Dr.Surendra Kumar Class-M.A.Sem-IV

Investment Criteria

Moreover, the allocation of investment will affect not only total output but also the supply and distribution of the labour forces, social and cultural conditions, growth and quality of the population, tastes and technological progress.

Meaning of Investment Criteria:

According to Meier, **"Investment criteria refers to the problem of determining the best utilisation of investment resources to minimize capital intensity, to maximize social marginal productivity of capital and employment absorption."**

Objectives of Factor Allocation of Investment:

The primary objective of a developing economy is to secure a greater and faster increase in its income from its available resources.

Therefore, the objectives of investment criteria are summarized below:

(i) Equal distribution of income and wealth.
(ii) Balanced and rapid growth of the economy.
(iii) To raise the gross and national product and per capita income.
(iv) Proper allocation of existing resources.
(v) Efforts to correct the balance of payment.
(vi) All-round development of the country.
(vii) To keep watch the interest of the future generation.

Practical Application of Investment Criteria:
Out of the various investment criteria discussed, it is difficult to suggest any one criterion of the allocation of investment resources in underdeveloped countries. Since the problems facing these countries are manifold any one criterion can only have limited application. Hence the choice of a suitable criterion will very much depend upon the circumstances prevailing in a country and the problems with which it is faced.