



Critical Points to Consider in Selecting Enterprises by Rural Youth

(*Neha Kumari¹ and Meenakshi Saxena²)

¹Department of Extension Education, Bihar Agricultural University, Sabour, Bihar

²Krishi Vigyan Kendra, Kaushambi, Uttar Pradesh

*Corresponding Author's email: nehakumaricoll97@gmail.com

Abstract

In entrepreneurship development programmes, the rural youth are exposed to different working enterprises and allow interacting with the successful entrepreneurs. This is usually done to help potential rural youth to choose an appropriate enterprise and become entrepreneurs. So, a simple tool, Micro-Screening of enterprise ideas or enterprise ideas is recommended here to the rural youth, who aspire to become entrepreneurs. Since choosing the right enterprise has a significant effect on the success of the enterprise, the rural youth is encouraged to consider all the ten points or factors judiciously in decision-making process.

Introduction

Rural youth face a few problems while choosing an enterprise, which they can pursue for earning a reasonably good income. Usually, they consult books, bulletins, or seek advice from successful entrepreneurs, or elders in the family. They will be cautious in taking a decision as too many enterprise ideas appear to be lucrative and promising great returns, but may have some demerits. An appropriate decision-making assumes importance. So, if the rural youth are given a tool to aid in their decision-making and help them focus on several issues, they may be able to make right decisions in choosing an enterprise that suits their nature, skills and resources.

The enterprise promoters or counsellors may help them to discuss various points in a small group and weigh the merits and demerits of each enterprise idea, then it may ease their decision-making process. This tool is called Micro Screening. This process involves a group rural youth identifying 5-10 potentially viable enterprise ideas that the individual thinks feasible of undertaking. The rural youth will be encouraged to rate the enterprise idea in a five-point rating scale of 1 to 5 for poor, fair, satisfactory, very satisfactory and excellent. This rating will be done on ten criteria, as given below and add up all the scores for each enterprise idea to get a total score. This total score ranges from 10 to 50 which aids in choosing the enterprise. The criteria are:

1. Availability of Market
2. Availability of Raw Materials
3. Availability of Technology
4. Availability of Skills)
5. Government Priority
6. Strategic Fit
7. Ease of Implementation
8. Risk Exposure
9. Profitability
10. Cost/Benefit

The potential total score an enterprise idea can get is 50 points, that is 5 for excellent multiplied by 10 factors. Now let us discuss the various points or criteria.

Availability of Market

The first point to consider is market availability. If there is no assurance of an adequate market, there is no sense going to business. The market must be large enough to enable the entrepreneur to capture a market share and in the process, make an attractive profit from the transaction after deducting his costs from sales. Indication of availability of market includes:

1. existing demand is not adequately served by existing suppliers;
2. existing demand is presently served by imports;
3. existing demand is presently not served at all;
4. demand for the product/service is expected to increase significantly or substantially in the future;
5. the enterprise's product has significant uniqueness or unique selling features - USF (in the case of a product) or unique selling proposition - USP (in the case of a service) such as desirable features, better quality, durability, better taste, superior after sales service, free delivery, etc.

Availability of Raw Materials

Availability of raw materials is another point to consider. This is indicated by the following considerations:

1. raw materials are available locally and in adequate quantity;
2. supply of raw materials is reliable whether local or imported source;
3. seasonality, perishability, quality and variability of raw materials have been considered and found to be satisfactory;
4. price of raw materials is reasonable;
5. increase in the price of raw materials in the future is perceived to be reasonable and predictable.

Availability of Technology

Availability of appropriate technology is very important point to consider in enterprise choice. It can be evaluated in terms of the following indicators:

1. the technology or technologies to be used have been proven;
2. reasonably priced technologies are available to produce the product;
3. technology is appropriate for the level of production, level of investment and desired product quality;
4. the enterprise will not suffer from technology obsolescence which will render the enterprise not viable.

Availability of Skills

Availability of skills and skilled persons is another crucial factor. It can be gauged by the following factors:

1. different skills (conceptual, managerial, technical and manual) needed by the enterprise are available;
2. supply of skills is relatively steady and stable so as not to jeopardize the enterprise in case of sudden or unforeseen labour changes, unusual turnover, or unexpected problems;
3. cost of labour is projected to be fairly steady and predictable.

Government Priority

Government priority is another important factor. Government priorities may change; some new regulations or incentives may have an impact on your enterprise. It is indicated by the following considerations:

1. the enterprise is listed under the government's list of priorities for promotion or investment;
2. the enterprise receives government incentives whether fiscal (e.g. tax exemption or reduction, tariff protection, import privileges, etc.), monetary (priority lending status, reduced interest rate), or other support assistance (e.g. marketing, technical or consultancy services);
3. the enterprise falls under the government's priorities of import substitution, export promotion, employment generation, rural industrialization programs, technology development/transfer, etc.

Strategic Fit

The chosen enterprise should fit the temperament and ability of the potential entrepreneur or rural youth. Enterprise need to match the entrepreneur just like a photo of the person matches his or her face. The strategic fit of the enterprise under consideration is indicated by the following criteria:

1. proposed enterprise fits well within the competence and expertise of the entrepreneur or key staff;
2. proposed enterprise fits well within the existing product line, technology, marketing set up, production system, facilities and resources of the entrepreneur or the firm;
3. enterprise complements and enhances the existing set up, viability or growth of the firm through a positive synergy.

Ease of Implementation

Any enterprise idea, however it may be lucrative and appropriate, must be amenable for easy implementation. Ease of implementation can be measured by the following criteria:

1. enterprise can easily be implemented because the inputs are readily available;
2. enterprise can be implemented within a short gestation period or reasonable preparatory period (e.g. 3 months to one year);
3. enterprise can start operation within one year from the completion of the training;
4. any unforeseen difficulties can be controlled by the entrepreneur or management.

Risk Exposure

Risk-taking by potential entrepreneurs play a decisive role in the success or failure of an enterprise. The enterprise idea is rated excellent if it is considered less risky, or risks are very minimal while projected profits are more or less assured. Degree of risk can also be assessed in terms of the following factors:

1. the product or service can readily be copied or imitated if the enterprise is found very profitable by others;
2. competitors who have more resources and expertise may effectively fight back, if threatened by the new project;
3. changes in customers' and consumers' lifestyle, buying habits, consumption and spending pattern, etc., may take place any time before the enterprise can service the market;
4. the enterprise may suffer from unforeseen factors such as weather condition, availability of raw materials, technology obsolescence, changes in government policies, priorities or programs;
5. dependency of the enterprise on imported inputs whether raw materials, technology, skills or other resources.

Profitability

Profitability is a matter of perception or prior knowledge of the participants which may be based on their readings, experience, or observations or feedback from competitors, suppliers

or consultants. This criterion can be rated in terms of whether the profitability (return on investment) is perceived to be:

1. excellent
2. very satisfactory
3. satisfactory
4. fair
5. poor

Cost-Benefit

This tenth factor is practically the summation of all the other nine criteria and gives an overall impression regarding the desirability and feasibility of undertaking the enterprise. The various considerations to be taken into account in rating this factor include:

1. whether the benefits of the enterprise in terms of profitability, risk, investment requirement, availability of inputs, etc. are worth all the efforts in conceptualizing, organizing, and implementing the enterprise;
2. the enterprise provides sufficient (tangible and visible) benefits to the community - either through employment generation, backward or forward linkages with other industries or economic activities; availability of needed products and services, etc.;
3. the enterprise is economically viable through its own merits and not through artificial government interventions.

The **Critical Success Factor** means a certain factor particular to the identified enterprise which is very important to the success of that specific enterprise. If that certain factor is missing, or inadequate, or not properly taken into account, it can suggest that the enterprise is not feasible or is likely to collapse. An enterprise's Critical Success Factor can be any one of the ten factors. The potential entrepreneur need to analyse further into details and refine this factor.

The rural youth attempting to choose a right enterprise is encouraged to rate the enterprise idea on all ten factors for each enterprise and repeat the procedure for another 5 or 10 enterprise ideas. This will enable the youth to compare the scores of all enterprises. The rural youth may also be encouraged to work in small groups and discuss all points with others and finally choose the right enterprise. This group discussion will help refine the decision-making process. Since choosing the right enterprise to start business and earn income is a tough task, seeking help through this simple tool is recommended.

Reference

1. Anonymous (1998) *Notes on Micro-Screening of Project Ideas*, Training Course on Entrepreneurship Development in Agriculture, Division of Agricultural Extension, New Delhi, Training Manual