cycle Segmentation analysis

Every product has its own life span In fact. every product goes through the following stages before dying, although the duration for each stage may vary from product-to product.




1. Introduction
2. Growth
3. Maturity
4. Saturation
5. Decline

When the product life cycle curve is estimated and drawn for a product, the sales at different stages can be anticipated.



## A Technical feasibility

study is carried out to assess the technical details of a project and their viability. The following questions need to be primarily answered during the course of this study.

1. Is the proposed layout of the site, buildings and plant sound?
2. Are the processes chosen for production suitable?
3 Are the equipment and machinery chosen appropriate?
4. Is the availability of raw materials, power and other inputs confirmed?
5. Are support services and auxiliary divisions in place?
6. Have work schedules been drawn up realistically?
7. Is the selected scale of operation optimal? Is the estimated capacity utilization realistic?
S. Has there been provision for treatment of effluents made?
9. Is the technology used acceptable from the social benefit point of view?
10. Are provision made for preliminary studies and prototype testing?

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In the process of finding answers for the above question, the following information is gathered:

1. Identifying the technical specifications of the product with respect to its functional aspects, design, durability, reliability, safety and standardization.
2. Finding out the actual availability of various inputs to production with respect to both quality and quantity.
3. To check whether transportation facilities and other supporting services are available.
4. To check whether the manufacturing process proposed include flow process charts.
5. To check whether foreign technical knowhow IS required.
6. To check whether any patent laws or intellectual property rights are being violated.
7 To test the prototype or the product itself through various engineering studies.



## III. FINANCIAL FEASIBILITY STUDY

Finance is the lifeblood of any organization. Without proper financial backing even the best of project ideas are of no use. Therefore financial feasibility study is an important study that helps to establish the financial viability of the project. This study helps in finding answers for the following type of questions:

1. What 1S the financial requirement of both, Fixed as well as Working capital?
2 Where does the money come from and what rate of interest? What are the risks involved?
3. Will the proposed project satisfy expectation with respect to returns to those who are providing the capital?
4. Is the entrepreneur responsible for the project capable of taking service debts and other financial burden? Does he have enough backing?
5. What is the anticipated or estimated profitability projection in the course of finding answers for the above questions the following aspects have to be looked into during financial feasibility study?

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1. Investment outlay and costs involved in the project.
2. The debt-equity ratio. Debt-equity ratio gives an idea of how much the entrepreneur is borrowing (debt) and how much he is investing himself (equity).
3. Cash Flow diagrams of the project.
4. Projected future financial position.
5. Investment worthiness of the proposers

The following techniques are also used in the process of financial feasibility studies: Break-even analysis to find Break-even volume and costs.

2. Engineering Economy studies to find PW. AEWFW, IRR, Payback period etc
3. Financial Ratio analysis to find performance indicators.



## IV. SOCIAL FEASIBILITY STUDY

It is not enough if a project is feasible from marketing, technical and financial point of views. A project should also be acceptable from the social point of view. In other words the social benefits and costs which can be often different from monetary benefits and costs have to be assessed. A social feasibility study is therefore carried out and tries to answer the follow relevant questions.

1. What natural resources of the- country is the project draining
2. What is the impact of the project on its immediate surroundings and the environment in general?
3. What would be the community reactions to a particular project product plant?
4. Does the project displace people? If so who? How many? What is the compensation paid '?
5. What is the cost involved in restoring damages done to the environment if it is in acceptable limits '?
6 What would be the contribution of the project towards achieving local employment self-sufficiency and social order?



7. What would be the impact of the project on the level of savings and investment in the society?
8 What would be the impact of the project on the distribution of income in the society?