

Project Formulation



What is a project?

- A project is a complex of non-routine activities that must be completed with a set amount of resources and within a set time interval.
- It is carried out in an organized manner with a clearly pre-defined need , start point and end-point.
- A project follows a hierarchy of assumptions and objectives:
 - Inputs
 - Activities
 - Proposals
 - Outputs
 - Goals



Requirements of Project Formulation

- Road map for the new venture.
- Capital investment.
- Government Regulations.
- Skilled Workforce.
- Technology.

Aspects of Project Formulation

- Feasibility analysis
- Techno economic analysis
- Project design and network analysis
- Input analysis
- Financial analysis
- Social cost benefit analysis
- Managerial analysis
- Operating market appraisal
- Environment appraisal

Aspects of Project Formulation⁽¹⁾

- Feasibility analysis:
 - Done to know whether project idea should be developed further or not.
 - Carried out in three stages:
 - Pre-feasibility study: Preliminary assessment of project idea.
 - Feasibility study: Covers all aspect of investment project even alternate solutions.
 - Project report: Enables concerned authorities to take objective decisions on project.

Aspects of Project Formulation⁽²⁾

- Techno economic analysis:
Categorized into two parts:
 - Techno analysis: looks into adequacy of proposed plant and equipment.
 - Economic analysis: The size of project and technology to be used.
- Project design and Network analysis:
 - Defines individual activities comprising a project.
 - Identifies the flow of events.

Aspects of Project Formulation⁽³⁾

- Input analysis:
 - Concerned with identification and evaluation of project inputs.
 - Uses network plan for developing input characteristics of project.
- Financial analysis:
 - A detailed coverage of financial aspects such as cost estimation, profit analysis, production cost.
 - One of the most important aspect to be taken care of before setting up an enterprise.
- Social cost benefit analysis:
 - Developed for evaluating investment projects from the point of view of society as a whole.

Aspects of Project Formulation⁽⁴⁾

- Managerial appraisal:
 - Talent of promoter is taken into consideration.
 - Also includes assessment of technical and managerial personnel working, their training etc.
- Operating market appraisal:
 - Helps entrepreneur to anticipate possible marks for the products.
 - Demand forecasting, lifetime segmentation are some methods for anticipating the market.
- Environmental analysis:
 - Refers to environment planning, protection, monitoring, research, education, conservation of resources etc.