

## Business IDENTIFICATION OF BUSINESS OPPORTUNITIES

A good entrepreneur has the quality and skill to select feasible and rewarding opportunity for the establishment of a new venture. His foresight, vision and attitude help him to choose best business opportunity from the available opportunities. Before setting up a new venture an entrepreneur must collect information through various channels like Internet, financial institutions, commercial organisations, friends etc.

Business opportunities must be identified very carefully, through different steps. The following are the major steps involved in identification of a business opportunities :

1. Conception of an idea : When a person or group of persons think about establishing a business. there are several sources to get the product idea. Supply and demand ratio of a product and demands for new product should be analysed. Export-Import (EXIM) Policy of government, Trade Fairs and Trade Journals also suggests the business ideas. Social and economic status of people and changes in consumption pattern nationally and internationally also require the attention of entrepreneurs.
2. Identifying a Business Opportunity : Opportunity of business may be defined as an attractive and profitable project idea which an entrepreneur is seeking for and accepts such idea as a basis for his investment decision. Two major characteristics of a business opportunity must be highlighted.
  - (a) Gap between demand and supply i.e., good market scope.
  - (b) An attractive, acceptable and reliable return on Investment.
3. Steps of Identification of Opportunity : Identification of appropriate business opportunity involves following steps :
  - (a) Preliminary Evaluation : The entrepreneur must evaluate the opportunities against set of specific criteria, which are :
    - Is opportunity compatible with the promoter ?

- Does it satisfy the government regulations and rules ?
- What is the availability of raw materials ?
- What is the size of potential market ?
- What would be the cost of product and risk factor ?

All of these criterion should be studied carefully by an entrepreneur before identifying the business opportunity.

(b) Selection of Product or Service : The product to be manufactured or service should be selected through following points —

- Potential demand for product or services.
  - Assess potential of existing competitor and estimate about probable competitors.
  - Study the infrastructural facilities available as power, transport etc.
  - Government policies, incentives, subsidies, legislation etc.
  - Locational Advantages.
  - Environmental Factors.
- (c) Conduct a Market Survey : An entrepreneur must conduct a market survey with reference to the availability of raw material, equipments, demand of product, distribution, and consumer behaviour etc. This can be done on following lines :
- Search for leading suppliers of raw material.
  - Through analysis of credit facilities, advance payments, terms and conditions for suppliers.
  - Technical and skilled staff requirement.
  - Selection of best channel of distribution.
  - Marketing of outstanding features of product or services.
  - Business terms, commission, stocks, warehouse facilities.
  - Motivate buyers to buy new product.
  - Analyse the behaviour pattern of consumer regarding product or service.
- (d) Study of Contractual Programmes : Government provides support and facilities to entrepreneurs for establishing the new units and to organise units in proper manner. The information about it can be collected through State Government Agencies.

Industrial Finance Corporation of India (IFCI) in collaboration with Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), State Organisation and Banks, have setup a network to provide consultancy services for stimulation of industrial growth. Entrepreneurial development programmes help to impart following informations :

- How to develop entrepreneurial efficiency ?
- Identify viable projects.
- Impart managerial skills.
- Help and secure necessary financial and infrastructural assistance.

This step-by-step analysis helps the individual in selection of good business opportunity from available possibilities.

## STEPS FOR STARTING SMALL INDUSTRY

Any person having strong orientation towards entrepreneurship and possessing keen aptitudes for setting up a small scale enterprise should formulate a business plan and carefully follow the plan step-by-step to convert his thoughts into reality. The steps are given as :

- (1) Project Identification
- (2) Product Selection
- (3) Selection of Form of Ownership
- (4) Selection of Location
- (5) Source of Finance
- (6) Project Formulation
- (7) Registration and License of Industry

We shall discuss these in detail later on, a brief discussion is as follows :

## 1. Project Identification and Selection of Product

When an individual possesses the keen attitude for starting a small industry, he has to take several steps to convert his ideas into fruitful reality. Project selection is the first corner stone to be in starting an enterprise. Before this we should understand the meaning of 'project'.

Meaning of Project : The dictionary meaning of word project is that it is a scheme, design, a proposal of something intended or devised to be achieved.

According to Encyclopaedia of Management, "a project is an organised unit dedicated to the attainment of a goal—the successful completion of a development project on time, within budget in conformance with pre-determined programme specifications."

Project Identification : Each and every entrepreneur wants to select the most lucrative, profitable and attainable project for his enterprise. This starts with selection of product. An entrepreneur may select a product or may design a new one. But the identification is based on following points :

- (1) Potential demand for the product or service.
- (2) Volume of existing demand in export market.
- (3) Study the scope for future demand.
- (4) Going through certain professional magazines, visiting trade fairs, exhibitions showing new products.
- (5) Ideas given by government agencies, knowledgeable persons.
- (6) New products launched in market.

All these points taken under consideration open new avenues to identify the project.

## 2. Product Selection

Product can be selected through these specific considerations :

1. Volume of existing demand.
2. Assess potential of existing competitor and estimation about probable competitors.
3. Scope for future demand.
4. Infrastructural facilities availability.
5. Technological and managerial assistance.
6. Availability of raw material and labour.
7. Government policies, legislation, controls.
8. Incentives and concessions given by Government.
9. Environmental factors.

10. Regional benefits.

11. social, economic, cultural, educational conditions and population of area of consumption of product. \_

12. Personal choice/interest and motivation of entrepreneur.

Thus identification and selection of project is an important dimension of entrepreneurship. One has to analyse all the external and internal criteria before selection of product. A tool generally use for

such analysis is known as SWOT analysis. SWOT stands for :

- S — strengths of the organisation
- W — weakness
- O — opportunities of the environment
- T Threats

### 3. Selection of Form of Ownership

The entrepreneur has to select the organisational form of ownership. Ownership of an enterprise may be one of these four forms :

Sole Proprietorship,

Partnership,

Joint Stock Company, and Cooperatives.

The most commonly chosen forms of ownership, in small scale sector are proprietorship, family ownership and the partnership. Selection of ownership form depends on several factors. This is discussed in detail later on.

### 4. Selection of Location or Site

Selection of a proper location or site for industry is a major decision taken by an entrepreneur. The general objective is selection of site is to minimize the cost of production and distribution. Regardless of the type of business, in selecting a site an entrepreneur should consider the following points :

- (1) Geographic conditions of site.
- (2) It would be beneficial if situated in one's native place.
- (3) Infrastructural facilities enjoyed by site.
- (4) Special government schemes attached to area such as export promoting zone, special economic zone or backward declared area etc.

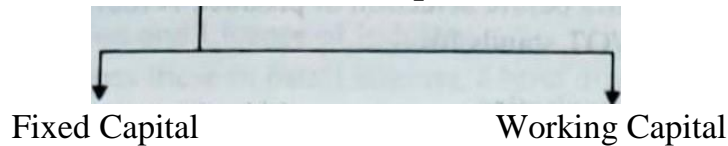
- (5) Availability of raw material and required labour.
- (6) Location of target market.
- (7) Area must be declared as industrial area.

Pondering over these factors, carefully, an entrepreneur can select a site for industry.

## 5. Source of Finance

Every organisation needs finance for smooth operation. It is one of the most important prerequisites of an entrepreneur. Financial planning is a long term planning involving the future requirements of funds. The success and development of an enterprise depends on it very much. There are two ways of classifying one's financial needs.

## 1. On the basis of extent of performance



## 2. On the basis of period



An entrepreneur may use his personal funds or equity capital. Government has also provided assistance in this regard. To support small scale sector many financial institutes provide loans with special schemes for SSI. Small Industries Development Bank of India (SIDBI) has been established as an apex institution for financing the SSI. Various financial institutions such as IFCI, ICICI, IDBI, LIC, UTI, NSIC etc. are there to support SSI financially.

While raising loan from such financial institutions they should file necessary registration certificate, partnership deed, organisation's documents, project report etc.

## 6. Project Formulation

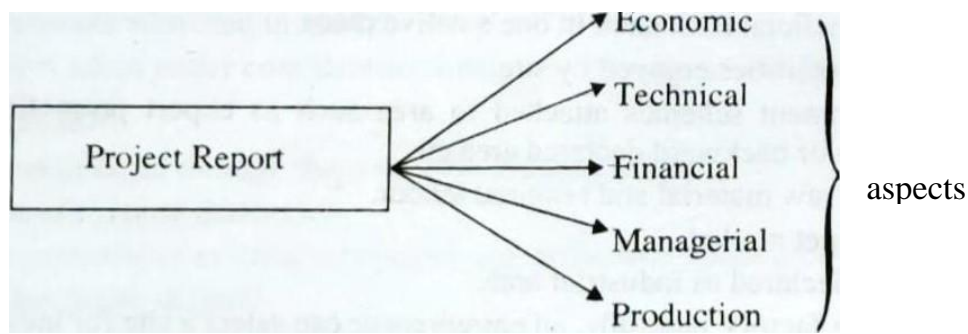
Project formulation is primarily concerned with the development of a project idea to arrive at an investment decision. This development process involves the expertise and combined efforts of project team members who should be familiar with the objectives, strategies and other aspects of the project.

**Project Report :** A project report is a written document about the project containing relevant data. The entrepreneur presents this report to financial institutions to fetch financial assistance. This works like a guideline for entrepreneur so as to avoid deviation from the predetermined set of objectives.

A project report is prepared by an expert after detailed study and analysis of various aspect of the project.

**Preparation of a Project Report :** A Project report should contain the information on economic, technical, financial, managerial and production aspect.





An entrepreneur has to consult the Planning Commission, to get the project sanctioned. Planning Commission has suggested certain guidelines to prepare a project report.

## 7. Registration and License of Industries

After submitting the project report an entrepreneur would be issued initially, a provisional small scale Industrial Registration Certificate. This certificate is usually provided for a period of one year which can be renewed for one more year.

provisional Registration entitles the new entrepreneur to :

1. Apply for a shed in an industrial estate or a developed plot in an industrial area.
2. Apply corporation/municipalities for other licences.
3. Apply for power connections.
4. Apply for financial assistance from banks and other institutions.

Permanent Registration Certificate : An industrial unit which has commenced production or is found to be in readiness to go into production is eligible to get the permanent registration certificate. This step is usually taken only after the unit has gone into stream.

Obtaining Statutory License : The next step would be to acquire municipal license from the concerned municipal authorities for which fees is charged. Registration with central and state sales tax department is necessary. An entrepreneur should study the procedure for accounting and returns have to be submitted regularly to these departments. If the unit comes within the purview of the factories Act, 1948, all rules and regulations should be followed. Clear mention about power load requirement is a must. All the provisions of industrial development and regulation Act, 1951, and new industrial policy 1991, shall apply wherever needed.

Here after the entrepreneur can commence the activities of business/industry.











