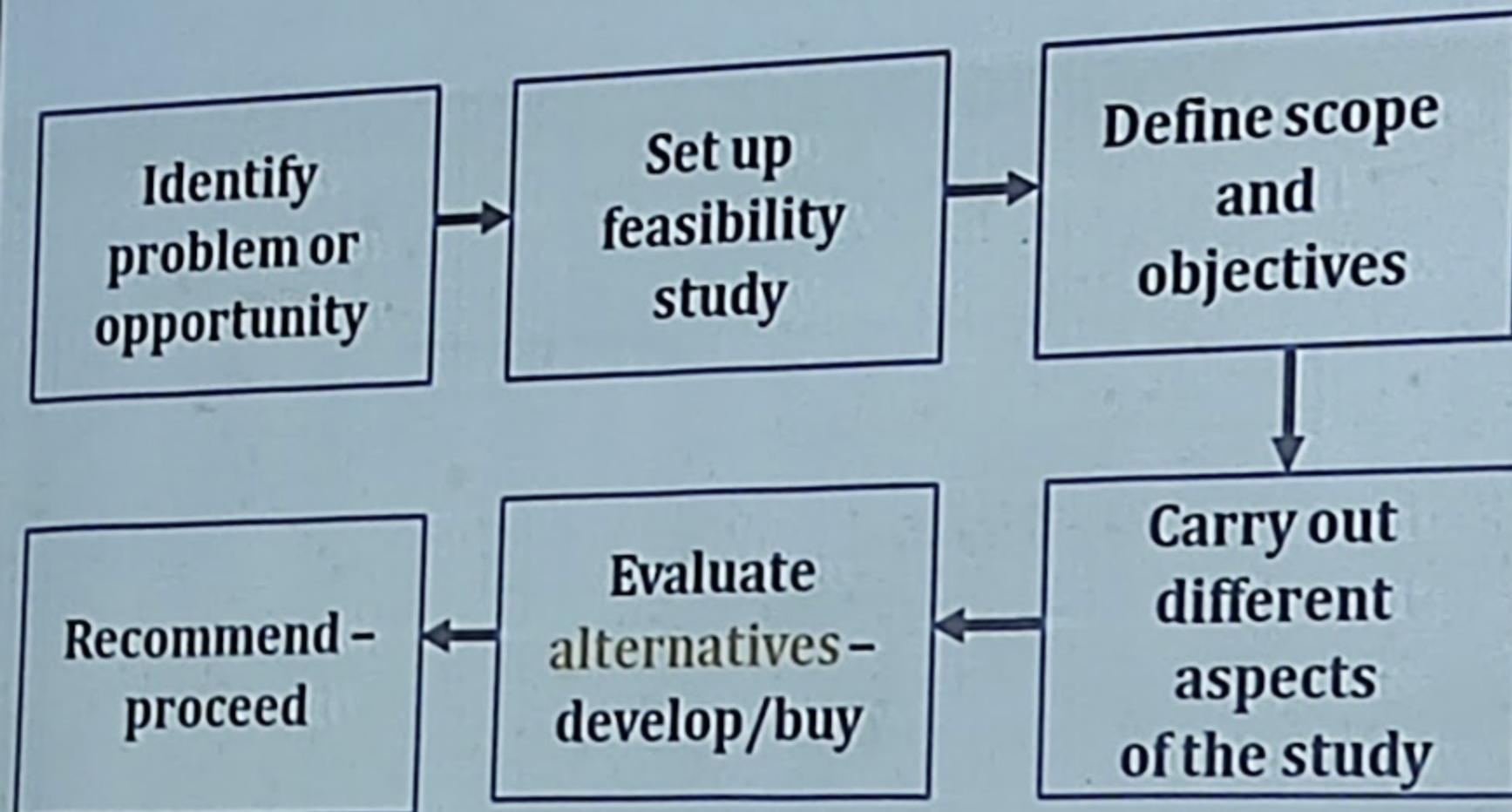


# FEASIBILITY STUDY

- A feasibility study should contain clear supporting evidence for its recommendations.
- Recommendations will be reliant on a mix of numerical data with qualitative, experience-based documentation.
- A Business Feasibility Study is heavily dependent on the market research & analysis.
- A feasibility study provides the stakeholders with varying degrees of evidence that a Business Concept will in fact be viable (Hoagland & Williamson 2000; Thompson 2003c; Thompson 2003a; Wickham 2004).

# FEASIBILITY STUDY



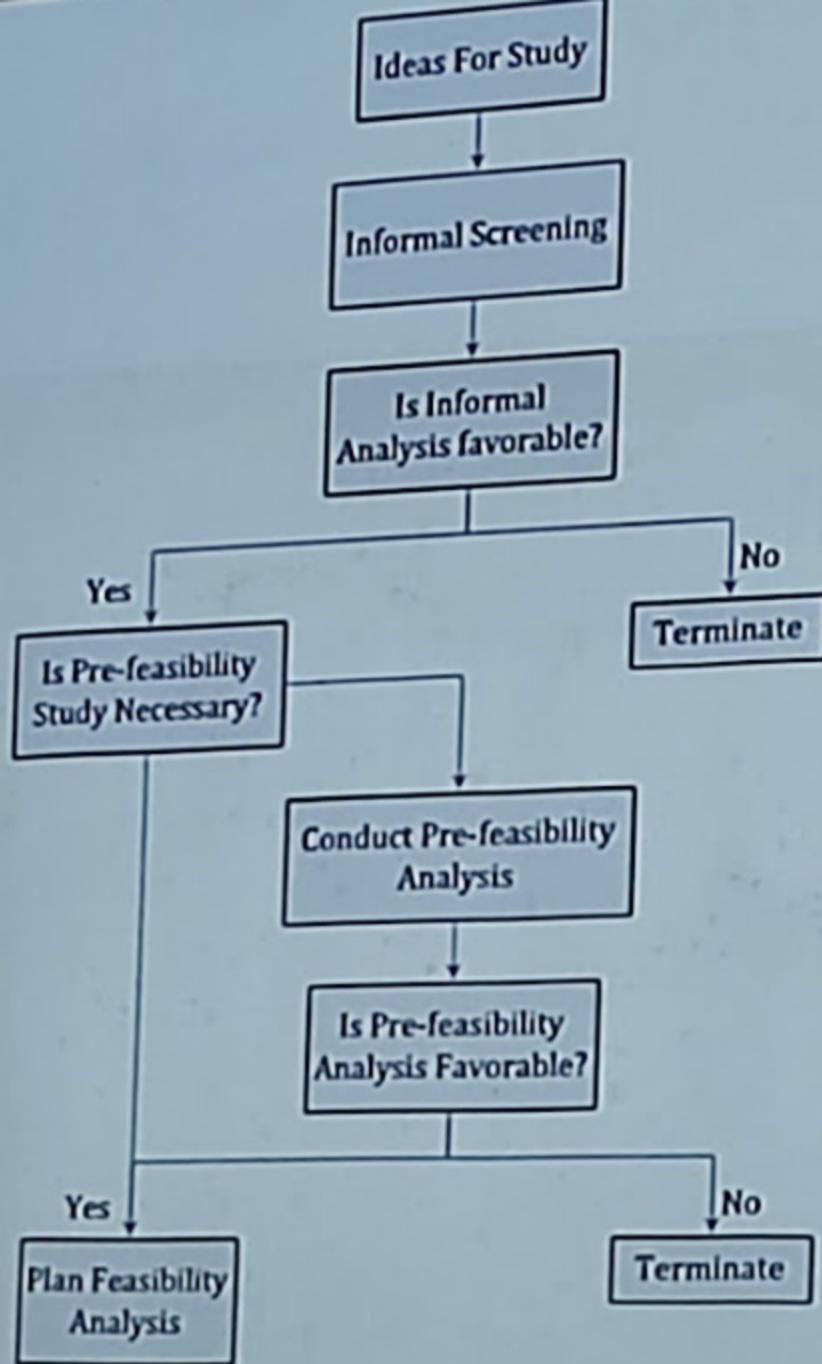
## BUSINESS FEASIBILITY STUDY AND DIMENSIONS OF BUSINESS VIABILITY

- The Business Feasibility Study findings will be assessed by potential investors & stakeholders regarding their credibility & depth of argument.
- The Business Feasibility Study places the findings of the Dimensions of Business Viability Model assessment into a formal business report. It also aligns the findings with functional processes of an enterprise which an audience can easily understand (Thompson 2003a).

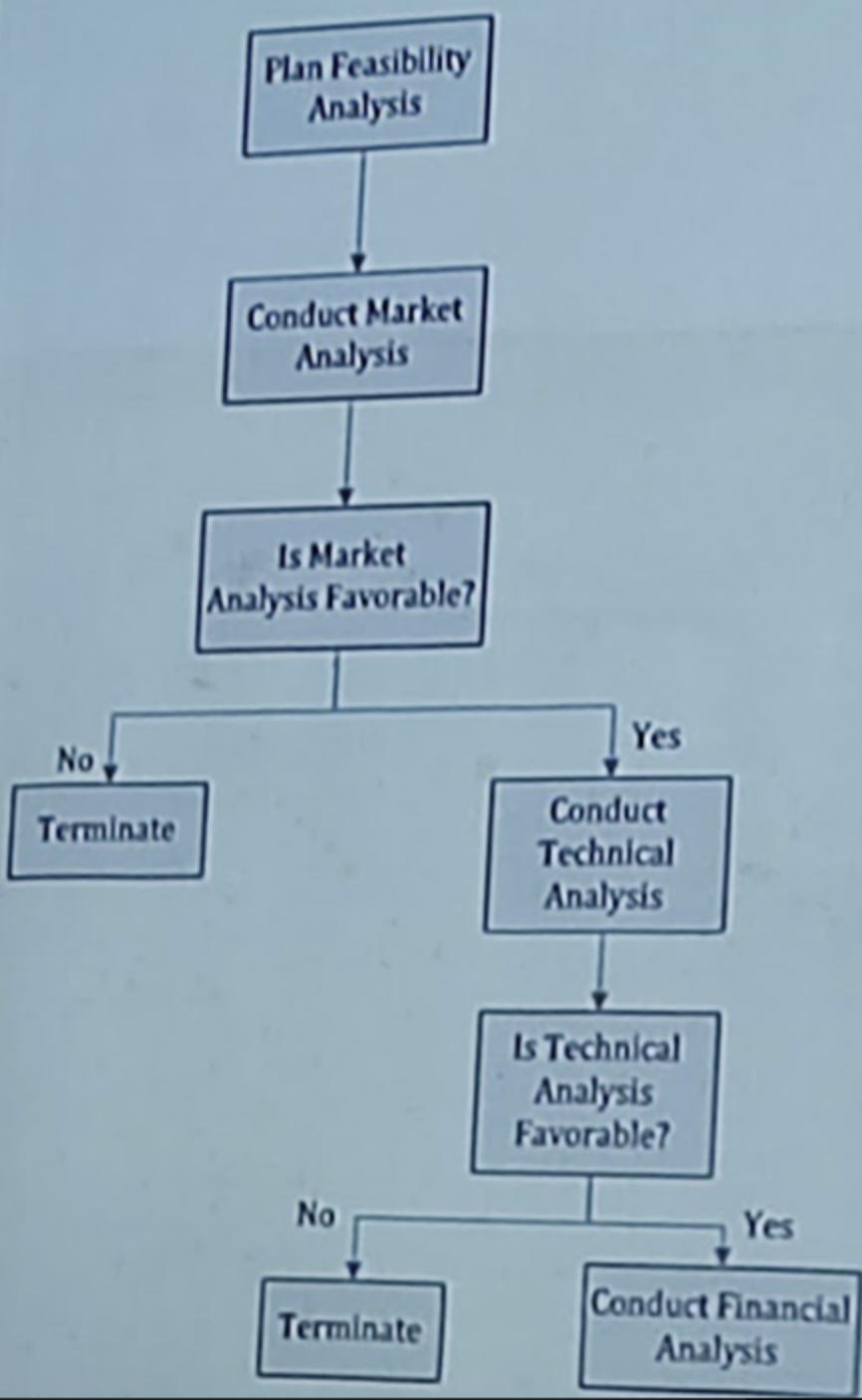
# BUSINESS FEASIBILITY STUDY AND DIMENSIONS OF BUSINESS VIABILITY<sup>Contd.</sup>

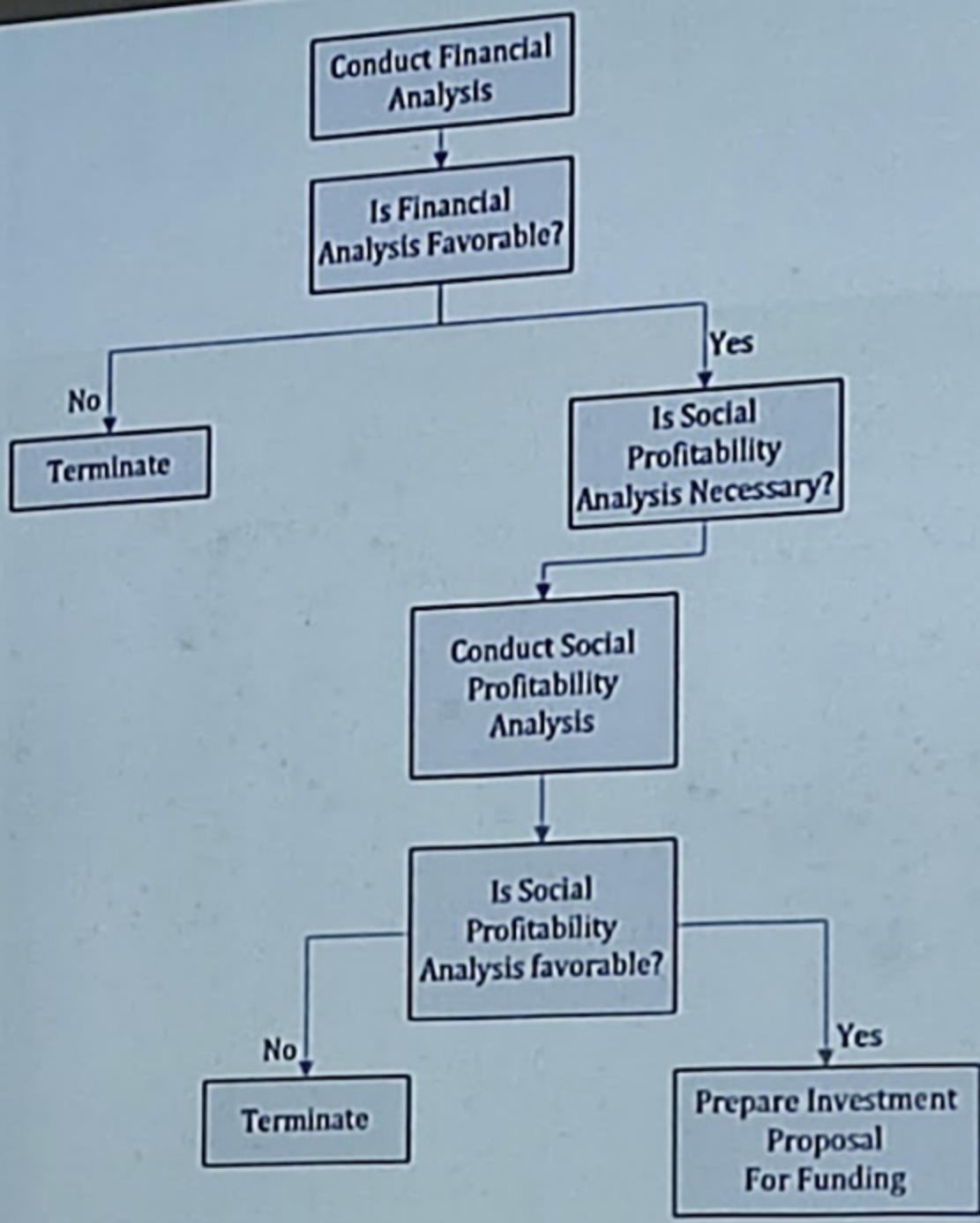
- For the purposes of understanding the structure of a Business feasibility Study the following represents the framework of the Dimensions of Business Viability (Thompson 2003c; Thompson 2003a):
  - Market Viability
  - Technical Viability
  - Business Model Viability
  - Management Model Viability
  - Economic & Financial Model Viability
  - Exit Strategy Viability
- Business & market analysis will contribute considerably to the Business Feasibility Study. Consideration should be given to using traditional business analysis techniques such as SWOT, Porters Five Forces & PEST. Although they may not provide information which is a perfect fit to the proposed business model, they will provide a strong starting point for future analysis.

# Identification & Pre-selection



# Analysis





# Evaluation

# Typical Issues in Feasibility Study

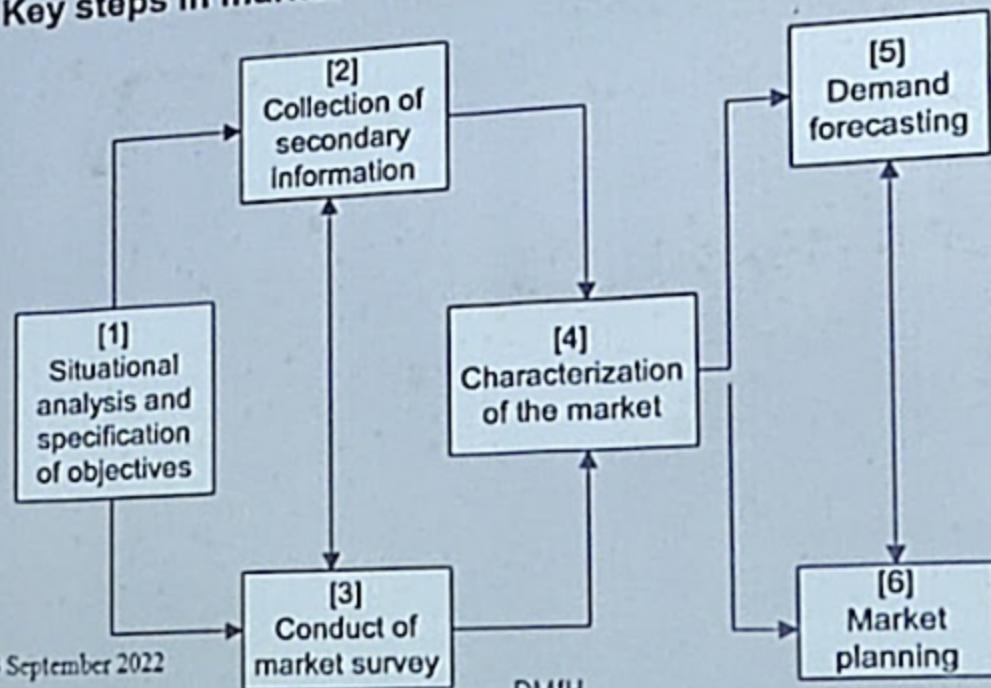
- Market Feasibility
- Technical Feasibility
- Resource Feasibility
- Cultural Feasibility
- Operational feasibility'
- Legal Feasibility
- Schedule Feasibility
- Economic Feasibility

# Market Feasibility

- A market assessment may be conducted first to identify market opportunities. If no opportunities exist, there may be no reason to proceed further.
  - Industry description.
  - Industry competitiveness.
  - Market potential
  - Access to market outlets.
  - Sales projection

**Market & demand analysis** is the first step of project analysis & is concerned with two broad issues: (i) What is the likely aggregate demand for the product or service? (ii) What share of market will the proposed project enjoy? **Market demand analysis must be carried out in a systematic manner**

**Key steps in market- demand analysis and their inter-relationship**



## **(A) Situational analysis & specification of objectives**

- To get a "feel" for the relationship between the product & its market, the project analyst must learn about the preferences & purchasing power of the customers, action & strategies of competitors, & practices of the intermediaries in the industry.
- To generate enough data for market-demand analysis it is essential to spell out the project objectives clearly & comprehensively. It will help the situational analysis to be more precise & less complicated.

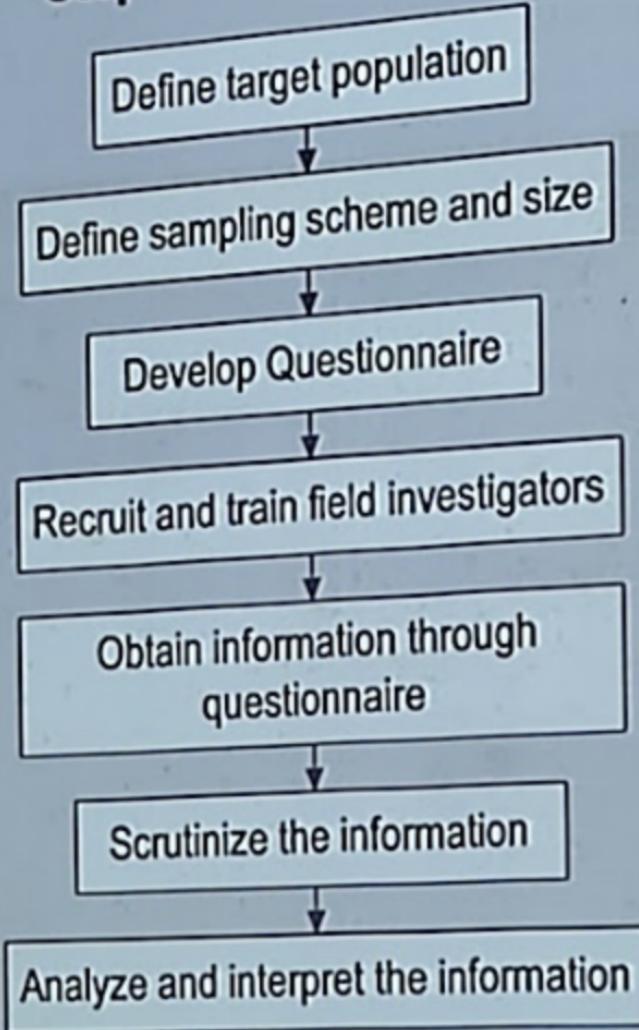
## (B) Collection of Secondary data

- Secondary information is information that has been gathered in some other context & is already available. Secondary information provides that base & the starting point for market & demand analysis. It indicates what is known & provides leads & cues (hints) for gathering primary data required for further analysis.  
Planning Commission Report, Statistical Yearbook, Economic Survey, etc. are the sources of secondary information.
- While collecting secondary information, its **reliability**, **accuracy**, & **relevance** must be carefully examined

## (C) Conduct of market survey

Secondary information often does not provide a comprehensive basis for market-demand analysis. It needs to be supplemented with primary information gathered through market survey. Market survey may be a **census survey** or **sample survey**. In a census the entire population is covered by the survey, on the other hand in a sample survey, a part of the population is considered as the representative of the population. Census survey is expensive as it covers the entire population & in many cases, it is impossible to conduct. In practice, market survey, is typically a sample survey.

## Steps in sample survey



## **(D) Characterization of market**

Based on the information gathered the relevant market of the product or service may be described in terms of the following:

### **(1) Effective demand in the past & present**

Apparent consumption: Production + Imports – Export – Changes in stock level (effective demand)

### **(2) Breakdown of demand:** Market segment defined as, (i) nature of product, (ii) consumer groups, (iii) geographical division

### **(3) Price:** (i) manufacturers' price quoted as FOB/CIF, (ii) landed price for imported goods, (iii) average wholesale price, (iv) average retail price

**(4) Method of distribution & sales promotion:** Types of product (raw material, consumer goods, & industrial goods) tend to have different channels of distribution & different method of sales promotion (discount, advertising, gift schemes)

**(5) Consumers:** Consumer may be characterized into two dimensions, (i) demographic & sociological dimension (age, sex, income, profession etc.), (ii) Attitudinal dimension (preferences, intention, habits, response)

**(6) Supply & competition:** Whether the existing supply sources are foreign or domestic. It is one of the vital issues to be analyzed carefully from the perspective of competition...

**(7) Government policy:** Production targets in national plan, import/export trade control, financial regulations, subsidies, & penalties.

**(E) Demand forecasting:** At this phase, an attempt is to be made to estimate the future demand for the concerned product/service. A wide range of market demand forecasting methods is available for market-demand analysis. These methods can be summarized into three broad groups:

- **Qualitative methods:** Jury of executive opinion method, Delphi method
- **Time series projection methods:** Trend projection method, Exponential smoothing method, Moving average method.

- **Causal method:** Chain ratio method, Consumption level method, End use method, Leading indicator method, Econometric method

#### **(F) Market planning:**

To enable the product /service to reach a desirable level of market penetration, a suitable marketing plan, covering pricing, distribution promotion & service needs to be developed.

# Project Management: Financial Analysis



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# Project Management: Financial Analysis

# Introduction

Financial analysis seeks to ascertain:

- Whether the proposed project will be financially viable to meet the burden of servicing debt.
- Whether the proposed project will satisfy the return expectations who provide the capital.