**Basic factor before starting any business**

**(i) Selection of line of business:** The first thing to be decided by any entrepreneur of a new business is the nature and type of business to be undertaken. He will obviously like to enter that branch of industry and commerce, which has the possibility of greater amount of profits.

**(ii) Size of the firm:** Size of the firm or scale of its operation is another important decision to be taken at the start of the business. Some factors favour a large size whereas others tend to restrict the scale of operation. If the entrepreneur is confident that the demand for the proposed product is likely to be good over time and he can arrange the necessary capital for business, he will start the operation at a large scale. If the market conditions are uncertain and risks are high, a small size business would be better choice.

**(iii) Choice of form of ownership:** With respect to ownership, the business organisation may take the form of a sale proprietorship, partnership, or a joint stock company. Each form has its own merits and demerits. The choice of the suitable form of ownership will depend on such factors as the line of business, capital requirements, liability of owners, division of profit, legal formalities, continuity of business, transferability of interest and so on.

**(iv) Location of business enterprise:** An important factor to be considered at the start of the business is the place where the enterprise will be located. Any mistake in this regard can result in high cost of production, inconvenience in getting right kind of production inputs or serving the customers in the best possible way. Availability of raw materials and labour; power supply and services like banking, transportation, communication, warehousing, etc., are important factors while making a choice of location.

**(v) Financing the proposition:** Financing is concerned with providing the necessary capital for starting as well as for continuing the proposed business. Capital is required for investment in fixed assets like land, building, machinery and equipment and in current assets like raw materials, book debts, stock of finished goods, etc. Capital is also required for meeting day-to-day expenses. Proper financial planning must be done to determine (a) the requirement of capital, (b) source from which capital will be raised and (c) the best ways of utilising the capital in the firm.

**(vi) Physical facilities:** Availability of physical facilities including machines and equipment, building and supportive services is a very important factor to be considered at the start of the business. The decision relating to this factor will depend on the nature and size of business, availability of funds and the process of production.

**(vii) Plant layout:** Once the requirement of physical facilities has been determined, the entrepreneur should draw a layout plan showing the arrangement of these facilities. Layout means the physical arrangement of machines and equipment needed to manufacture a product.

**(viii) Competent and committed worked force:** Every enterprise needs competent and committed work force to perform various activities so that physical and financial resources are converted into desired outputs. Since no individual entrepreneur can do everything himself, he must identify the requirement of skilled and unskilled workers and managerial staff. Plans should also be made about how the employees will be trained and motivated to give their best performance.

**(ix) Launching the enterprise:** After the decisions relating to the above mentioned factors have been taken, the entrepreneur can go ahead with actual launching of the enterprise which would mean mobilising various resources, fulfilling necessary legal formalities, starting the production process and initiating the sales promotion campaign