

Investment Criteria

In addition to that the practical application of the investment criteria may be limited due to the following factors:

- (i) It is difficult to define correctly the objectives of an investment policy. There may be various conflicting objectives and it may be difficult to choose the most desirable ones.
- (ii) The principles of investment recommended by different writers are defective as theories. It is doubtful whether a sound theory can be laid down in respect of the complicated problems of investment.
- (iii) The investment criteria generally fail because of the various non-measurable aspects of investment projects.

Despite all these difficulties the investment criteria have to serve an important purpose in programming resource allocation in underdeveloped countries including India. In the words of Prof. Meier and Baldwin, “The criteria

depend ultimately on broad economic and social objectives. It is necessary to consider not only the existing amounts and quantity of factor supply but also various repercussions of the project-the effect on national income over different time periods. Conditions of market demand, ability to realize economies of scale, length of gestation period, the effects on the distribution of income and level of per capita income and balance of requirements.”