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DETERMINANTS OF INVESTMENT ATTRACTIVENESS OF COUNTRIES AND INVESTMENT CLIMATE ASSESSMENT METHODS. SURVEY ANALYSIS

DETERMINANTY ATRAKCYJNOŚCI INWESTYCYJNEJ KRAJÓW I METODY OCENY KLIMATU INWESTYCYJNEGO. ANALIZA ANKIETOWA

Abstract

Objectives: The purpose of the research is the identification of important determinants shaping the investment attractiveness of the country (region) from the point of view of potential investors and assessment the degree of stakeholder satisfaction with existing methods of examining the investment climate and their availability for practical use.

Material and methods: In order to to asses a set of determinants that exert the most significant influence on a country's investment climate was developed a questionnaire consisting of 25 questions. These questions were designed to assess the opinions of potential investors regarding the degree of influence of various factors on their decision on capital allocation and the investment climate of a country. The survey was conducted among 506 enterprises from Special Economic Zones in Poland.

Results: Based on the conducted research, we have developed a list of the most important factors, perceived by potential investors, shaping the investment climate of a country. The most important factors include, among others, the level of taxation, the size of the economy, the independence of the judiciary, the political stability in the country receiving the investment, the favorable government policy towards business, the level of corruption, the situation on the labor market, the development of physical and transport infrastructure, the cost of conducting research and development activities, the geographical location of the country and climatic conditions. The study shows also that a qualitative methodology for assessing the investment climate should be based on a variety of analytical tools to provide a more complete and objective picture of the investment attractiveness of a given country.

Conclusions: The use of expert assessments, statistical data and stakeholder opinions allows for a better understanding of the investment context, risk and return potential. This study has important implications for companies and investors who are looking for reliable tools to assess the attractiveness of potential investment locations and make informed investment decisions.

Streszczenie

Cele: Celem badań jest identyfikacja istotnych determinant kształtujących atrakcyjność inwestycyjną kraju (regionu) z punktu widzenia potencjalnych inwestorów oraz ocena stopnia zadowolenia interesariuszy z istniejących metod badania klimatu inwestycyjnego i ich dostępności do praktycznego wykorzystania.

Materiał i metody: W celu oceny zestawu determinant wywierających najistotniejszy wpływ na klimat inwestycyjny kraju opracowano kwestionariusz składający się z 25 pytań. Pytania te miały na celu ocenę opinii potencjalnych inwestorów na temat stopnia wpływu różnych czynników na ich decyzję o alokacji kapitału i klimacie inwestycyjnym kraju. Badanie przeprowadzono wśród 506 przedsiębiorstw ze Specjalnych Stref Ekonomicznych w Polsce.

Wyniki: Na podstawie przeprowadzonych badań opracowano listę najważniejszych, postrzeganych przez potencjalnych inwestorów, czynników kształtujących klimat inwestycyjny kraju. Do najważniejszych czynników zalicza się m.in. poziom opodatkowania, wielkość gospodarki, niezależność sądownictwa, stabilność polityczną kraju przyjmującego inwestycje, przychylną politykę rządu wobec biznesu, poziom korupcji, sytuację na rynku pracy, rozwój infrastruktury fizycznej i transportowej, koszty prowadzenia działalności badawczo-rozwojowej, położenie geograficzne kraju i warunki klimatyczne. Badanie pokazuje również, że jakościowa metodologia oceny klimatu inwestycyjnego powinna opierać się na różnorodnych narzędziach analitycznych, aby zapewnić pełniejszy i obiektywny obraz atrakcyjności inwestycyjnej danego kraju.

Wnioski: Wykorzystanie ocen ekspertów, danych statystycznych i opinii interesariuszy pozwala na lepsze zrozumienie kontekstu inwestycyjnego, ryzyka i potencjalnej stopy zwrotu. Badanie to ma istotne implikacje dla firm i inwestorów, którzy poszukują wiarygodnych narzędzi do oceny atrakcyjności potencjalnych lokalizacji inwestycyjnych i podejmowania świadomych decyzji inwestycyjnych.

Keywords: *investment, attractiveness, competitiveness, Poland*

Słowa kluczowe: *inwestycje, atrakcyjność, konkurencyjność, Polska*

1. Introduction

International competitiveness and investment attractiveness are two concepts that are intimately associated with a nation. In particular, having a high level of international competitiveness is a necessary but insufficient condition for attracting enterprises' foreign direct investments. Therefore, when assessing a country's competitiveness in comparison to other global economies, it is crucial to include its investment attractiveness. Foreign direct investment, or FDI, is an investment made by a foreign corporation or other entity established in a company that is registered in the country. According to the United Nations Conference on Trade and Development (UNCTAD), in addition to the financial infusion, foreign direct investment (FDI) may benefit the host country in a number of ways, such as the transfer of technology and skills. Therefore, the FDI inflow increases the economy's competitiveness and opens up more job-creation opportunities. Results from theoretical and empirical analyses by Behrman (1972), Findlay (1978), Blomström & Kokko (2003),

Alfaro et al. (2004), Blomkvist (2009), and Sabir et al. (2019) corroborate these benefits. One of the things affecting the nation's economic growth is said to be the strategy for drawing in foreign investment. A nation can offer a variety of inducements to attract foreign direct investment (FDI). These might include cyclical considerations (dynamic economic growth), demographic factors (access to an educated workforce), and geographical factors (access to the sales market).

Additionally, while making investment selections, international investors take into account financial considerations like tax costs and institutional factors like the quality of institutions in the host country. The quantity of taxes due affects capital flows from investments directly and indirectly, as well as an organization's capacity to compete. Bellak et al. (2009) show that a high corporate income tax rate has a negative effect on the profitability of foreign direct investment (FDI). Due to their comparative advantage in the form of cheap labor, enticing pro-business policies from their governments, an abundance of raw materials, and vast natural resources, economically developing countries are seen as viable destinations for inflows of foreign direct investment. However, it makes sense that these nations' governments use high tax rates to ensure sufficient budget revenues given their limited financial resources and the heavy pressure on the budget deficit.

Inadequate institutional quality is becoming into a worldwide problem that impacts various aspects of the economy, not only in developing countries overall but also in particular states. Poor institutions are the cause of corruption. Theoretically, corruption can be seen as a *grabbing hand* since it hinders foreign direct investment (FDI) and increases transaction risk. However, because it *lubricates* the flywheel, corruption can be beneficial in countries where institutions are still ineffective and cumbersome. Businesses can thus gain important information and advantages for little financial outlay, which boosts earnings (Heckelman and Powell, 2010).

In today's economy, tax rivalry between countries to attract foreign direct investment is becoming a global problem. The tax burdens of countries with similar markets in terms of location and size are often compared by investors. Even though worldwide tax competition tends to increase, many countries view tax rate decreases as inevitable. However, there is little concrete evidence that this tax drop will promote foreign direct investment in underdeveloped countries.

Reductions in tax revenue will result in less investment in infrastructure, which will reduce the delivery of public goods and services and create issues with the allocation of public funds. Therefore, it's unclear if these countries are still the greatest for international investment.

Furthermore, poor institutions that encourage corruption may be one of the main barriers to economic growth and advancement. In particular, World Bank and Transparency International data show that corruption has become more complex and widespread in several emerging countries. Corruption and low-quality institutions tend to hinder economic growth by reducing the effectiveness of public investment and restricting private investment, as numerous international empirical studies have shown (Gupta et al., 2002; Knack and Keefer, 1995; Mauro, 1995; Tanzi and Davoodi, 2001).

2. Literature review

One of the factors influencing how much foreign direct investment enters a country is the level of taxes in the host country. Although the precise form of tax has a considerable impact on the impact on FDI inflows, the majority of empirical research show that nations with high tax rates would not be as attractive to FDI inflows as countries with low tax rates. However, the conclusion that not all FDI inflows are equally tax sensitive was first made by Hartman (1984). This suggests that FDI investors in specific industries are exempt from the host country's tax burden.

De Mooij and Ederveen (2003) used a meta-analysis approach to show that foreign direct investment (FDI) has a tax elasticity of – 3.3. This means that, on average, a 1% decrease in the host country's tax rate will result in a 3.3% increase in FDI inflows to that country. Meanwhile, a similar investigation was conducted by Bellak et al. (2009), who found that this elasticity is less than – 1.45. Furthermore, Stöwhase (2005) investigated the impact of tax rates on FDI. He concluded that this sensitivity is significantly influenced by the region in which FDI flows. This study concludes that the FDI tax elasticity is either exaggerated or underestimated in comparison to the average reported in previous studies. The study also implies that inaccurate conclusions from earlier research may have resulted from challenges with data access, measurement, and estimation techniques.

Corruption is another institutional factor that is believed to have an impact on the amount of foreign direct investment that enters the country. Corruption is defined by the World Bank as the abuse of official power for personal gain. It is commonly believed that corruption negatively impacts foreign direct investment inflows. However, the relationship between FDI inflow and corruption is not very strong. In the setting of subpar national institutions, Wheeler and Mody (1992) investigated the impact of corruption on foreign direct investment (FDI). This trait manifests as a convoluted legal system, excessive bureaucracy, and onerous administrative procedures. The study found no statistically significant relationship between corruption and foreign direct investment. In other words, corruption still hinders foreign direct investment (FDI) in underdeveloped countries due to inadequate institutions. However, Wei (2000) pointed out that Wheeler and Mody's (1992) study had some flaws and affected the research results. Twelve variables were included in the model study by Wheeler and Mody (1992); however, according to Wei (2000), they only included one corruption variable. Therefore, it is challenging to ascertain how corruption impacted foreign direct investment in this specific case.

Wei (2000) collected data from forty-five different countries. The model was estimated using the Tobit method. The results of the study showed that corruption negatively affects FDI inflow. Using panel and cross-sectional data, Abed and Davoodi (2002) investigated the connection between degrees of corruption and per capita FDI flows in transition economies. The results show that countries with lower levels of corruption attract more foreign direct investment (FDI). However, the corruption variable became insignificant when a control variable for institutional change was included in the model. Therefore, this study confirms the important fact that institutional reform is more important than reducing corruption in order to attract foreign direct investment (FDI) inflows to various countries.

In a 2002 study, Habib and Zurawicki examined the effects of corruption on bilateral FDI flows by examining 89 countries that received direct investments and 7 countries that provided financing. In this instance, the theory that FDI inflow will be less if corruption in the host nation is higher than in the home country was tested. Thus, the explanatory variable in the empirical model is the variation in the degree of corruption between the countries that make

investments and the countries that receive them. Since FDI inflows are thought to be associated with unethical activity, it has been argued that they tend to avoid corruption. Furthermore, Voyer and Beamish (2004) employed solitary data for both the source nation, Japan, and the 59 developing nations that received these investments. The study's authors discovered evidence linking Japanese foreign direct investment inflows to host nation corruption.

Asiedu (2002) examined the main factors affecting foreign direct investment (FDI) influx to Africa in his research on the subject. The results show that both political instability and corruption have a detrimental effect on FDI flow. According to Mathur and Singh (2013), when it comes to deciding on capital flows, foreign investors are more focused on economic freedom than political freedom. The essay examines the factors that affect the influx of foreign direct investment into 29 emerging countries. Empirical research indicates that corruption has a major influence on investors' destination choices. Particularly in emerging countries, FDI inflows are highly interdependent. The high degree of corruption has a negative effect on the flow of foreign direct investment into certain countries. Some studies claim that corruption has no negative impact on foreign direct investment. This is based on the notion that corruption can sometimes be a useful tool when other aspects of governance are lacking or when economic measures are deemed ineffective (Leff, 1964). In certain cases, corrupt practices might benefit investors by enabling them to overcome barriers and benefit from incentives offered by the host country.

Egger and Winner (2006) assessed the relationship between FDI inflows and corruption in 73 developed and developing countries between 1995 and 1999. Empirical research indicates that corruption can promote foreign direct investment (FDI) inflows by helping business owners avoid burdensome rules and bureaucratic procedures. They argued that corruption may boost efficiency by giving entrepreneurs the ability to correct or eliminate government errors. Furthermore, Lui (1985) illustrated how corruption might protect companies from the detrimental consequences of ineffective regulations by using a queuing model. Bribing officials can generate an incentive to speed up the administrative procedure, according to the findings.

By improving institutional quality and helping businesses avoid governmental restrictions that hinder their operations, corruption can assist firms

in finding appropriate and constructive solutions, according to Bayley (1966). The amount of foreign direct investment that enters the country may also be significantly influenced by the macroeconomic climate. One of the earliest significant studies on the impact of these factors on FDI flows was conducted by Behrman (1972). Foreign direct investment (FDI) promotes growth in management and technical skills in addition to cash, according to a study of 72 American companies with a sizable presence abroad.

Using the dynamic model, Findlay (1978) showed how technology dispersion speeds up technical development in a somewhat *less developed* area, increasing the region's attractiveness to foreign direct investment (FDI). These earlier findings suggest that countries undergoing rapid development attract foreign direct investment. However, there may not always be a correlation between FDI inflows and economic growth, and the relationship may vary between industrialized and developing countries.

According to Blonigen (2005) and Nunnenkamp (2002), there are two main types of factors that influence FDI influx. The market and efficiency (traditional variables) are crucial. Market considerations include the population, tax burden, economic growth rate, and other elements. The FDI inflow is therefore influenced by the amount and dynamics of operational costs for companies in the country, including taxes, salaries, employee non-wage expenditures, etc. The analysis of the shift in focus between the two sets of previously described criteria is now a key component of the literature on the factors that influence foreign direct investment inflow.

In a recent publication, Mottaleb and Kalirajan (2010) and Kumari and Sharma (2018) investigated how the size of the host country's market affected the flow of foreign direct investment. These studies provide evidence about the macroeconomic factors impacting foreign direct investment inflows in both industrialized and developing countries, even though the findings are not conclusive. Studies on how efficiency affects FDI flows indicate that the level of human capital development and related costs are a major determinant of FDI entry to the country. Lower labor costs have a beneficial effect on the nation's potential to draw in foreign direct investments (Noorbakhsh et al., 2001; Braconier et al., 2005). Human capital is one of the elements that propels FDI inflow.

Research methods and results

Poland is the most appealing investment site for businesses among the countries surveyed this year (Central and Eastern Europe, China, and Russia). Furthermore, 92.7% of respondents said they would return to Poland to conduct business. These are the findings of the *Poland in the eyes of foreign investors* economic survey, which was conducted in March 2023 on behalf of the Polish-German Chamber of Industry and Commerce (AHK Polska) and the International Chambers of Commerce in Poland (IGCC) (AHK, 2024).

Although acknowledging the significance of the methodologies presented, it is important to note that they usually ignore the issue of whether the indicators used in the study are in line with the needs of the market and the representatives of the business community. In the meantime, the quality and, thus, the applicability of each particular approach are mostly determined by the components that are appropriately chosen. It should be mentioned that there aren't many thorough studies in the economic literature on prospective investors' perceptions of the elements that most strongly affect their choices when preparing foreign capital investments and, in turn, how the investment climate is shaped.

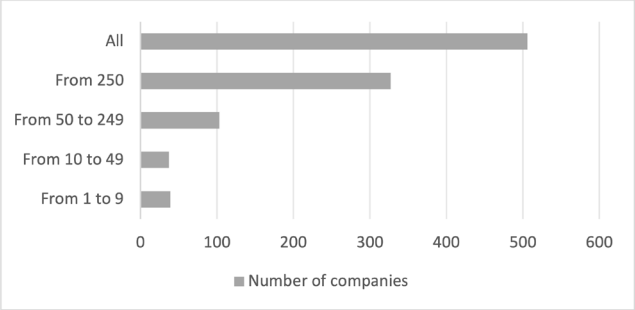
This article can therefore close a gap in the field and provide the groundwork for the creation of a new methodology that satisfies consumer needs. We determined the necessity of surveying potential investors to learn about their thoughts on the aforementioned topics after carefully examining several approaches to their comparative analysis and methods for evaluating the investment climate.

A questionnaire with 25 questions of different orientations was created in order to evaluate a set of factors that have the biggest effects on a nation's investment climate. These inquiries were intended to gauge prospective investors' perceptions of the extent to which certain elements influenced their choice of capital allocation and a nation's investment climate. Between June 10 and July 20, 2023, 506 companies located in Poland's Special Economic Zones participated in the survey.

The distribution of the number of workers working for the surveyed companies is shown in the figure below. Of the businesses surveyed, 7.71% were those with the fewest employees (between 1 and 9). The proportion of businesses

with 10–49 workers was slightly lower, at 7.31%. Companies employing between 50 and 249 employees made up a substantially larger category and accounted for 20.36% of the sample questioned. However, businesses with 250 ormore employees accounted for the biggest share of surveyed businesses (64.62%).

Figure 1. *Number of employees in the companies*

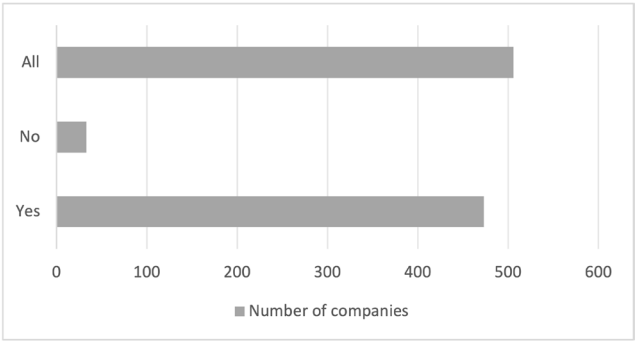


Source. Own research.

Companies from Sweden, Germany, and the United States were surveyed. According to the study, 181 companies (35.77% of all businesses surveyed) had branches overseas and have prior foreign direct investment experience. Nonetheless, 325 companies (64.23% of all respondents), do not have any overseas branches. According to these statistics, the majority of Polish businesses remain focused on the domestic market even though a sizable portion have extended their activities abroad.

Germany, Italy, Great Britain, Spain, Scandinavia, Bosnia and Herzegovina, Macedonia, Croatia, Romania, Ukraine, the Czech Republic, Slovakia, Bulgaria, the United Arab Emirates (UAE), the United States, Sweden, and Greece were among the countries that reported having foreign branches, according to the study. According to the study, the overwhelming majority of participants (93.48%) think it is worthwhile to use the services of specialized rating organizations in order to learn more about the nation where planned investments are to be made. Just 6.52 percent of businesses disagreed with this statement. According to this research, when businesses are contemplating their international investments, they appreciate the expertise and professionalism that rating agencies can provide.

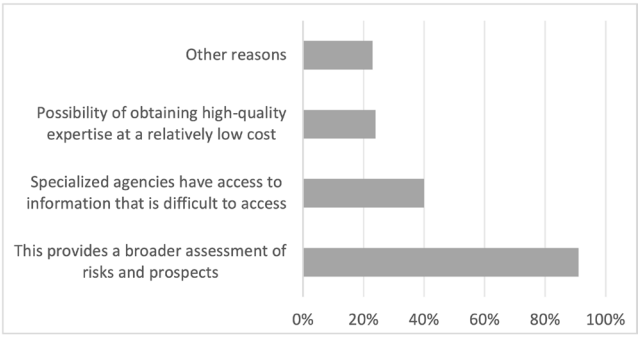
Figure 2. *Services of specialized rating agencies*



Source. Own research.

According to the study, most participants believe that employing rating agencies has advantages. 91% of respondents cited rating agencies' ability to provide a more comprehensive evaluation of the risk and potential for planned investments as the most common justification. Furthermore, 40% of respondents think that rating agencies are worthwhile since they have access to information that is hard to find yet could be essential for business decision-making. Furthermore, 24% of respondents highlighted the potential for receiving excellent knowledge at a comparatively low cost as a key justification for utilizing rating agencies' services. Lastly, according to 23% of respondents, they use CRAs for purposes not covered by the study.

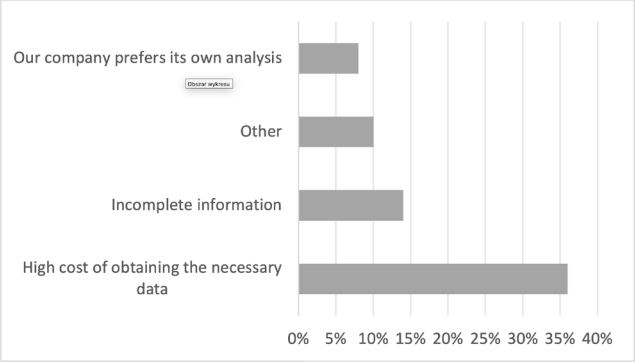
Figure 3. *Reasons for using rating agencies*



Source. Own research.

Analysis of the responses of respondents who do not use the services of rating agencies revealed various reasons for this decision. The most common reason, indicated by 36% of respondents, was the high cost of obtaining the necessary data. Respondents may have felt that the costs of CRA services outweighed the potential benefits. 14% of respondents indicated that the information provided by rating agencies is incomplete. This could mean that agencies are not providing all the information that companies consider necessary to make investment decisions. 10% of respondents indicated other reasons for not using the services of rating agencies that were not specified in the study. Finally, 8% of respondents said their companies prefer to conduct their own analysis rather than relying on information provided by rating agencies.

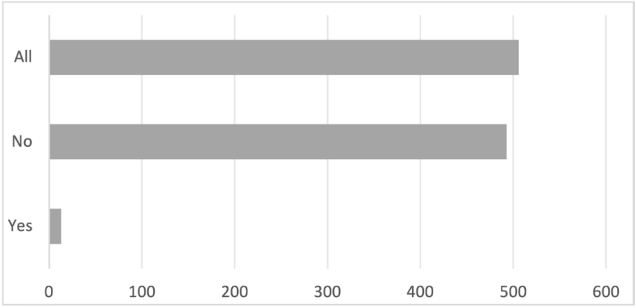
Figure 4. *Reasons for not using rating agencies*



Source. Own research.

The examination of the data shows that the great majority of businesses did not use outside experts or specialized agencies to evaluate the country (area) of planned investments for investment attractiveness. Just 2.57% of those surveyed said their business made use of these services. In response, 97.43% of businesses said they would not employ these services.

Figure 5. *The use of services offered by specialized agencies*



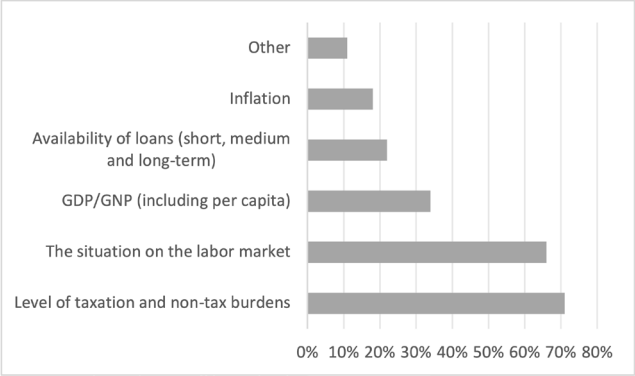
Source. Own research.

The average evaluation of businesses' experience using the services of specialist agencies or outside experts is 6.6 points, according to the analysis of the responses to the open-ended question. for ten points This finding implies that these businesses have, on the whole, had a favorable experience in this area. It should be highlighted, though, that the analysis is based on just nine responses, making the sample size very small and maybe not representative of all firms' experiences.

According to an analysis of the data, 8.1% of businesses that intend to make foreign direct investments think about working with outside specialists or specialized rating organizations to gather the knowledge they need about the host nation (region). On the other hand, 91.9% of businesses do not take this option into account. These findings imply that businesses frequently choose to get the required data independently or employ alternative techniques to determine the desirability of an investment.

The level of tax and non-tax burdens (71%) and the state of the labor market (66%) are the two most significant financial and economic aspects that corporations consider when planning foreign direct investments, according to the analysis of the survey results. For 34% of businesses, GDP/GNP, including per capita, is a deciding factor. For 22% of respondents, the availability of short-, medium-, and long-term loans is crucial, whereas for 18%, inflation is. Conversely, 11% of businesses reported *other* issues that were not covered in the survey. According to these findings, most businesses prioritize a stable labor market and advantageous tax conditions in the target nation.

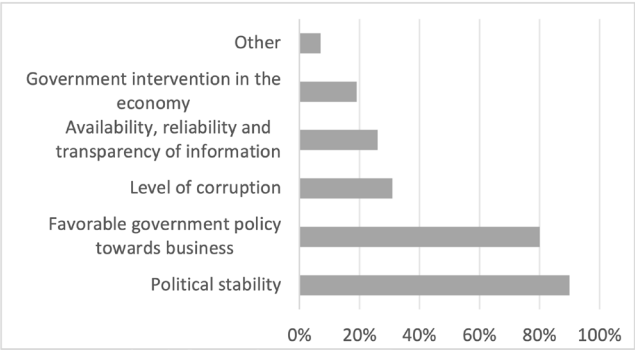
Figure 6. *Determining financial and economic factors when making foreign direct investments*



Source. Own research.

According to the survey results, political stability (90%) and pro-business government policies (80%) are the most significant political variables for businesses preparing to make foreign direct investments. For 31% of respondents, the degree of corruption is significant, while for 26%, the accessibility, reliability, and openness of information are vital. Government involvement in the economy is taken into consideration by 19% of businesses, while 7% selected *other* factors that were not covered in the poll. Therefore, stable and pro-business political conditions in the nation where they intend to invest are crucial for the majority of businesses.

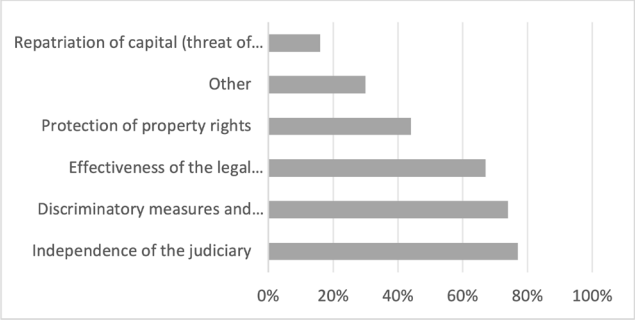
Figure 7. *Determining political factors when making foreign direct investments*



Source. Own research.

According to the report, businesses give legal considerations a lot of thought while preparing foreign direct investments. According to 77% of respondents, the judiciary's independence is the most crucial component. Subsequently, 74% of businesses consider potential discriminatory practices and the proportion of foreign money to domestic capital. Sixty-seven percent of respondents said the legal environment's efficacy is vital. For 44% of businesses, the protection of property rights is a deciding issue. Thirty percent of respondents mentioned other legal considerations that were left out of the poll, and sixteen percent of businesses consider capital repatriation—that is, the potential to withdraw invested funds—with special emphasis to the risk of nationalization. These results show that for most companies, a stable and effective legal environment in the target country is crucial.

Figure 8. *Determining legal factors when making foreign direct investments*

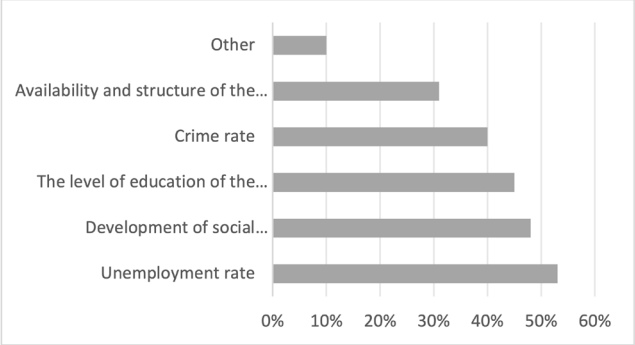


Source. Own research.

Companies consider a number of sociodemographic parameters when contemplating foreign direct investments. Research shows that 53% of participants think the unemployment rate has a significant impact on investment decisions. Forty-eight percent of businesses consider the development of social infrastructure, which includes services, education, medical, etc. For 45% of respondents, the population's educational attainment and the caliber of human capital are critical determinants. 40% of businesses consider the crime rate to be significant, while 31% consider the availability and composition of the working-age workforce. When planning a foreign investment,

just 10% of businesses cited *other* sociodemographic aspects that were not covered in the survey as being crucial.

Figure 9. *Determining socio-demographic factors when making foreign direct investments*

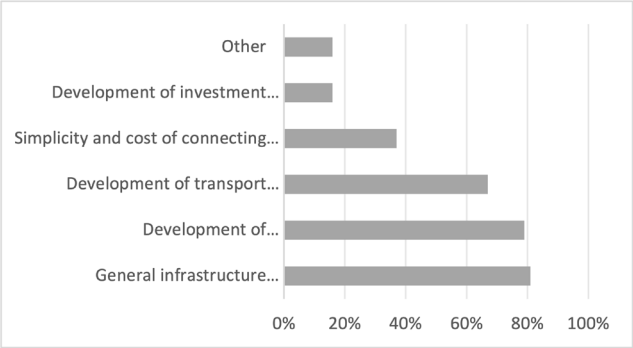


Source. Own research.

The findings displayed in the figure highlight the critical infrastructural elements that influence foreign direct investment decisions. According to their own research, 81% of participants believe that the overall state of infrastructure has a significant role in determining these investments. Conversely, 79% of those surveyed believe that the expansion of telecommunications infrastructure is crucial.

Next, according to 67% of respondents, the advancement of transportation infrastructure—such as automobiles, trains, and airplanes—is a crucial component. 37% of respondents cited the ease and affordability of connecting to the electrical grid as being very important, whereas 16% of respondents brought up the creation of investment infrastructure (such as Technoparks and Special Economic Zones). It is important to note that 16% of respondents supported another, unidentified infrastructure component. These findings demonstrate that a major element in luring foreign direct investment is built infrastructure, both generally and in a particular area.

Figure 10. *Determining infrastructure factors when making foreign direct investments*

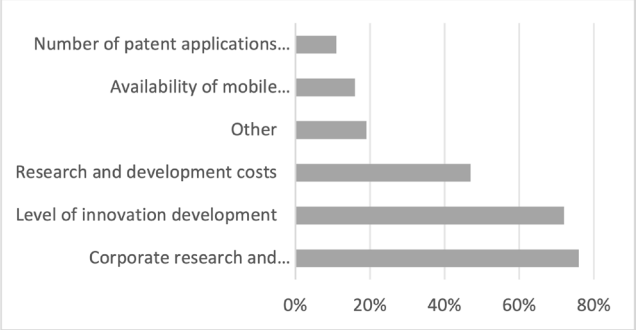


Source. Own research.

The figure's findings highlight the key technological considerations for foreign direct investment. According to independent research, 76% of respondents place a high priority on business research and development. This suggests that the capacity to carry out original research and creative projects is a significant determinant of foreign investment decisions. 72% of respondents cited having access to technical expertise as a crucial component. This indicates that utilizing current technical expertise and technology is a significant benefit when making investments.

About 47% of respondents cited the degree of innovation development as a critical element, indicating that a nation's appeal as an investment destination is correlated with its capacity for innovation. For 19% of respondents, research and development expenses are also a significant consideration. This makes sense since investors may be drawn in by reduced R&D expenses. 16% of respondents noted having access to the Internet and mobile communications, highlighting how crucial a strong telecommunications infrastructure is for businesses. An creative approach to company is a factor that draws investors, as evidenced by the fact that 11% of respondents noted the number of patent applications (innovation activity). Overall, the results indicate that aspects related to research, innovation, technical knowledge and costs have a significant impact on foreign direct investment decision-making.

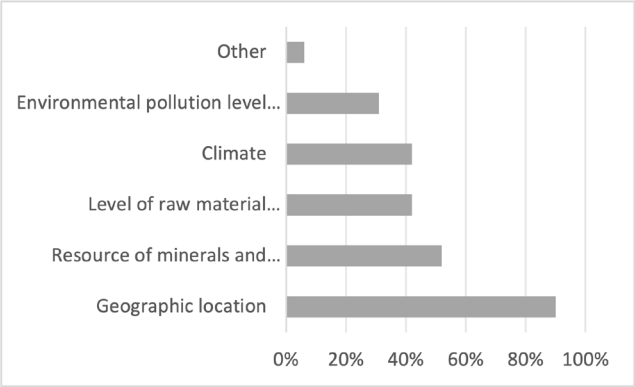
Figure 11. *Determining technological factors when making foreign direct investments*



Source. Own research.

The findings displayed in the chart highlight the geographic and ecological elements that are crucial when making foreign direct investments. Geographical location is crucial, ranking as the most significant criterion for up to 90% of respondents, according to our own research. This indicates that the primary draw for investors is the nation's geographic location and ease of access to different markets and geographical areas. According to 52% of respondents, the availability of minerals and other natural resources is also very important. Companies involved in mining and resource-based sectors may find it appealing to own natural resources. About 42% of respondents cited the degree of raw material independence, highlighting the significance of a nation possessing its own resources and not being dependent on raw material imports. 42% of respondents said that climate had an impact on them, which suggests that certain industries or economic sectors may benefit from favorable climate conditions. For 31% of respondents, the degree of pollution in the air, water, and soil is a significant consideration. Investors that care about social and environmental responsibility may find countries with lower pollution levels more appealing. Another unidentified geographical or natural component was also noted by 6% of respondents. In summary, the results indicate that geographical location, natural resources, resource independence and the state of the environment have a key impact on decisions about foreign direct investment.

Figure 12. *Determining natural and geographical factors when making foreign direct investments*

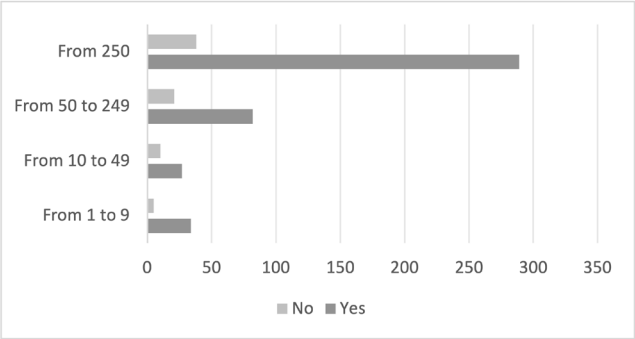


Source. Own research.

The respondents indicated that the following factors are most important in evaluating the investment climate of the country receiving investments: innovation, GDP value, market demand for goods or services, overall economic development and sector competitiveness, pollution level and clean air care, good communication infrastructure and the ability to handle matters in English, regulatory simplification and transparency, and the state of the natural environment in investment areas. According to the study, 85.38% of participants are aware that many criteria can be used to evaluate a country's or region's investment climate, or attractiveness. However, 14.62% of respondents gave a negative response, meaning they were unaware that such approaches existed.

These findings imply that the majority of respondents are aware that there are a number of instruments and methods available for evaluating the investment climate that may be applied to evaluate the allure of investments in various global locations. This could indicate that these individuals know more about markets and how to make investments. A smaller proportion of people who are unaware of this, however, could require additional assistance or knowledge while evaluating possible investment sites.

Figure 13. *Respondents' knowledge about the existence of various methods for assessing the investment attractiveness of countries*



Source. Own research.

Chi2(3) test result = 9.76; p=0.02 indicate that there is a statistically significant relationship between the size of the company and the respondents' knowledge about the existence of various methods of assessing the investment climate (attractiveness) of countries (regions). Larger and micro companies had this knowledge to a greater extent than small and medium-sized companies. However, the strength of the relationship was not very high: VCramer = 0.14.

The survey's findings show a variety of preferred approaches to evaluating the investment climate, which could be due to the respondents' varied demands and requirements. The availability of data, investment objectives, industry type, and risks related to particular investment destinations may all influence the adoption of particular approaches. For businesses and investors who are making decisions regarding international investments and require trustworthy instruments to evaluate the desirability of a particular nation or area, this study might be a useful indicator.

According to the report, 38.54% of participants said their organization plans investment activities using investment attractiveness assessment methodology. However, 61.46% of respondents gave a negative response, meaning that their organization doesn't employ these strategies. These findings demonstrate that corporations rarely employ investment attractiveness assessment procedures, with the great majority of respondents stating that their organization does not make use of such instruments. These businesses may base their investment

choices on other factors or may not believe that this kind of analysis is essential when making investments. Nonetheless, this study might be a useful tool to enhance decision-making processes and provide a more accurate evaluation of the risk involved with certain investments for businesses who employ investment attractiveness assessment approaches.

The study, which is shown in Table 1, focused on the preferences of the respondents and the significance of several factors when selecting a technique to assess the host nation's investment attractiveness. With high average values (8.66 and 7.49, respectively), the results show that the variety of approaches employed and the accessibility of information are significant factors for the majority of respondents. With average scores of 7.49 and 7.47, access to a large amount of material and the methodology's international recognition are also valued. With an average score of 5.21, the algorithm's simplicity was deemed less significant, indicating that it is not a crucial component in the approach selection. Respondents also valued evidence of the methodology's efficacy, with an average value of 7.94. This means that respondents want to prove that the selected methodology is reliable and effective.

Table 1. *Criteria of the methodology (approach) for examining the investment attractiveness of the country*

Factors	Mean	Dev. standard	Minimum	Maximum
Information coverage	7.49	2.26	1.00	10.00
Simplicity of the algorithm	5.21	3.31	1.00	10.00
Availability of information	7.49	2/13	3.00	10.00
International recognition of the methodology	7.47	2.53	1.00	10.00
Variety of methods used	8.66	1.83	3.00	10.00
Proof of effectiveness of the methodology	7/94	2.16	4.00	10.00

Source. Own research.

The findings of the Pearson correlation study between the several criteria of the technique for evaluating the host country's investment attractiveness are shown in table 2. There is a little positive association between algorithm simplicity and information coverage ($r = 0.08$, $p = 0.09$). This indicates that the method is simpler the more information is covered, although the association is weak and not statistically significant ($p > 0.05$). The availability of information ($r = – 0.13$, $p = 0.00312$) and the range of techniques employed ($r = – 0.13$, $p = 0.00309$) are slightly correlated with the scope of information. This implies that there is less information available and a smaller range of approaches employed the more information is covered, however these correlations are not very strong. Evidence of effectiveness ($r = 0.16$, $p < 0.001$) and international reputation of the methodology ($r = 0.09$, $p = 0.05$) are slightly positively correlated with information coverage. This indicates that the methodology's international recognition and efficacy evidence increase with coverage, albeit these associations are not very strong.

While there is no significant correlation between the diversity of methods used ($r = – 0.00377$, $p = 0.93$), international recognition of the methodology ($r = – 0.03$, $p = 0.54$), and evidence of effectiveness ($r = 0.03$, $p = 0.53$), there is a slight positive correlation between the algorithm's simplicity and the availability of information ($r = 0.14$, $p = 0.00189$).

Information availability has no significant link with proof of effectiveness ($r=-0.04$, $p=0.35$), but it has a minor negative correlation with international recognition of the methodology ($r =-0.09$, $p=0.04$) and a tiny positive correlation with the diversity of methods utilized ($r=0.10$, $p=0.03$). There is no significant association between the diversity of approaches employed and international recognition of the methodology ($r =-0.05$, $p=0.25$), however there is a little positive correlation with proof of effectiveness ($r=0.12$, $p=0.00773$). Evidence of effectiveness does not significantly correlate with international reputation of the methodology ($r=-0.07$, $p=0.09$). The fact that correlations are only broad indicators of the link between variables and do not prove causation should be taken into consideration when interpreting any of these findings.

Table 2. *Pearson r correlations for variables: Criteria of the methodology (approach) for examining the investment attractiveness of the country*

Variable 1	Variable 2	r	p
Information coverage	Simplicity of the algorithm	0.08	0.09
Information coverage	Availability of information	-0.13	3.12×10-3
Information coverage	Variety of methods used	-0.13	3.09×10-3
Information coverage	International recognition of the methodology	0.09	0.05
Information coverage	Proof of effectiveness of the methodology	0.16	< .001
Simplicity of the algorithm	Availability of information	0.14	1.89×10-3
Simplicity of the algorithm	Variety of methods used	-3.77×10-3	0.93
Simplicity of the algorithm	International recognition of the methodology	-0.03	0.54
Simplicity of the algorithm	Proof of effectiveness of the methodology	0.03	0.53
Availability of information	Variety of methods used	0.10	0.03
Availability of information	International recognition of the methodology	-0.09	0.04
Availability of information	Proof of effectiveness of the methodology	-0.04	0.35
Variety of methods used	International recognition of the methodology	-0.05	0.25
Variety of methods used	Proof of effectiveness of the methodology	0.12	7.73×10-3
International recognition of the methodology	Proof of effectiveness of the methodology	-0.07	0.09

Source. Own research.

According to the study, just 16.21% of participants think that relying only on expert opinions to completely evaluate a country's (region's) investment climate is feasible. However, the overwhelming majority of respondents (83.79%) gave a negative response, stating that expert opinions alone cannot provide a complete assessment of the investment climate. These findings imply that the majority of respondents are aware that evaluating a nation's or region's investment climate necessitates considering more than simply professional judgments. It is thought that a comprehensive evaluation need to be founded on a range of data sources, including market evaluations, economic indicators, statistics, macroeconomic data, assistance from finance and research organizations, and discussions with regional experts and entrepreneurs. A thorough evaluation of the investing climate is a difficult undertaking that calls for a multifaceted strategy and consideration of numerous variables, not just one information source.

According to the comments of the respondents, entrepreneurs and investment researchers understand that in order to make well-informed investment decisions, a variety of data and viewpoints must be gathered and examined.

The study demonstrates that in order to present a more thorough and impartial image of a country's or region's appeal for investment, a qualitative technique for evaluating the investment climate should be founded on a range of analytical methods. 94% of respondents regarded expert assessments for their expertise and experience in the financial industry, making them the most often mentioned instrument. 80% of respondents cited statistical study of the dynamics of quantitative indicators as a crucial tool, highlighting the significance of economic metrics and numerical data in evaluating possible investments. About 56% of respondents chose specialized stakeholder questionnaires, indicating that the opinions of other stakeholder groups—including investors, entrepreneurs, and government representatives—are also very important when analyzing the desirability of investments. The survey's overall findings indicate that a qualitative evaluation of the investment climate necessitates a comprehensive strategy that considers a range of data sources. A deeper comprehension of the investment environment, risk, and return potential is made possible by the utilization of expert evaluations, statistical data, and stakeholder viewpoints. For companies and investors seeking trustworthy instruments to evaluate the desirability of possible investment sites and make educated investment choices, this study has significant ramifications.

Conclusions

Based on the conducted research, we have developed a list of the most important factors, perceived by potential investors, shaping the investment climate of a country. The most important factors include, among others, the level of taxation, the size of the economy, the independence of the judiciary, the political stability in the country receiving the investment, the favorable government policy towards business, the level of corruption, the situation on the labor market, the development of physical and transport infrastructure, the cost of conducting research and development activities, the geographical location of the country and climatic conditions.

The study shows also that a qualitative methodology for assessing the investment climate should be based on a variety of analytical tools to provide a more complete and objective picture of the investment attractiveness of a given country or region. Overall, the survey results show that a qualitative assessment of the investment climate requires a holistic approach and taking into account various sources of information. The use of expert assessments, statistical data and stakeholder opinions allows for a better understanding of the investment context, risk and return potential. This study has important implications for businesses and investors who are looking for reliable tools to assess the attractiveness of potential investment locations and make informed investment decisions.

Businesses and investors who decide whether to make international investments and want instruments to evaluate the desirability of possible investment destinations may find the study's conclusions useful. Preferred criteria can change based on respondents' unique requirements and preferences, therefore selecting the best methodology requires careful consideration of the investment's goals and characteristics.

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