

COMPREHENSIVE ANALYSIS OF FACTORS INFLUENCING THE ATTRACTIVENESS OF THE INVESTMENT CLIMATE

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ABSTRACT	KEYWORDS
The article reveals the relevance and importance of investment risk assessment and management mechanisms in the digital economy, conducts a comprehensive analysis of factors affecting the attractiveness of the investment environment, analyzes the attractiveness of the investment environment: the experiences of developed countries, and provides conclusions and proposals for increasing the attractiveness of the investment environment in our country.	Investment climate, investment attractiveness, investment risks, financial stability, institutional factors, political stability, economic freedom, level of corruption, inflation rate, interest rates, infrastructure development.

Introduction

The attractiveness of the investment climate is one of the most important points of support for the economic development of countries. In the context of modern globalization, competition for attracting investments among the countries of the world is intensifying. This necessitates a comprehensive and comprehensive analysis of all factors influencing the investment climate. The relevance and significance of this topic are of great importance not only theoretically, but also practically.

The fundamental changes taking place in the world economy, the consequences of the global pandemic, the volatility of the geopolitical situation, and the processes of digital transformation have a serious impact on the mechanism for making investment decisions. These factors indicate the need for a comprehensive study of not only traditional economic indicators, but also institutional, legal, environmental, and social factors to ensure the attractiveness of the investment environment.

Modern scientific research on the attractiveness of the investment environment shows that the economic growth and sustainable development of countries directly depend on the volume, quality, and effectiveness of investments. In particular, according to the World Bank and the International Monetary Fund, countries with high investment attractiveness are not only more resilient to economic crises, but also have faster recovery and adaptation potential[1]. This makes increasing the attractiveness of the investment climate one of the priorities of state policy.

Foreign direct investment provides countries not only with additional financial resources, but also with

opportunities for advanced technologies, innovative management experience, integration into the global value chain, and access to new markets. According to UNCTAD, the global inflow of foreign direct investment has changed significantly over the past decade, with the share of developing economies increasing, and this trend is expected to continue in the future[2]. Therefore, each country strives to develop consistent and long-term strategies to increase its investment attractiveness.

Literature Review

In the process of analyzing the literature on the topic, a number of leading economists and specialists of the world have conducted scientific research on the analysis of factors influencing the attractiveness of the investment environment. Among them, John Dunning, through his “Eclectic Paradigm” (OLI paradigm), states that investment decisions depend on three main factors: Ownership Advantages, Location Advantages, and Internalization Advantages. He believes that a country's investment attractiveness is largely due to “location advantages” which include factors such as natural resources, infrastructure, institutional environment, and labor resources.

In his theory of “national competitive advantage”, Michael Porter, through the diamond model, identifies four determinants of the attractiveness of the investment environment: factors of production, conditions of demand, related industries, and firm strategy. Porter emphasizes the need for a comprehensive development of these four determinants to increase the investment attractiveness of countries[4].

Daron Acemoglu emphasizes the importance of institutional factors in the attractiveness of the investment climate. In his opinion, “inclusive institutions” are necessary to increase the country's investment attractiveness. This includes the protection of property rights, the rule of law, and the creation of a transparent governance system[5].

Laura Alfaro showed that the impact of FDI on economic development depends on the level of development of the country's financial markets. In his opinion, to increase the attractiveness of the investment climate, it is important to develop financial markets, strengthen the banking system, and ensure macroeconomic stability[6].

Simeon Djankov, founder of the “Doing Business” report, sees the ease of doing business as an important indicator of the attractiveness of the investment climate. He believes that by reducing administrative barriers and simplifying bureaucratic processes, countries can significantly increase their investment attractiveness[7].

Raghuram Rajan studied the influence of the financial system and institutional quality on the attractiveness of the investment environment. In his opinion, the level of development of financial markets and the effectiveness of financial institutions are important factors determining the attractiveness of the investment environment. He also emphasizes the importance of finding the optimal level of regulation of the financial sector[8].

Research Methodology

Economic research methods such as analysis of research conducted by world scientists on the analysis of factors influencing the attractiveness of the investment environment, collection of all data on the topic, comparison, and logical thinking were used.

Analysis and discussion of the results.

Various international ratings play an important role in assessing the attractiveness of the investment climate, including the “Doing Business” prepared by the World Bank, the “Global Competitiveness Index” published by the World Economic Forum, the “Economic Freedom Index” published by the Heritage Foundation, and other indicators. These ratings serve as the main guide for investors in decision-making and have a significant impact on the formation of the country's investment image. To achieve high rankings, countries are forced to constantly improve their investment climate.

Systemic reforms to improve the investment climate in our country, in particular, measures to improve the tax system, reduce administrative barriers to doing business, strengthen legal guarantees, and simplify bureaucratic processes, are aimed at increasing investment attractiveness. According to the State Statistics Committee, the volume of foreign direct investment attracted to our country in recent years has a stable growth trend, which indicates the effectiveness of the reforms.

The rapid development of the digital economy places new demands on the investment climate. Technological infrastructure, the innovation ecosystem, the level of cybersecurity, digital skills, and mechanisms for protecting intellectual property rights are becoming important factors determining investment attractiveness. According to research by Nielsen and McKinsey, the direction, structure, and effectiveness criteria of investments are changing significantly in the process of digital transformation. This requires the adaptation of investment policy to the requirements of the digital economy[9].

One of the important factors influencing the attractiveness of the investment climate is macroeconomic stability. The level of inflation, the stability of the exchange rate, the volume of public debt, the budget deficit, and the balance of payments are carefully studied by investors. According to the IMF, countries that have ensured macroeconomic stability have a significant advantage in attracting investments[11]. Therefore, the effectiveness of macroeconomic policy in increasing the attractiveness of the investment environment is of particular importance.

Table 1 Comprehensive analysis of factors influencing the attractiveness of the investment climate

No	Factor group	Influencing factors	Direction of influence	Degree of influence (1-5)	Nature of influence
1.	Political and legal factors	Political stability	Positive	5.	Increases investor confidence
		Improvement of the legislative framework	Positive	4.	Reduces legal risks
		Consistency of state policy	Positive	4.	Long-term investment planning
2.	Economic factors	Macroeconomic stability	Positive	5.	Reduces investment risk
		Inflation rate	Negative	3.	Reduces investment profitability
		Tax and customs policy	Variable	4.	Significantly influences investors' decisions
		Exchange rate stability	Positive	4.	Reduces currency risk
3.	Socio-demographic factors	Population income level	Positive	4.	Expands market size
		Availability and qualifications of labor resources	Positive	5.	Increases investment efficiency
		Population growth rate	Positive	3.	Increases domestic demand
4.	Infrastructure	State of transport and logistics	Positive	5.	Accelerates product delivery

	factors	infrastructure			
		Level of energy supply and communications	Positive	5.	Increases production efficiency
		Development of financial and banking infrastructure	Positive	4.	Facilitates access to financial resources
5.	Institutional factors	Bureaucratic obstacles in the investment process	Negative	4.	Slow down the investment process
		Mechanisms of state support for investors	Positive	5.	Encourages investment
		Level of corruption	Negative	5.	Reduces investment attractiveness
6.	Environmental factors	Environmental protection requirements and standards	Positive/negative	3.	Increases costs but ensures long-term sustainability
		Availability of natural resources	Positive	4.	Forms a resource base
Note: Influence level scale (1-5): 1 - very low, 5 - very high. Based on this table, it is possible to assess the overall attractiveness of the investment environment and develop strategies for its improvement.					

According to the results of the above comprehensive analysis, the factors most strongly influencing the attractiveness of the investment climate are political stability, macroeconomic stability, labor skills, infrastructure development, and the effectiveness of institutional support mechanisms. At the same time, there are negative factors such as bureaucratic barriers, corruption, and inflation, which can negatively affect investor decisions.

Therefore, to improve the investment climate, it is necessary to continue political and economic reforms aimed at minimizing negative factors by government bodies, creating a favorable legal environment for investors, and expanding infrastructure capabilities. This, in turn, will increase the volume of investments and accelerate economic development.

The legal and institutional environment is another important factor influencing investment attractiveness. The stability of the legislative framework, the protection of property rights, the execution of contracts, the independence of the judicial system, and the level of corruption are important criteria for investors. As Dunning and Lundan note, the quality of the institutional environment is one of the main indicators in assessing the level of risk of investors. Therefore, legal and institutional reforms are of great importance for increasing investment attractiveness.

The quality of human capital and the state of the labor market are also among the important factors determining the attractiveness of the investment environment. The qualifications of the workforce, the quality of the education system, the level of remuneration, and the flexibility of labor legislation are carefully studied by investors. As Porter noted, the competitive advantage of countries largely depends on the quality of human capital. Therefore, measures to improve the education system and modernize the labor market are of great importance for increasing investment attractiveness.

The quality of infrastructure is also one of the important factors affecting the attractiveness of the investment climate. The level of development of transport, energy, telecommunications, and social infrastructure determines the effectiveness of investments. According to Schwab, infrastructure quality is one of the main factors determining a country's competitiveness. Therefore, the development and modernization of infrastructure facilities are of great importance for increasing investment attractiveness.

Tax policy also has a significant impact on the attractiveness of the investment climate. The level of tax rates, tax incentives, the effectiveness of tax administration, and the stability of the tax system are

important indicators for investors. According to the World Bank Group, an effective and transparent tax policy plays an important role in increasing investment attractiveness. Therefore, improving the tax system is of great importance for increasing investment attractiveness.

In the context of modern globalization, environmental and social factors are also becoming one of the important factors influencing the attractiveness of the investment environment. The growing trend of investing according to ESG (Environmental, Social, Governance) criteria encourages countries to pay more attention to environmental and social issues in their investment policy. This requires a comprehensive approach to assessing the attractiveness of the investment climate.

A comprehensive analysis of the factors influencing the attractiveness of the investment climate has not only theoretical, but also practical significance. The conclusions and recommendations developed as a result of this analysis serve as an important basis for the formation of an effective investment policy for government bodies and the adoption of investment decisions for private sector entities. Such a comprehensive approach makes it possible to develop targeted and effective strategies for improving the investment climate.

Table 2 Attractiveness of the investment climate: experience of developed countries

Country	Key Attractive Factors	Measures taken	Results
USA	Strong legal system Innovative ecosystem Large domestic market	Start-up accelerators R&D financing through DARPA Patent system	Global Innovation Leadership \$380 billion FDI in 2023
Singapore	Strategic location Absence of corruption Tax benefits	"Single Window" System Tax Preferences Smart Nation Program	\$21,000 per capita FDI Global Logistics Center
Germany	Highly skilled workforce Industrial infrastructure	"Industrie 4.0" Strategy Dual Education System Fraunhofer Institutes	High-tech production in 2023 \$70 billion FDI
South Korea	High technological potential Export-Oriented Policy	Chaebols support Allocating 3% of GDP to R&D	Hi-tech export leader R&D spending 4,8% of GDP
Switzerland	Political stability Intellectual Property Protection	Corporate tax optimization Patent box mode	Leader of the Global Innovation Index Center for Pharma and Biotechnology
Great Britain	International Financial Centre Developed legal system	Catapult Centers R&D Tax Credits	Global FinTech Center \$60 billion FDI in 2023
Japan	High technological potential Strong infrastructure	Society 5.0 Strategy Regional Innovation Clusters	Robotics & Automation Leader Leader in the number of patents

Developed countries use a comprehensive approach to ensuring the attractiveness of the investment climate. As can be seen from the table, in such countries as the USA, Singapore, Germany, and South Korea, the main focus is on a strong legal system, an innovative ecosystem, tax benefits, and a system for training highly qualified personnel. These countries have ensured investment attractiveness by creating start-up accelerators, financing R&D activities, implementing a "single window" system, and developing innovative strategies. As a result, they have achieved global innovation leadership, a high volume of foreign investment, and the development of high-tech production.

The experience of developed countries shows that to increase the attractiveness of the investment environment, it is important to strengthen cooperation between the state and the private sector, ensure the integration of education and production, improve the system of protection of intellectual property rights, and introduce digital technologies. These experiences can serve as a valuable basis for

developing countries in forming policies to increase investment attractiveness, but each country must adapt these experiences to its own conditions, taking into account its economic, social, and political characteristics.

To improve the comprehensive analysis of factors influencing the attractiveness of the investment climate in Uzbekistan, it is necessary to implement the following measures:

Strengthening the mechanisms for protecting property rights;

Modernization of the banking system, stimulation of competition of private banks;

Improvement of the system of targeted tax benefits aimed at strategic sectors;

Modernization of transport and logistics infrastructure;

Development of digital infrastructure, expansion of internet speed and coverage;

Improvement of mechanisms for constant communication with foreign investors;

Development of electronic payment systems and digital financial services;

Support for investment projects based on the principles of sustainable development;

Development of a strategy for promoting investment potential;

Implementation of a set of measures to improve the country's image for investors;

Stimulation of “green” investments.

The implementation of these proposals will significantly increase the attractiveness of the investment climate in Uzbekistan, increase the volume of foreign investments, and improve the country's international competitiveness.

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