**Project formulation**

Project formulation is the systematic development of a project idea for arriving at an investment decision. It has the built-in mechanism of ringing the danger bell at the earliest possible stage of resource utilization. Project formulation is a process involving the joint efforts of a team of experts. Each member of the team should be familiar with the broad strategy, objectives & other ingredients of the project. Besides being an expert in his area of specialization, he should be able to play his role in the overall scheme of things.

 It aims at a systematic analysis of project potential with the ultimate objective of arriving at an investment decision. In this process it makes an objective assessment from all possible angles starting from project identification upto its appraisal stage. Thus, project formulation is the process of examining technical, economic, financial & commercial aspects of a project. It refers to a preliminary project analysis covering all aspects such as technical, financial, commercial, economic & managerial to find out whether it is worthwhile to take project for detailed investigation & evaluation.

**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;

1. Feasibility analysis.
2. Techno-economic analysis.
3. Project design & Network analysis.
4. Input analysis.
5. Financial analysis.
6. Social cost benefit analysis.
7. Pre-investment appraisal.
8. Formulation

**Formulation of a Project Report:**

A general set of information given in any project report is listed by Vinod Gupta in his study on “Formulation of a Project Report”. It is reproduced here.Project formulation divides the process of project development into eight distinct & sequential stages. These stages are;

1. **General Information**

The information of general nature given in the project report include the following;

1. Bio-data of Promoter,
2. Industry Profile,
3. Constitution & Organization,
4. Product Details.
5. **Project Description-**

     A brief description of the project covering the following aspects is given in the project report.

1. Site – Location of enterprise; owned or leasehold land; industrial area; No Objection Certificate from the Municipal Authorities if the enterprise location falls in the residential area.
2. Physical Infrastructure – Availability of the following items in infrastructure should be mentioned in the project.Raw Material, Skilled Labour, Power, Fuel, Water
3. Pollution Control
4. Communication System
5. Transport Facilities
6. Other Common Facilities – Availability of common facilities like machine shops, welding shops & electrical repair shops etc. should be stated in the report.
7. Production Process.
8. Machinery & Equipment.
9. Capacity of the Plant
10. Technology Selected
11. Research & Development
12. **Market Potential :** While preparing a project report, the following aspects relating to market potential of the product should be stated in the report.
13. Demand & Supply Position – State the total expected demand for the product & present supply position. It should also be mentioned how much of the gap will be filled up by the proposed unit.
14. Expected Price.
15. Marketing Strategy.
16. After-Sales Service
17. Transportation
18. Capital Costs & Sources of Finance:

       An estimate of the various components of capital items like land & buildings, plant & machinery, installation costs, preliminary expensis, margin for working capital should be given in the project report.

1. **Assessment of Working Capital Requirements:** The requirement for working capital & its sources of supply should be carefully & clearly mentioned in the project report. It is always better to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will minimize objections from the bankers side.
2. **Other Financial Aspects**   In order to adjudge the profitability of the project to be set up, a projected Profit & Loss Account indicating likely sales revenue, cost of production allied cost & profit should be prepared. A projected Balance Sheet & Cash Flow Statement should be prepared to indicate the financial position & requirements at various stages of the project.
3. **Economic & Social Variable**   In view of the [social responsibility](https://www.bms.co.in/social-responsibility/) of business, the abatement costs, ie, the costs for controlling the environmental damage should be stated in the project. Arrangement made for treating the effluents & emissions should also be mentioned in the report.

         Following are the examples of social-economic benefits.

1. Employment Generation.
2. Import Substitution.
3. Local Resource Utilization.
4. Development of the Area
5. **Project Implementation:**  Every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. Delay in project Implementation jeopardizes the financial viability of the project.