



CLASS- M.SC (CLOTHING AND
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SUBJECT- ENTREPRENEURSHIP

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PROJECT FORMULATION

Elements Of Project Formulation

ELEMENTS OF PROJECT FORMULATION

Project formulation is by itself an analytical management aid. It enables the entrepreneur to arrive at the most effective project decision. Project formulation exercise normally includes such aspects as follows

- Feasibility analysis.
- Techno-economic analysis.
- Project design & Network analysis.
- Input analysis.
- Financial analysis.
- Social cost benefit analysis.
- Pre-investment appraisal.

FEASIBILITY ANALYSIS

- The feasibility analysis is undertaken to conceive and evaluate the project idea and also to decide whether investment has to be made for further development of the conceived project idea within the limitations of the project implementing body and the constraints the project is bound to face.
- When a project is taken up for development, the project implementation body will come across three alternatives.
- Firstly, if the proposed project gives an idea that the project is a positive one, the project assessing body will proceed to invest further resources in pre-investment studies and design development.
- Secondly, if the proposed project gives an idea that the project is not feasible to be undertaken, the assessing body of the project will rule out further investment in the project.
- Thirdly, whatever information and data available on hand are not sufficient to take a decision on the viability of the proposed project; the assessing body will defer the investment decision till such a time when they can take a final decision about the project, after collecting all the required information and data.
- Generally, the feasibility analysis consists of three stages viz.a)
 - a)pre-feasibility study,
 - b) feasibility study,
 - c) Project report.

TECHNO-ECONOMIC ANALYSIS

- This analysis enables the entrepreneur to study the following aspects for achieving the project objectives:-
 - a. Identification of the project
 - b. Demand potential
 - c. Selection of optimal technology
- This analysis provides necessary information on which a project design can be based.
- This analysis also indicates whether the economy is in a position to absorb the output of the project.
- The techno-economic analysis consists of two parts.
- The first part is to determine the maximum feasible project output.
- second part is to select the optimal strategy to achieve the output.

PROJECT DESIGN AND NETWORK ANALYSIS

- Project design is the heart of a project.
- A project is full of individual activities.
- These individual activities are interrelated.
- Activity can be termed as an event also.
- In other words a project has a chain of events and all these events are interrelated.
- So, the aim of the project design is to define these individual activities and its interrelationship.
- Through this chain of events, a project can start producing the desired results in the form of goods and services.
- These various activities can be depicted in the form of a network diagram.
- A detailed work plan of a project to be executed within the reasonable time frame is the main concern of project design and network analysis.
- The purpose of doing network analysis is to identify the optimal course of action to execute the project within the minimum possible time, keeping in mind the available resources.

INPUT ANALYSIS

- The purpose of input analysis is to identify, quantify and evaluate the project inputs.
- In short, this analysis estimates the requirement of resources for a project.
- This analysis should serve the purpose of identifying the nature of the input first, quantifying the input available and ensure the uninterrupted supply of inputs.
- During the pre-investment stage, a project requires lesser amount of inputs only.
- During the construction stage, a project may require maximum amount of resources.
- During the normalization stage, a project will require inputs viz., raw materials, consumables etc on a recurring basis.

FINANCIAL ANALYSIS

- The purpose of financial analysis is to ensure the financial feasibility of a project.
- This analysis gives a clear picture about the extent of investment to be made in a project to achieve the desired results.
- This study will give the details of investment to be made in each and every activity of the project.
- This study is also called by another name i.e. Financial forecast. By undertaking this analysis, one can estimate the project cost of the project, revenue and capital expenditure of the project and the revenues to be generated from the project at the end.
- It determines not only the funds required for the project during the course of execution but also the generation of income from the project after execution.
- This will estimate the profitability of the project in clear monetary terms.
- With the help of techniques such as Break-even Analysis and Ration Analysis the financial feasibility of the project can be ascertained.

SOCIAL COST-BENEFIT ANALYSIS

- It deals with the estimation of social costs and social benefits.
- This analysis is undertaken to ascertain the impact of the project on the society as a whole.
- Greater emphasis is laid on social objectives in this analysis with lesser profit motive.
- The projects aimed at the development of the society will give secondary importance to the profitability of the project, keeping in view the social objectives as primary.

PROJECT FEASIBILITY

- A feasibility report is a document which contains certain factual data and information with respect to any of the investment proposal with a view to appraising the project.
- For the financial assistance to be extended by financial agencies viz., commercial Banks, Financial Institutions etc.
- Appraisal of a project is very much necessary.
- For appraising a project, the basic document is feasibility report.
- Without feasibility report, a project cannot be appraised by the financial agencies.
- Financial, economical, commercial and technical soundness of a project can be appraised based on feasibility report only.
- So, other organizations which supply raw materials, margin money, and the suppliers of capital goods will be equally interested in the feasibility report which will reflect the true picture of the soundness of the project.



Thank You