

CHAPTER 8

NON FINANCIAL CRITERIA AND FACTORS AFFECTING PROJECT SELECTION

Financial appraisal of an investment project covering the capital budgeting techniques, cost of capital practices and even capital budgeting techniques incorporating risk used by the Indian corporate sector have been discussed in detail in the previous chapters. However, an important aspect of capital budgeting is that investment decisions cannot be purely based on financial analysis; there are other soft non financial aspects of the investment appraisal that need to be thoroughly looked into. This chapter discusses the same. The chapter is divided into two sections. While the Section I discusses the non financial criteria used in investment decisions, Section II focuses on the totality of factors (both financial and non financial) considered in project selection.

Section I

Significance of Non Financial Criteria in Investment Decision Making

8.1 Importance of Non-Financial Criteria in Investment Appraisal

A few researchers have thrown some light on the non financial aspects of capital budgeting. For instance, Shimin (1995) in his study of 115 CFOs found that non-financial techniques play a considerable role in project evaluation. Similarly, Petty, Scott and Bird (1975) reported that 77 percent of the firms replied that although quantitative influences are dominant, qualitative factors also influence the investment decision. They also found that the most important qualitative factor affecting investment decision was the legal factor, followed by image and environmental responsibility.

Also, Fremgen (1973) found in a USA survey that 97 percent of the respondent companies admitted to having approved investment projects on qualitative grounds for which the quantitative appraisal techniques had advised rejection. However, in sharp contraction to this, Hall (2000) in his study of South African companies found that nearly 33.8 percent of the respondents never accepted their investments on non-financial grounds.

Not much Literature is available on the role of non financial factors in financial appraisal which, on the contrary, carry sometimes more weight than the so called financial parameters of investment appraisal. Some even believe that non financial investment appraisal factors if not handled carefully may not only result in that specific project failure, but may even adversely affect the very survival of a business enterprise.

Of the several available investment opportunities, the firms make use of some combination of the following criteria to reach an optimal investment project that maximises the objective function of the firm. For this purpose the following considerations may be made by the business firms.

- Financial criteria (Net Present Value, Payback Period, etc.).
- Risk score (organization defined risk associated with the project).
- Non-financial criteria (score based on organization priorities such as employee satisfaction or customer retention, dimensions not easily quantified financially).

Different firms may give different weightage to different non financial parameters which may vary according to their sector (public or private), nature/type of the business, scale of investment, level of competition, global market operations etc. The prominent non financial parameters that generally affect business firms' investment may be discussed as below:

- **SWOT analysis to fit corporate objectives and strategy:** Corporate goals and objectives are set by a firm and strategies at corporate and business unit level are formulated to attain these. SWOT analysis is conducted for all investments by companies so that only those projects are selected which fit the corporate objectives and strategy. Many times a good project may be turned down for short-term financial reasons while corporate objectives may overtake financial figures and information.
- **Safety of employees and public:** The impact of project on the safety and security of the organisational employees as well as the protection of the society or community is an important non financial consideration. Many time financially viable projects may be left out just due to their hazardous impact on the employees or adverse impact on social environment or societal values and beliefs.

- **Necessity of maintaining existing product lines:** Many times investments may be undertaken just to aid reduction in manufacturing operating lead time, aid an increase in manufacturing flexibility, have fewer product failures and better service, promote improved product delivery and quality and further the reduction in product design and development time of the existing product lines.
- **Entry into new product line or customer market:** Investments may also be undertaken with a view to make an entry into a new product line or enter a new customer market though it may not be financially much viable. Many times, some loss making projects are carried out if they help the company achieve success in other areas of the business that when aggregated will outweigh the losses incurred from the failing project(s).
- **Availability of raw material, power, and other basic amenities of the project:** Availability of specific raw materials, power, electricity or any other basic facilities required for the particular investment project are a must to be considered. Otherwise, in case of shortage of any of these, even the most financially profitable project may go in vain.
- **Availability of manpower and the motivation level:** The companies also need to make sure that there is enough manpower to operate the equipment proposed to be invested in. No matter how much financially viable a project is, it can never see the daylight if there is not enough working force for the project and the staff has no motivation in the project. It is only when the workers are motivated by a project and its outcome that the project will succeed.
- **Availability of suitable project location/site selection:** Site selection involves measuring the needs of a new project against the merits of potential locations. This indicates the practice of new facility location, keeping in mind project requirements. A wrong or unsuitable project location may mar the very benefits of a financially lucrative investment proposal.
- **Availability of suitable technology:** The most relevant technical characteristic is the level of technology incorporated in the project (81.3 percent), as found in Kantel (2002) and Kenny (2003), followed by personnel's level of technological know-how (67.5 percent) and innovation (63.8 percent). Inadequate choice or incorrect use of technology may even fail the most profitable ventures.

- **Need to meet competition/ improved public image and competitive position:** In the current era of cut throat competition investments may be undertaken by companies in certain business or product lines just to handle the strategies of their competitors. Investment decisions may often be taken so as to maintain or improve the image of the company in the eyes of some or all of the stakeholders. Thus, there is a need to consider the actions of competitors before making any investment.
- **Country interest/Government direction in particular area:** This is an important non financial factor especially in case of project selection by public sector enterprises. They need to adhere to the Government directions or priorities while selecting a project for the interest of the country and its economic development.
- **Environmental constraints:** The immediate external environment of a company will simply revolt when they feel that the outcome of a major project about to be embarked on by a company will cause them more harm than good. If the general public feels that the establishment of a particular investment project in their society will harm or damage the environment by emitting high pollution or poisonous wastes, it would not only result in project failure but impair the very image and reputation of a business organisation. Many projects may be executed by some companies just to keep our environment habitable. Many times, firms need to invest in financially unsound projects that help preserve the environment, otherwise the company may be perceived as non responsive and irresponsible by the public who later become customers of the company. Thus, at times it is unthinkable for companies to make any investment without first considering the green implication of the project
- **Legal requirement/government regulations, norms and actions:** There is need to consider the relevant government laws before making any investment. Good managers should always consider the consequences of government actions and inactions on any project they want to execute. Many times, investments are made in projects that are not financially viable, just to meet government requirements or the possible legal or regulatory requirements in existence.
- **Tax benefits or incentives:** Setting up projects in Special Economic Zones (SEZ) or certain remote areas or opening an Export Oriented Unit (EOU)

invites a number of tax benefits in the form of tax rebates or tax holidays. Thus, companies may select a project keeping in mind its tax benefits.

- **Availability of qualified managerial personnel/personnel factors:** Numerical financial measures cannot account for the availability of skills, effect of redundancy and concerns about relocation. Further, the availability of qualified managerial personnel for a project may be an important consideration for project selection.
- **Capacity Availability:** Capacity management is the planning, sizing, and controlling of manufacturing or service capacity to ensure that the minimum performance levels specified are exceeded. Good capacity management will ensure that you can provide goods or services at a reasonable cost and still meet the levels of quality and performance of the customers. Thus the capacity available also decides whether a particular investment proposal has to be accepted or not.

The respondent companies were asked about which non financial criteria they considered while evaluating an investment project. The responses of these companies distributed according to capital budget size and industry type are, tabulated in Table 8.1 and Table 8.1(a) respectively.

Table 8.1: Non-Financial Criteria Used in Making Investment Decisions Distributed according to Capital Budget Size

NON FINANCIAL CRITERIA	SIZE OF CAPITAL BUDGET				
	Below Rs. 50Crore (N=25)	Rs. 50-100 Crore (N=20)	Rs. 100-500Crore (N=18)	Rs. 500 Crore and Above (N=14)	No. of Companies (N=77)
Non financial Grounds not Considered	0(0)	1(5.0)	1(5.5)	0(0)	2(2.6)
SWOT Analysis to fit Corporate Objectives and Strategy	21(84.0)	16(80.0)	14(77.8)	9(64.3)	60(77.9)
Safety of employees or public	9(36.0)	9(45.0)	10(55.5)	6(42.9)	34(44.2)
Necessity of maintaining existing programmes or product lines	8(34.0)	12(60.0)	5(27.8)	7(50.0)	32(41.6)
Customer Market in case of new projects/Demand Analysis of new product	13(52.0)	12(60.0)	12(66.7)	13(92.9)	50(64.9)
Availability of Raw Material ,power, and other basic amenities of the project	12(48.0)	12(60.0)	9(50.0)	8(57.1)	41(53.2)
Availability of manpower/worker for the project	11(44.0)	11(55.0)	10(55.5)	7(50.0)	39(50.6)
Availability of Suitable Project Location	9(36.0)	10(50.0)	9(50.0)	9(64.3)	37(48.1)

Availability of Suitable technology	11(44.0)	8(40.0)	8(44.4)	8(57.1)	35(45.5)
Need to meet competition	4(17.0)	3(15.0)	5(27.8)	4(28.5)	16(20.8)
Country Interest/Govt Direction in particular area	0(0)	0(0)	0(0)	3(21.4)	3(3.9)
Environmental constraints	0(0)	1(5.0)	0(0)	2(14.3)	3(3.9)
Legal Requirements/Govt Regulation/Norms	1(4.0)	1(5.0)	1(5.5)	1(7.14)	4(5.2)
Tax benefits or Incentives	0(0)	0(0)	0(0)	1(7.14)	1(1.3)
Availability of Qualified Managerial Personnel	1(4.0)	2(10.0)	1(5.5)	1(7.14)	5(6.5)
Capacity Availability	0(0)	0(0)	0(0)	1(7.14)	1(1.3)

Source: Author's calculations based on primary data

Notes: 1. Multiple responses were obtained as companies considered more than one non financial criteria.

2. Figures in parentheses indicate percentage w.r.t no. of companies in each category (i.e. N)

Table 8.1 reveals that a vast majority (78 percent i.e. 60 out of 77) of the sampled companies considered 'SWOT analysis to fit corporate objectives and strategy' before selecting a project. This is done to ensure project linkage with the corporate objectives as well as strategic alignment. In particular, almost majority of the respondent companies (77.9 percent) conducted 'SWOT analysis' for selection of investment projects. Further 84% percent of the small companies with capital budget size < Rs. 50 crores conducted the same.

'Customer market in case of new product/demand analysis' was another important non financial criteria before selecting an investment as mentioned by 65 percent of the sampled companies and the percentage is highest (nearly 93 percent) among companies with capital budget exceeding Rs. 500 crore. The respondent companies (53.2 percent) also considered the technical considerations such as 'availability of raw material, power and other basic amenities' necessary for the project followed closely by 'availability of manpower' (50.6 percent), 'suitable project location' (48.1 percent) and 'availability of suitable technology' (45.5 percent).

'Social considerations of employee and public safety' were other non financial factors considered by over 44.2 percent of the companies. The other non financial criteria that were considered by the respondent companies while making investment decisions were 'necessity of maintaining existing product lines' (41.6 percent), and 'need to meet competition' (21 percent).

The results are consistent with those of Hall (2000) on South African companies where 'safety of their employees or the public' and 'maintaining existing programmes or product lines' were considered by 21.5 percent and 20 percent of the respondent companies as an important non financial criterion that influences capital investment

decision. Bansal (1985) studied 243 large sized manufacturing companies in public and private sector where he found that legal requirements, competitive position, employer-employee relations and community relations were important qualitative consideration in capital expenditure decisions. Porwal (1976) also in his study of 118 non finance non-government manufacturing public limited Indian companies found that employee relations and competitive position were important qualitative considerations in evaluating investment proposals. Likewise, Fremgen (1973) reported that 97 percent of the firms said that they approved capital investments which were not economically justified, but surely on other (noneconomic) reasons. Such reasons included safety, social concern for employees and community, necessity of maintaining existing programs, and pollution control.

However, the CEOs of negligible 2.6 percent of the respondent companies did not give any consideration to the non financial factors. Hall and Millard (2010) in their study of 67 South African industrial firms listed on the JSE Securities Exchange also found that only 6 per cent of the respondents never selected investments on non-financial criteria. Certain other criteria like ‘country interest/government direction in particular area’, ‘government regulation/norms, tax benefits or incentives’, ‘environmental constraints’, ‘availability of qualified managerial personnel’ and ‘capacity availability’ are mentioned by a few companies as important non financial criteria affecting their choice of project. Thus, it can be concluded from the survey results that qualitative or nonfinancial criteria play a major and significant role in investment decisions.

Table 8.1(a): Non-Financial Criteria Used in Making Investment Decisions Distributed according to Industry Type

NON FINANCIAL CRITERIA	TYPE OF INDUSTRY									
	Trans/a utom/T yres (N=11)	Chem/ Fert/P aint/Ph arma/h ealth (N=9)	Cement/I ron/paper /glass/rub ber (N=7)	Cons dur/elec/l iquor/F MCG (N=8)	Power/ Oil/gas (N=2)	ICT (N=8)	Food Proces/sug ar (N=10)	Textlies/ Jeweller y/Leathe r (N=13)	Services- Fin,bank &ins/hotel /const/edu /retail/ent (N=9)	No. of Companies N=77
Non financial Grounds not Considered	0	1	0	0	0	0	0	0	1	2(2.6)
SWOT Analysis to fit Corporate Objectives and Strategy	8	7	6	7	0	8	6	10	8	60(77.9)
Safety of employees or public	8	3	3	8	0	5	3	1	3	34(44.2)
Necessity of maintaining existing programmes or product lines	3	5	3	5	1	5	3	3	4	32(41.6)
Customer Market in case of new projects/Demand of new product	8	5	4	8	1	7	3	6	8	50(64.9)
Availability of Raw Material ,power, and other basic amenities of the project	9	6	4	6	2	1	4	5	4	41(53.2)
Availability of manpower for the project	6	6	4	5	0	3	3	6	6	39(50.6)
Availability of Suitable Project Location	8	3	4	7	1	2	4	3	5	37(48.1)
Availability of Suitable technology	9	5	3	5	0	5	2	4	2	35(45.5)
Need to meet competition	1	3	4	2	0	2	1	0	3	16(20.8)
Country Interest/Govt Direction in particular area	0	0	0	0	2	1	0	0	0	3(3.9)
Environmental constraints	0	0	0	0	2	1	0	0	0	3(3.9)
Govt Regulation/Norms	0	0	1	0	1	1	1	0	0	4(5.2)
Tax benefits or Incentives	0	1	0	0	0	0	0	0	0	1(1.3)
Availability of Qualified Managerial Personnel	0	0	1	0	0	0	2	0	2	5(6.5)
Capacity Availability	0	1	0	0	0	0	0	0	0	1(1.3)

Source: Author's calculations based on primary data

Notes: 1. Multiple responses were obtained as companies considered more than one non financial criteria.

2. Figures in parentheses indicates percentage w.r.t no. of companies in each category (i.e. N)

Table 8.1(a) shows that ‘SWOT analysis to fit corporate objectives, and strategy’ was one non financial criterion which the respondent companies across all industry types (except power, oil, gas) used as a criteria for project selection. ‘Safety of public and employees’ and ‘customer demand analysis’ was found a relevant consideration for transport/tyres consumer durable, electrical, FMCG and ICT sectors specifically. Services sector also gave due consideration to ‘customer demand analysis’. ‘Availability of raw material, manpower and suitable technology’ were found to be important non financial considerations for transport/tyres, consumer durable, electrical, FMCG, chemical/ pharmaceuticals sector. Moreover in ICT sector ‘availability of suitable technology’ was also an important consideration. Further the ‘need to meet competition’ was given due weight age in cement/iron, paper, chemical, fertilizer and pharmaceuticals sector.

All of the two power/oil companies and one company in the ICT sector considered ‘Government direction in particular area for country interest’ and ‘environmental constraints’ as important considerations in investment selection. These are public sector enterprises for whom national and public interest as dictated by the government is of prime consideration in selecting an investment project. Other considerations like ‘need to meet competition’ and ‘SWOT analysis’ etc. were somewhat considered less important non financial considerations influencing project selection by these public sector enterprises.

Section II

Different Criteria/Factors Considered in Project Selection

8.2 Relative Importance of Different Criteria (Financial and Non-Financial) in Project Selection

The companies were also asked to rate the relative importance of different financial and non financial criteria in evaluating investment project on scale from MUI to MU (Most Unimportant to Most Important). Table 8.2 shows the results of the same.

Table 8.2: Relative Importance of Different Criteria in Project Selection

S.NO	CRITERIA	MUI	UI	Can't Say	I	MI	No. of Companies
1	Project Specific Risk	2(2.7)	10(13.3)	1(1.3)	23(30.7)	39(52.0)	75
2	Competitive Risk	1(1.3)	2(2.7)	4(5.3)	40(53.3)	28(37.3)	75
3	Industry Specific Risk	1(1.3)	4(5.3)	11(14.7)	30(40.0)	29(38.7)	75
4	Market Risk	0(0)	3(4.0)	3(4.0)	47(62.7)	22(29.3)	75
5	International Risk	7(9.3)	11(14.7)	11(14.7)	26(34.7)	20(26.7)	75
6	Availability of Finance	0(0)	9(11.7)	2(2.6)	27(35.0)	39(50.6)	77
7	Advice from analyst/Finance Officer	0(0)	3(3.9)	9(11.7)	53(68.8)	12(15.6)	77
8	Feedback from supplier	2(2.6)	7(9.1)	12(15.6)	37(48.1)	19(24.7)	77
9	Feedback from customer	0(0)	4(5.2)	5(6.5)	33(42.9)	35(45.5)	77
10	What competitors do/Competitors Move	0(0)	6(7.8)	5(6.5)	37(48.1)	29(37.7)	77
11	Repaying Debt on time	0(0)	8(10.4)	18(23.4)	32(41.5)	19(24.7)	77
12	Intangible Benefits of Project	0(0)	4(5.1)	31(40.2)	36(46.7)	6(7.8)	77
13	Increasing Profitability	0(0)	0(0)	0(0)	13(16.9)	64(83.1)	77
14	Increasing Sales Growth	0(0)	0(0)	0(0)	26(33.7)	51(66.3)	77
15	Service to community/CSR/Disseminate Right information	0(0)	0(0)	16(20.7)	43(55.8)	18(23.3)	77
16	Increasing Employment	1(1.3)	3(3.9)	16(20.8)	44(57.1)	13(16.9)	77

Source: Author's calculations based on primary data.

Notes: 1. Figures in parentheses indicates percentages w.r.t to row totals.

2. Row totals indicate the No of Companies considering the specific risk.

Table 8.2 reveals that nearly all the respondent companies reported 'increasing company's sales revenue and profits (financial criteria)' as the prime criteria for selecting any project. The next dominant criteria were the 'market risk' (changes in macro economic factors like GDP growth rate, business cycle risk, fluctuations in demand, interest rate, inflation rate) and 'competitive risk' (unanticipated actions of competitors). These criteria were rated important and most important by over 90 percent of the respondent companies. 'Feedback from customers', 'availability of finance', 'competitors' moves', 'advice from business analyst', 'project specific risk', were rated important and most important by nearly 83-88 percent of the respondent companies. Nearly 72-79 percent of the respondent companies considered 'service to community/CSR', 'industry specific risk' (unexpected technological developments, government policy changes/regulatory changes), 'increasing employment' and 'feedback from supplier' as important criteria affecting project choice.

'Repaying debt on time' and 'international risk' (exchange rate risk/political risk) were given importance by 61-66 percent of the respondent companies. 'Intangible

benefits of project' (brand image, customer image, timeliness, task completion, effect on employee morale, teamwork/competitive advantage/improving market share) were considered important by nearly 54 percent respondents, but a considerable percentage of the companies (40 percent) were not clear about the role of these non financial criteria in project selection. This is mainly due to the intangibility associated with these criteria.

Apart from these risks, two companies in the media/entertainment sector mentioned 'retaining the human resources' i.e. qualified professionals as a highly important risk. In this sector shift of human resources to the competitors for salary hike, promotion or growth are very common. So the greatest risk is their high turnover rate.

8.3 Factors (Financial and Non Financial) Considered in Project Selection

The previous section revealed that not only financial but non financial criteria also play a significant role in project selection. Thus, a vast number of criteria need to be considered before making any project selection decision. To identify empirically the factors that affect project selection, the Factor Analysis technique was used which reduces the vast number of (financial and non financial criteria) into a fewer factors, which explain much of the original data. Tables 8.3, 8.4, 8.5 and 8.6 show the results of the factor analysis.

Table 8.3: Results of KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.538901
Bartlett's Test of Sphericity	Approx. Chi-Square	309.0285
	Df	120
	Sig.	0.000

Source: Author's calculations based on primary data

Measure of sample adequacy such as Bartlett's Test of Sphericity (approx chi-square is 309.0285, degree of freedom is 120, significance is 0.000) and KMO value (0.539) indicate that the data was fit for factor analysis (Table 8.3). Bartlett's Test of Sphericity is significant. Thus, the hypothesis, that the inter correlation matrix involving these 16 variables is an identity matrix, is rejected. Empirical estimates of Bartlett's test and KMO value factor analysis indicate that factor analysis is feasible.

Principal component analysis along with Varimax rotation method was used for extracting factors. Six factors were retained on the basis of Eigen values (value

that represents the total variance explained by each factor) and variance explained. The standard practice normally used is that all the factors with an Eigen value of one or more should be extracted.

Clearly there are six factors having Eigen values more than 1 (Table 8.4). Thus, six factors were extracted which cumulatively explained 67.014 percent of the total variance

The factors extracted using principal component analysis was rotated using Varimax rotation. All the variables/statements with factor loadings greater than 0.40, were considered in the relevant factor (Table 8.5).

After the number of extracted factors was decided, the factors were interpreted and named. This was done by the process of identifying the factors that were associated with each of the original variables. The rotated factor matrix is used for this purpose. The name of the factors, variable labels and factor loadings are summarized in Table 8.6.

Table 8.6 shows that **Factor 1** is linear combination of variable number 1, 6 and 11. **Factor 2** is linear combination of variable number 2, 9 and 10. Factor 3 is linear combination of variable number 13 and 14. **Factor 4** is linear combination of variable number 15 and 16. **Factor 5** is combination of variable number 4, 7, 8, 12. **Factor 6** is combination of variable number 3 and 5.

Table 8.4: Principal Component Analysis-Total Variance Explained

Total Variance Explained									
Component	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Percent of Variance	Cumulative percent	Total	Percent of Variance	Cumulative percent	Total	Percent of Variance	Cumulative percent
1	2.912	18.200	18.200	2.912	18.200	18.200	2.203	13.768	13.768
2	2.307	14.419	32.619	2.307	14.419	32.619	2.113	13.204	26.972
3	1.704	10.650	43.269	1.704	10.650	43.269	1.703	10.646	37.618
4	1.445	9.031	52.300	1.445	9.031	52.300	1.660	10.375	47.994
5	1.247	7.791	60.090	1.247	7.791	60.090	1.614	10.087	58.081
6	1.108	6.924	67.014	1.108	6.924	67.014	1.429	8.9330	67.014
7	0.955	5.971	72.985						
8	0.855	5.345	78.330						
9	0.77	4.812	83.142						
10	0.715	4.469	87.611						
11	0.446	2.788	90.399						
12	0.427	2.671	93.070						
13	0.351	2.196	95.267						
14	0.319	1.991	97.258						
15	0.234	1.460	98.718						
16	0.205	1.282	100.000						

Source: Author's calculations based on primary data

Table 8.5: Varimax Rotated Component Matrix

Rotated Component Matrixa						
	Component					
	1	2	3	4	5	6
Repaying Debt on time	0.848					
Availability of Finance	0.843					
Project Specific risk	0.734					
Feedback from Customers		0.830				
What competitors do/Competitors Move		0.813				
Competitor risk		0.596				
Increasing Sales Growth			0.831			
Increasing Profitability			0.776			
Increasing Employment				0.818		
Service to community/CSR/Disseminate Right information				0.798		
Intangible Benefits of Project					0.673	
Market risk					0.636	
Feedback from Suppliers					0.628	
Advice from analyst/Finance Officer					0.462	
International risk						0.737
Industry specific risk						0.699

Source: Author's calculations based on primary data

All the factors have been given appropriate names according to the variables that have been loaded on each factor. Table 8.6 identifies six factors that affect project selection decision of the companies.

Table 8.6: Factors Considered in Project Selection/Investment Decision

FACTORS	STATEMENTS	FACTOR LOADING	CRONBACH ALPHA/ RELIABILITY
Factor 1- Technical Factors (Resources Availability)	11.Repaying Debt on time	0.848	0.761
	6.Availability of Finance	0.843	
	1.Project Specific risk (shortage of raw material, skilled labour, power ,infrastructure, suitable technology, suitable project location)	0.734	
Factor 2- Stakeholders Expectations and Feedback	9.Feedback from Customers/Customer Expectations	0.830	0.716
	10.Feedback/Information about What competitors do/Competitors Move	0.813	
	2.Competitor risk or unanticipated actions of competitors)	0.596	
Factor 3- Financial Feasibility	14.Increasing Sales Growth/Brand Growth	0.831	0.641
	13.Increasing Profitability (Tax Benefits)	0.776	
Factor 4- Social Factors (Social Benefits and Responsibility)	15.Increasing Employment	0.818	0.704
	16.Service to community/CSR, Disseminate Right information, Safety of employees and public, Country interest	0.798	
Factor 5-Strategic Alignment (Intangible Market related Benefits and Risks)	12.Intangible Benefits of Project (fit with Corporate objectives and Strategy, Brand Image, Customer Image, Timeliness, Task Completion, Effect on employee morale, teamwork, Competitive Advantage ,improving Market Share)	0.673	0.503
	8.Feedback from Suppliers	0.628	
	4.Market risk (Demand Analysis, impact of changes in macro economic factors like GDP growth rate, business cycle risk, interest rate, inflation rate)	0.636	
	7.Advice from Market/Business Analyst	0.462	
Factor 6- External Factors (Industry Specific Risks)	5.International risk(exchange rate risk)	0.737	0.383
	3.Industry specific risk (unexpected technological developments, govt policy changes/regulatory changes)	0.700	

Source: Author's calculations based on primary data

Factor 1 - Technical Factors (Resource Availability) i.e. availability of the necessary resources for the project ranging from availability of finance to raw material, power, labour, infrastructure etc. The focus is on technical factors like availability of adequate funds for the project, specialized personnel with requisite qualification and capability,

implementation of new production techniques, availability of required inputs/raw materials, infrastructural facilities to suit the technical complexity of the project.

Factor 2 - Stakeholders Expectations and Feedback, i.e. projects ability to meet customer expectations and tackle competitors' actions in the market. The focus in this is on project's commercial evaluation in terms of studying market needs, identifying and analysing competitors, promotion policy and placement policy and to find out whether the project can meet customer needs and handle competitor's actions and moves.

Factor 3 - Financial Feasibility, i.e. projects' contribution in increasing sales growth and profitability of the organisation and thus, maximising the market price of its shares. This is of prime importance and is based on projects cash flow estimation, estimation of cost of capital and later usage of financial appraisal techniques like Payback NPV, IRR, PI to check whether the project will add value to the firm or not. Further, various financial risk factors like Inflation risk, Interest Rate risk, Business Cycle risk, Exchange Rate risk etc. may also be considered for financial evaluation.

Factor 4 - Social Factors (Social Benefits and Responsibility), i.e. the project's contribution to society in terms of increasing employment, ensuring safety of public and employees and safeguarding interest of the country as a whole. Due consideration is given to environmental legislation, project's impact on air, water pollution, its impact on public health, impact on social infrastructure or cultural values and changes in local quality of life, and the creation of well-being (employment, housing, water/sewage, health) for the general public.

Factor 5 - Strategic Alignment (Intangible Market related Benefits and Risks), i.e. how far the project fits with corporate objectives and strategy, improves brand image, customer image, market share, competitive advantage of the company in the market. Further, demand analysis of the project, feedback from suppliers and business analysts in the market about the future project prospects. In other words, what is the contribution of the project to the company's strategic goals, its impact on the company's global risk, impact on its future projects, development of company's current business, exploring opportunities/strengths in meeting the market's needs and minimizing company's threats/weaknesses.

Factor 6 – External factors (Industry Specific Risks), like project's exposure to government policy and regulations, legal laws, unexpected technological changes, and industry's susceptibility to international exchange rate fluctuations. The political characteristics of the project focus on considering legal formalities involved in setting the project, government's environmental policy, and government's budgetary and fiscal policies. Further political support for the project, exclusive investment subsidies, concession/exploration agreements and regulation on patents/intellectual property, are given due importance while considering any project.

Thus, Indian Companies give due importance not only to financial analysis but also to multiple non financial considerations while selecting an investment proposal. 'SWOT analysis to fit corporate objectives and strategy' and 'customer market in case of new product/demand analysis' are found to be highly important non financial criteria before selecting an investment. Further, 'technical considerations such as availability of raw material, power, manpower', 'suitable technology' or 'suitable project location' are also considered by most of the companies. 'Social considerations of employee and public safety' are also given due importance by Indian Companies. Our study also reveals that Technical Factors/Resource Availability, Stakeholders Expectations and Feedback, Financial Feasibility, Social Benefits and Responsibility, Strategic Alignment /Intangible Market related Benefits and Risks, and External factors are important factors(non financial and financial) considered by finance managers before project selection.

