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Exploring the Determinants of a Country's Investment Climate in Poland

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Abstract

Purpose: The purpose of this article is to ascertain a set of determinants that exert the most significant influence on a country's investment climate.
Methodology: The authors conducted a review of the literature in the field of investment climate assessment, as well as materials that provided a direct description of methodologies for evaluating the investment climate and the algorithms for their application. The application of the system critical analysis method in conjunction with fundamental economic-statistical techniques enabled a comprehensive analysis of the selected methodologies for assessing the investment climate and the identification of a list of determinants most frequently included in the analysis. The research procedure necessitated the conduction of a survey among potential investors to elicit their opinions regarding the factors influencing the investment climate, for which a specialized organization was engaged. Data from the survey were analysed using economic-mathematical and statistical methods.
Findings: The primary findings of the research encompass a compiled set of the most significant factors shaping a country's investment climate, categorised into seven homogeneous groups. The obtained results are intended for future use in the development of a proprietary methodology for evaluating the investment climate.
Practical Implications: The research results can be used by capital owners to make decisions regarding the selection the country of investment, as well as in order to improve assessment methodologies of investment atttractiveness by scientific institutions, rating agencies and other stakeholders.
Originality/Value: In the economic literature, there are no comprehensive studies of the practical applicability of investment attractiveness assessment methodologies from the perspective of third-party users. Therefore, the paper can fill the existing gap in this area and become the basis for the improvement of existing approaches.

Keywords: investment, attractiveness, competitiveness, Poland
Jel codes: F21, O16

1. Introduction

A country's ability to compete internationally and its ability to attract foreign investment are two closely related notions. To be more precise, a country's high level of international competitiveness is a necessary but not sufficient condition for it to attract foreign direct investments from corporations. Therefore, when assessing a country's competitiveness in comparison to other global economies, it is imperative to include its investment attractiveness. Foreign direct investment, or FDI, is an investment made in a nationally registered enterprise by a foreign corporation or other entity. In addition to the financial inflow, the United Nations Conference on Trade and Development (UNCTAD) notes that foreign direct investment (FDI) may benefit the host country in a number of ways, including the transfer of technology and skills. The approach to attracting foreign investment is considered to be one of the factors influencing the country's economic progress. A country can entice foreign direct investment (FDI) in a number of ways. These could include geographic factors (access to the sales market), demographic factors (access to an educated workforce), and cyclical concerns (dynamic economic growth). When making investment selections, foreign investors take into account both financial and institutional issues, such as tax costs and the quality of institutions in the host country. The quantity of taxes owing affects capital flows from investments directly as well as indirectly through 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). Economically developing countries are seen as attractive destinations for FDI inflows due to their comparative advantage, which includes cheap labor, enticing pro-investment government policies, an abundance of raw materials, and vast mineral resources. Nonetheless, considering their constrained financial resources and the intense pressure on the budget deficit, it makes reasonable that the governments of these countries impose high tax rates in order to guarantee enough budget revenues.

In today's economy, tax rivalry between countries to attract foreign direct investment is becoming a global problem. Investors often compare tax rates between countries whose marketplaces are similar in terms of size and location. In these countries, tax rate reductions are viewed as unavoidable notwithstanding the trend toward more worldwide tax competitiveness. However, there isn't any concrete evidence that this tax cut will promote FDI into underdeveloped countries. Reductions in tax revenue will result in less money invested in infrastructure, which will impair the provision of public goods and services and create issues with the allocation of public funds. Therefore, it's uncertain if these countries are still the greatest areas for foreign investors to make investments.

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 tax rate in the host country will lead to a 3.3% rise 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. Moreover, Stöwhase (2005) looked at 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 when compared to the average reported in previous studies.

Moreover, poor institutions that encourage corruption can be one of the main barriers to economic growth and advancement. In particular, information from the World Bank and Transparency International suggests that corruption has become more complex and widespread in several emerging countries. Many empirical studies conducted internationally have shown that corruption and low-quality institutions tend to limit private investment and reduce the effectiveness of public investment, which in turn impedes economic growth (Gupta et al., 2002; Knack and Keefer, 1995; Mauro, 1995; Tanzi and Davoodi, 2001).

Inadequate institutional quality is turning into a global problem that impacts several aspects of the economy, both nationally and in emerging nations as a whole. Poor-quality institutions lead to corruption. Corruption can be seen as a "grabbing hand" in principle because it increases transaction risk and discourages foreign direct investment (FDI). However, because corruption "lubricates" the flywheel, it might be beneficial in countries where institutions are still bureaucratic and ineffective. Because of this, companies can get important knowledge and advantages for very little money, which boosts profitability (Heckelman and Powell, 2010).

Wei (2000) extracted information from forty-five 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 per capita FDI flows in transition economies and levels of corruption. The results show that countries with lower levels of corruption attract higher amounts of foreign direct investment (FDI). However, the corruption variable became insignificant when an institutional reform control variable was incorporated into the model.This study thus sheds light on the important conclusion that institutional reform—rather than reducing corruption—is more important for attracting foreign direct investment (FDI) inflows to various countries.

According to Nunnenkamp (2002) and Blonigen (2005), there are two main groups of factors that influence the FDI inflow. The market and efficiency—two conventional factors—are crucial. Market considerations include things like the population, tax burden, rate of economic growth, and others. FDI intake is in turn influenced by the amount and dynamics of operational expenses for enterprises in the country, including taxes, salaries, employee non-wage costs, etc. These days, a key component of the literature on the factors influencing foreign direct investment inflow is the examination of the shift in priority between the two previously listed categories of criteria.

In two recent publications, Mottaleb and Kalirajan (2010) and Kumari and Sharma (2018) investigated the impact of the size of the host country's market on flows 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 results are not conclusive. Studies on the impact of efficiency on FDI flows indicate that the level of human capital development and related costs are a major factor influencing FDI intake to the country. Lower labor costs have a favorable effect on the nation's capacity to draw foreign direct investments, as Noorbakhsh et al. (2001) and Braconier et al. (2005) have observed. Human capital is a major driver of foreign direct investment flows.

2. Research methods and results

Although the methodologies presented are important, it should be noted that they usually do not address the issue of whether the indicators used in the study are in line with the demands of the market and the representatives of the business community. Meanwhile, each particular methodology's quality and, by extension, its applicability, are mostly determined by the criteria that have been carefully chosen. It should be emphasized that there is a dearth of thorough research in the economic literature on the perspectives of potential investors regarding the elements that most strongly impact their decisions when planning foreign capital investments and, as a result, shape the investment climate. As a result, this paper can close a current knowledge gap in the field and provide the framework for the creation of a fresh approach that satisfies consumer needs.

We determined the necessity to poll potential investors to get their thoughts on the aforementioned issues after carefully examining numerous ways to comparative analysis and methods for evaluating the investment climate. A questionnaire with 25 questions of varying orientations was created in order to assess a set of factors that have the biggest impact on a nation's investment climate. These inquiries were intended to gauge prospective investors' perceptions of the relative weight of several variables in influencing their capital allocation choices and the nation's investment environment. From June 10 to July 20, 2023, 506 businesses in 14 Polish Special Economic Zones participated in the study.

A special economic zone is a separate, uninhabited part of the territory of Poland in which economics activities may be carried out under the terms specified by law. The main purpose of its establishment is to accelerate the economic development of part of the country's territory.

There are 14 SEZs in Poland, which are located in 186 cities and 311 communes. In accordance with the applicable regulations, the zones will operate in this form until the end of 2026. On June 16, 2019, an amendment to the Act on Special Economic Zones entered into force, introduced on under the Act of 2018 on supporting new investments. In this way, the possibility of changing the borders and thus further enlarging the SEZ area was eliminated.

The distribution of the workforce size in the examined companies is shown by the data in the figure below. Out of all the businesses polled, 7.71% had one or fewer employees (between one and nine). The proportion of businesses with between 10 and 49 employees was slightly lower, at 7.31%. Companies having between 50 and 249 employees made up a substantially larger category and made up 20.36% of the sample under survey. Nonetheless, the majority of the examined businesses (64.62%) employed more than 250 people.

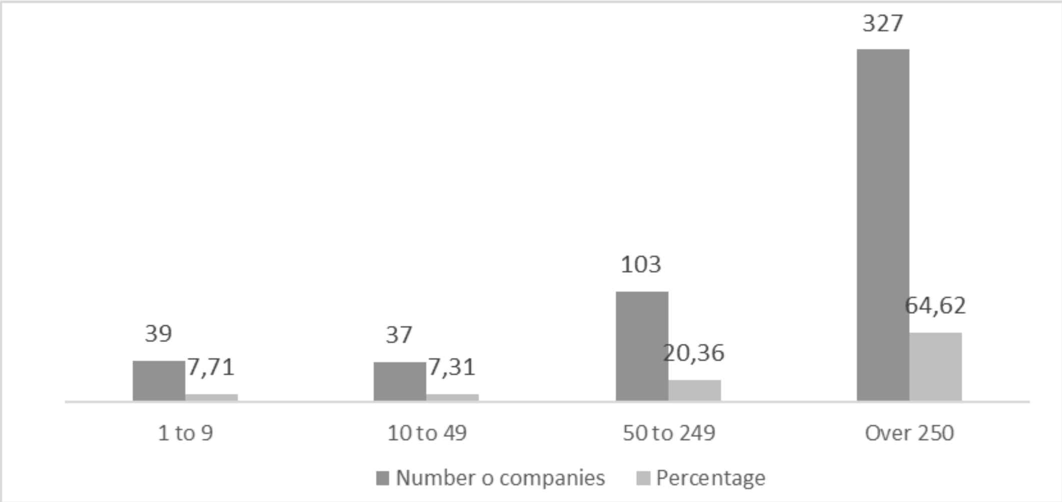

Figure 1. Number of employees in the companies

Source: Own research.

Companies from Germany, Sweden, and the United States were surveyed. According to the study, 181 businesses—or 35.77% of all the businesses surveyed—had branches overseas and have experience with foreign direct investment. Nonetheless, 325 businesses, or 64.23% of all respondents, do not have any overseas branches. These statistics imply that while a sizable portion of Polish businesses have extended their activities abroad, the most are still primarily concentrated on the home market.

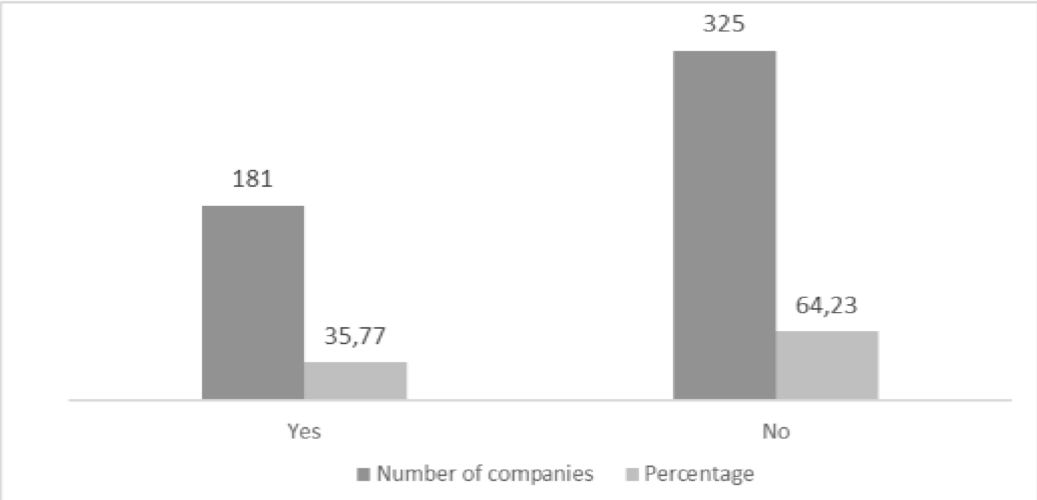

Figure 2. Branches of companies abroad

Source: Own research.

According to the study, out of all the companies that responded to the survey, those that said they had branches abroad were based in Germany, Italy, Scandinavia, Great Britain, Spain, Bosnia and Herzegovina, Macedonia, Croatia, Romania, Ukraine, the Czech Republic, Slovakia, Bulgaria, United Arab Emirates (UAE), USA, Sweden, and Greece. According to the study, 93.48 percent of respondents think it is worthwhile to use specialized rating organizations to learn more about the nation in which proposed investments are being made. Merely 6.52% of the companies expressed disagreement with this remark. According to the report, businesses appreciate the expertise and professionalism that rating agencies provide when organizing their overseas assets.

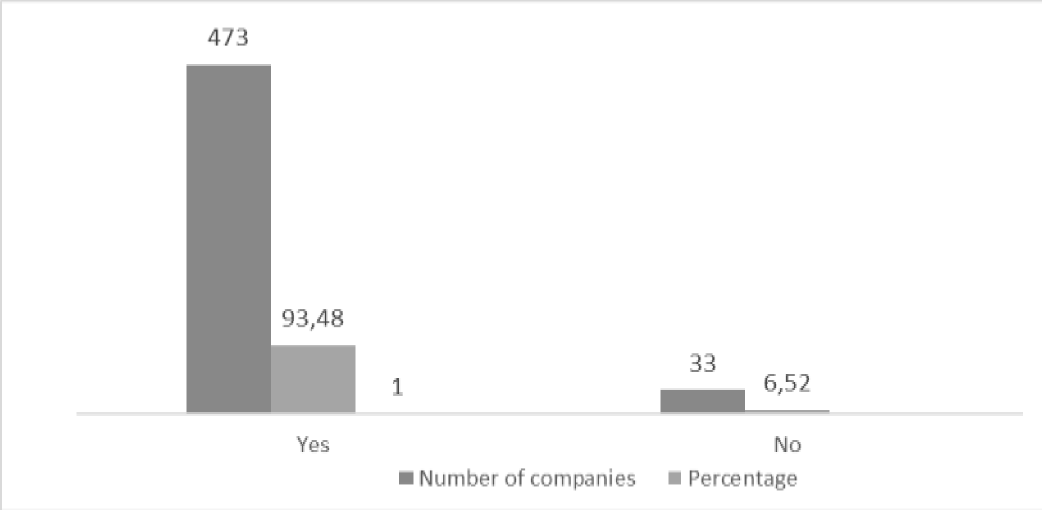

Figure 3. Services of specialized rating agencies

Source: Own research.

According to the study, most participants recognize the advantages of utilizing rating agencies. The most common explanation, cited by 91% of respondents, is that rating agencies provide a more comprehensive evaluation of the risk and potential returns on planned investments. Furthermore, 40% of respondents think that employing rating agencies is worthwhile since they have access to information that is hard to come by and could be vital for making business decisions. Additionally, 24% of respondents highlighted the potential to get high-quality knowledge at a reasonable price as a key benefit of employing rating agencies' services. Lastly, 23% of participants said they utilize CRAs for purposes not covered by the study.

Figure 4. Reasons for using rating agencies

Source: Own research.

Several explanations for this choice were found when respondents who do not use rating agency services had their responses analyzed. The high expense of acquiring the required data was cited by 36% of respondents as the most frequent explanation. It's possible that respondents believed there were more drawbacks to CRA services than advantages. A quarter of the participants expressed their belief that the data given by rating agencies is insufficient. This could imply that authorities are not giving businesses all the data they think they need to decide what to invest in. 10% of respondents gave other, not in the survey mentioned reasons why they did not use rating organizations' services. Lastly, according to 8% of respondents, their organizations would rather perform independent analysis than rely on information supplied by rating agencies.

Figure 5. Reasons for not using rating agencies

Source: Own research.

According to an examination of the survey data, the level of taxes and non-tax burdens (71%) and the state of the labor market (66%) are the two most significant financial and economic issues that businesses consider when contemplating foreign direct investments. For 34% of businesses, GDP/GNP, including per capita, is a critical element. For 22% of respondents, the availability of short-, medium-, and long-term loans is significant, and for 18%, inflation is. Conversely, 11% of businesses mentioned "other" issues that were left out of the poll. These findings suggest that most businesses prioritize having a stable labor market and a good tax environment in the target nation.

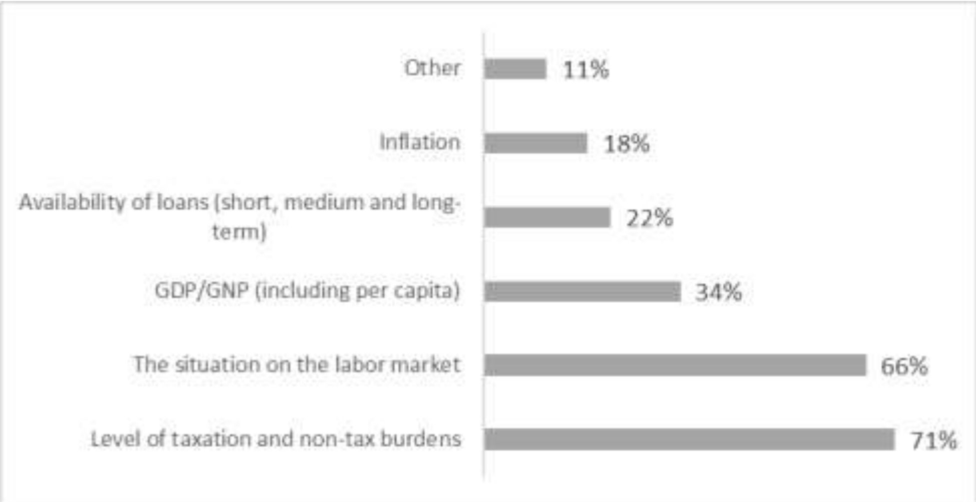

Figure 6. Determining financial and economic factors when making foreign direct investments

Source: Own research.

According to the poll results, political stability (90%) and pro-business government policies (80%) rank as the two most crucial political variables for businesses considering foreign direct investments. For 31% of respondents, the degree of corruption matters, and for 26%, the accessibility, veracity, and transparency of information are significant. Government economic involvement is of interest to 19% of businesses, and "other" factors not covered by the poll were selected by 7% of respondents. Therefore, stable and pro-business political environments in the nation where they intend to invest are crucial for the majority of corporations.

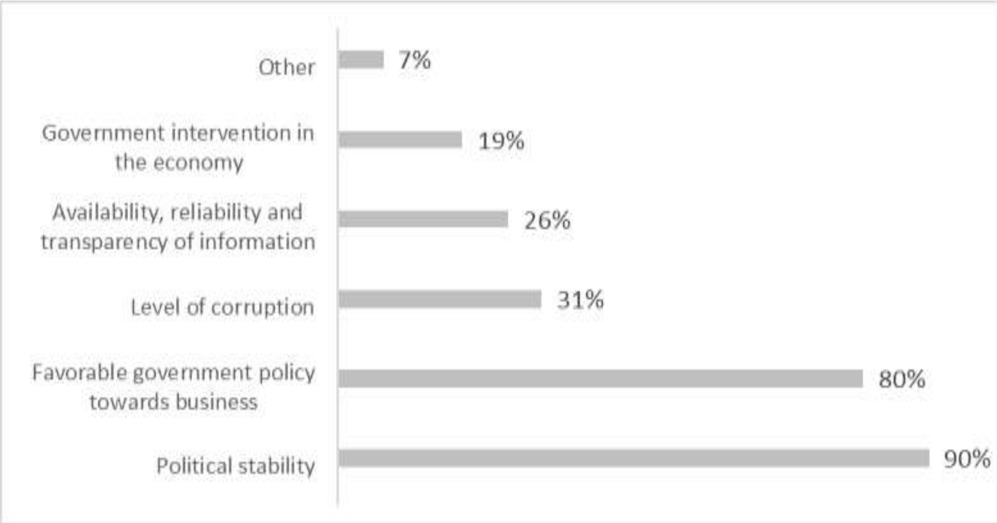

Figure 7. Determining political factors when making foreign direct investments

Source: Own research.

The study demonstrates that while making plans for foreign direct investments, businesses give careful consideration to legal considerations. According to 77% of respondents, the judiciary's independence is the most crucial component. Subsequently, 74% of businesses are concerned about potential discriminatory practices and foreign capital restrictions relative to domestic capital. For 67% of respondents, the legal environment's efficacy is crucial. For 44% of businesses, property rights protection is crucial. Thirty percent of the companies mentioned other legal considerations that were not covered in the survey, and sixteen percent of them consider the repatriation of capital, or the ability to withdraw invested assets, with a focus on the risk of nationalization. A stable and productive legal environment is essential for most businesses.

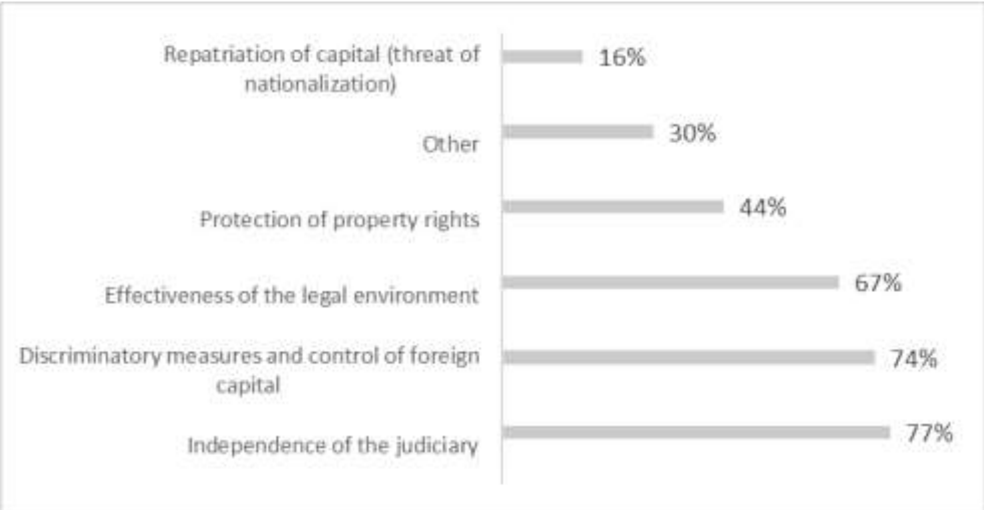

Figure 8. Determining legal factors when making foreign direct investments

Source: Own research.

Businesses plan their foreign direct investments by considering a range of sociodemographic characteristics. Research indicates that 53% of participants think that an important factor influencing investment decisions is the unemployment rate. 48% of businesses consider the advancement of social infrastructure, which includes services, healthcare, education, and other fields. For 45% of respondents, the population's educational attainment and the caliber of human capital are critical determinants. For forty percent of businesses, the crime rate matters, and for thirty-one percent, the availability and makeup of the working-age workforce matters. Merely 10% of the enterprises responded that when planning a foreign investment, "other" sociodemographic characteristics not covered by the survey were crucial.

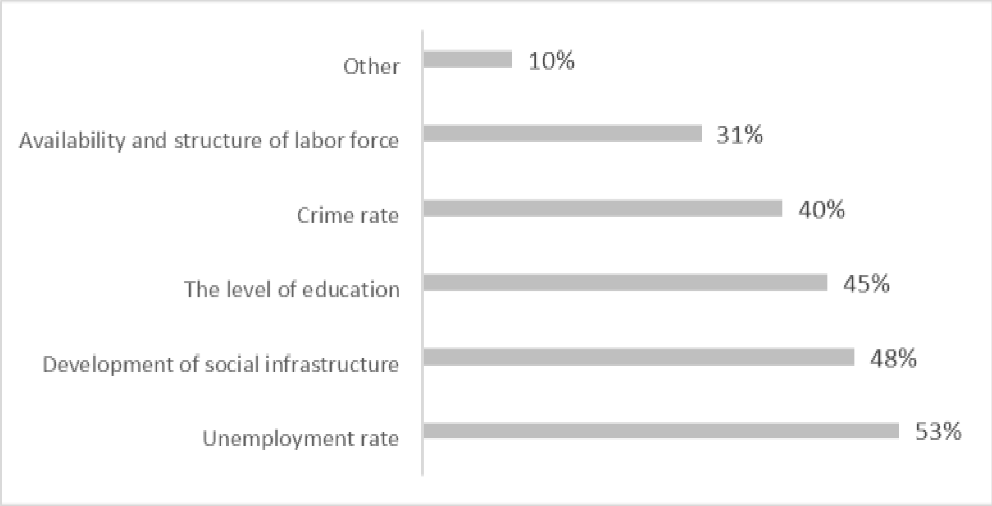

Figure 9. Determining sociodemographic factors when making foreign direct investments

Source: Own research.

The table's results illustrate the infrastructure elements that are critical when considering foreign direct investment. According to our own research, 81% of respondents believe that one major factor affecting these investments is the overall improvement of infrastructure. Conversely, 79% of participants believe that the advancement of telecommunications infrastructure holds significant importance. Next, according to 67% of respondents, the advancement of transportation infrastructure (such as air, train, and car) is important. 37% of respondents said that the ease and affordability of connecting to the electrical grid is very important, while 16% said that the creation of investment infrastructure—such as Technoparks and Special Economic Zones—is important. It is noteworthy that 16% of respondents also supported another, as yet unidentified, infrastructure aspect. These results show that developed infrastructure, both in general and in a specific field, is a key factor in attracting foreign direct investment.

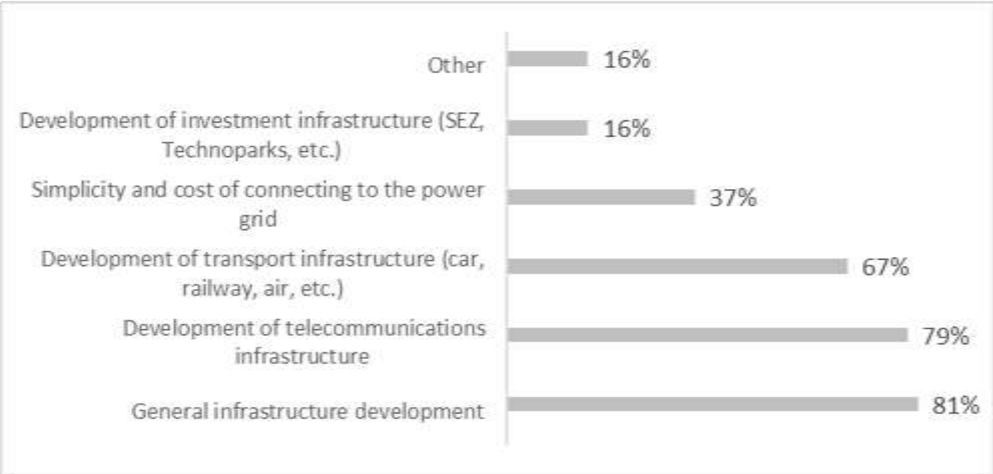

Figure 10. Determining infrastructure factors when making foreign direct investments

Source: Own research.

The table's results illustrate the key technological considerations for foreign direct investment decisions. According to independent study, 76% of respondents ranked company research and development as being extremely important. This indicates that the capacity for independent research and creative endeavors plays a significant role in influencing respondents' decisions to make foreign investments. Seventy-two percent of respondents felt that access to technical expertise was vital. This implies that having the ability to leverage current technological know-how and capabilities is a significant benefit when making investments. According to 47% of respondents, the degree of innovation development is also a crucial element. This suggests 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 because investors may be drawn to projects with cheaper R&D expenses. A noteworthy sixteen percent of respondents acknowledged having access to mobile and Internet services, highlighting the significance of a robust telecommunications infrastructure for business. Eleven percent of respondents cited the quantity of patent filings pertaining to innovative activity, indicating that investors are drawn to businesses with a creative mindset. All things considered, the findings show that costs, technical expertise, research, and innovation all have a big influence on the decision-making process when it comes to foreign direct investment.

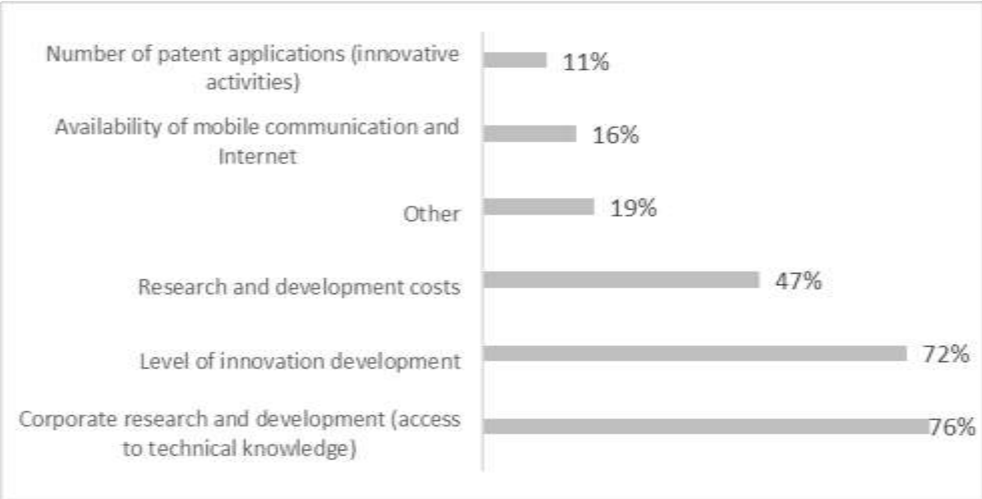

Figure 11. Determining technological factors when making foreign direct investments

Source: Own research.

The findings displayed in the table highlight the important geographical and natural aspects while considering foreign direct investments. For up to 90% of respondents, geographic location is the most significant element, therefore it plays a significant influence. This indicates that the primary factor luring investors is the nation's 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. 42% of respondents cited the degree of raw material independence, highlighting the significance of a nation with its own resources and not depending on raw material imports. 42% of respondents said that the climate had an impact on them, which could indicate that some businesses or economic sectors benefit from certain climate conditions.

For thirty-one percent of the respondents, the degree of pollution in the air, water, and soil is a significant factor. Investors who are concerned about social and environmental responsibility may find countries with lower pollution levels more appealing. A further, unidentified geographical or natural feature was also stated by 6% of respondents. In conclusion, the findings show that factors such as location, natural resources, resource independence, and environmental conditions significantly influence judgments regarding foreign direct investment.

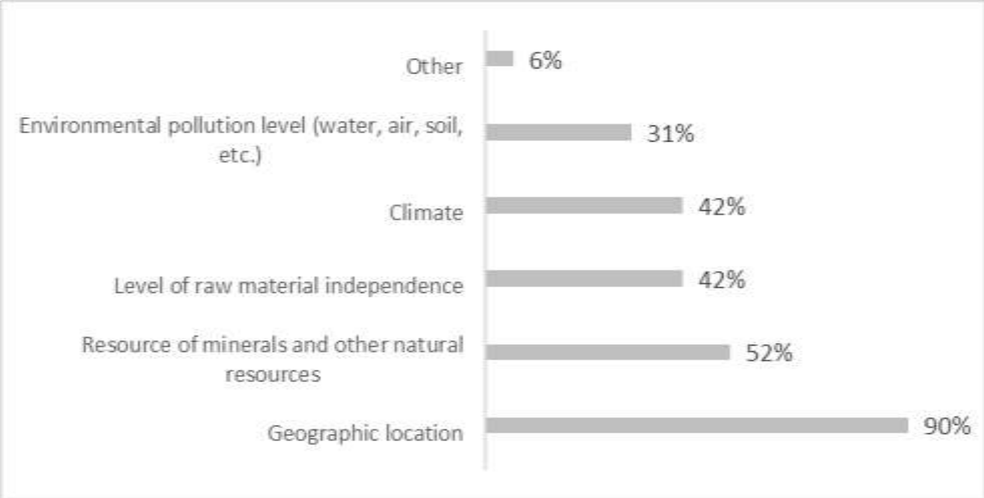

Figure 12. Determining natural and geographical factors when making foreign direct investments

Source: Own research.

According to respondents, the most crucial elements in evaluating the investment climate of the nation receiving investments are the nation's innovation, GDP, market demand for goods and services, degree of overall economic development and sector competitiveness, pollution level and air quality, accessibility to good communication infrastructure, ease of doing business in English, ease of bureaucracy and transparency of regulations, and state of the environment in investment areas. According to the survey, 85.38% of participants are aware that there are different ways to evaluate a country or region's investment climate (attractiveness). Nevertheless, 14.62% of respondents gave a negative response, meaning they were unaware that such techniques even existed.

These findings imply that the majority of respondents are aware of the availability of a range of instruments and methods for evaluating the investment environment, which can be applied to evaluate the desirability of making investments in various global locations. This could indicate that the respondents possess a greater depth of understanding regarding markets and making investing decisions. A smaller subset of the population, who might not be as aware of this, would require more assistance or knowledge in evaluating possible investment sites.

Table 1. Respondents' knowledge about the existence of various methods for assessing the investment climate (attractiveness) of countries (regions)

Number of employees		**Yes**	**No**	**All**
1-9	Numbers	34.00	5.00	39.00
	%	87.18%	12.82%	100.00%
10-49	Numbers	27.00	10.00	37.00
	%	72.97%	27.03%	100.00%
50-249	Numbers	82.00	21.00	103.00
	%	79.61%	20.39%	100.00%
Over 250	Numbers	289.00	38.00	327.00

Number of employees		Yes	No	All
	%	88.38%	11.62%	100.00%
All	Numbers	432.00	74.00	506.00
	%	85.38%	14.62%	100.00%

Source: Own research.

There is a statistically significant correlation between the size of the company and the respondents' awareness of the existence of several techniques for evaluating the investment climate (attractiveness) of nations (regions), according to the Chi2(3) test result = 9.76; p=0.02. This information was more widely known by larger and micro businesses than by small and medium-sized businesses. But the relationship's strength wasn't all that great: VCramera is equal to 0.14.

The study that is displayed in the table considered different approaches that respondents used to rate the investment climate. Preferred by 38% of respondents, the "Country Attractiveness Index" is the most widely used approach; it compares the relative investment attractiveness of various countries. Approach number two, selected by 32% of respondents, is centered around "Venture Capital and Private Equity" and frequently offers details on potentially appealing investment locations. According to 31% of respondents, the Harvard Business School's technique is well-liked. Preferring the "BERI Index"—which measures economic and political risk—was 13% of the vote. Twelve percent of respondents prefer the methods used by Forbes magazine.

A lower percentage of respondents preferred other methods, such as "Methodology of the International Financial Corporation," "Methodology of Euromoney Magazine," "Methodology of RSPP and KPMG," "Methodology of the Bank of Austria (Regional Risk Assessment in Russia)," and "Methodology of RAEX-Analytics." The findings suggest that different approaches are favored for evaluating the investment climate, which could be attributed to the respondents' varying demands and requirements. The availability of data, investment objectives, industry type, and the risks connected to certain investment locations may all influence the specific strategies chosen. For businesses and investors making judgments about foreign investments, this study could be a useful guide. Reliable instruments are needed to determine how desirable a particular nation or area is.

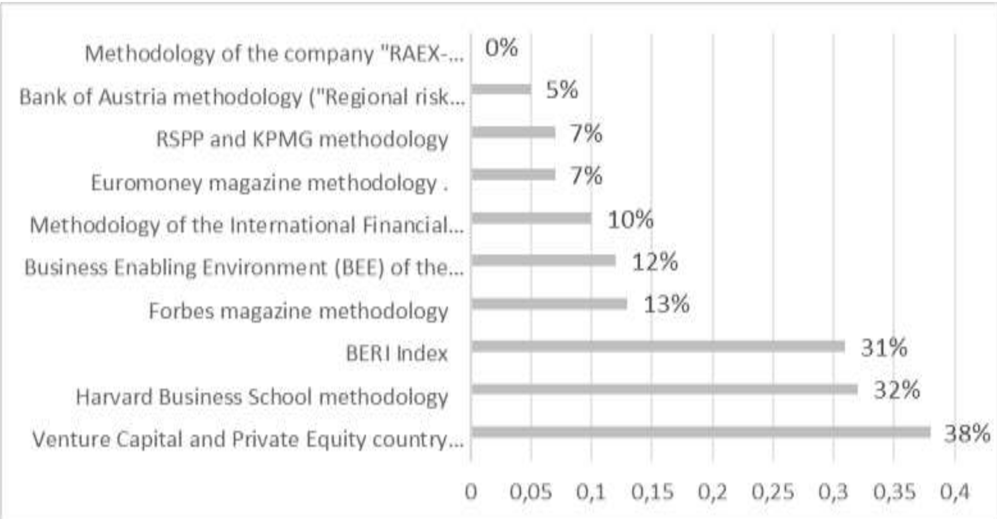

Figure 13. Approaches to assessing the investment climate

Source: Own research.

According to the report, 38.54% of respondents said that when organizing investment operations, their organization employs investment attractiveness assessment methodology. Nevertheless, 61.46% of respondents gave a negative response, meaning that their organization doesn't employ these strategies. The majority of respondents answered that their organization does not employ such tools, demonstrating the rarity of using investment attractiveness assessment approaches in businesses. These companies may decide to make investments based on different factors or may not think that conducting this kind of analysis is necessary before making an investment. This research may be a valuable tool to enhance decision-making processes and provide a more accurate assessment of the risk and potential associated with investments for organizations who employ investment attractiveness assessment approaches.

The table below displays the results of a study that looked at respondents' preferences and the significance of several factors when selecting a technique to assess the host country's investment attractiveness. The findings show that most respondents placed a high importance on information availability and method diversity, as seen by their high average scores of 7.49 and 8.66, respectively. With average scores of 7.49 and 7.47, access to a vast array of information 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 decisive component in the approach selection. With an average score of 7.94, respondents also valued evidence of the methodology's efficacy. This indicates that the respondents wish to demonstrate the validity and efficacy of the chosen methodology. Companies and investors who are making decisions about international investments and require instruments to evaluate the desirability of possible investment sites may find value in the study's conclusions. Preferred criteria may change based on the unique requirements and demands of respondents; hence, selecting the best methodology requires careful consideration of the investment's goal and nature.

Table 2. Criteria of the methodology (approach) for examining the investment attractiveness (climate) of the host country

	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 different factors used in the approach to determine how appealing the host country is as an investment are shown in the table below. There is a small positive association between information coverage and algorithm simplicity ($r = 0.08$, $p = 0.09$). This indicates that the algorithm becomes simpler the more information is covered, although the association is weak and not statistically significant ($p > 0.05$).

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 there is a limited correlation between the level of coverage and the level of international acknowledgment of the methodology and effectiveness proof. There is no significant correlation found between the algorithm's simplicity and the availability of information ($r = 0.14$, $p = 0.00189$), diversity of methods used ($r = -0.00377$, $p = 0.93$), international recognition of the methodology ($r = -0.03$, $p = 0.54$), and effectiveness evidence ($r = 0.03$, $p = 0.53$).

Information availability is positively correlated with the variety of approaches employed in small amounts ($r=0.10$, $p=0.03$), negatively correlated with the methodology's international recognition ($r = -0.09$, $p=0.04$), and not significantly correlated with evidence of efficacy ($r = -0.04$, $p=0.35$). There is no significant association between the variety of approaches employed and international recognition of the methodology ($r = -0.05$, $p = 0.25$), however there is a modest positive correlation with proof of effectiveness ($r = 0.12$, $p = 0.00773$). There is no statistically significant relationship between evidence of effectiveness and international acknowledgment of the methodology ($r=-0.07$, $p=0.09$). It is important to remember that correlations are broad indicators of the association between variables; they do not show causation in any of these findings.

Table 3. Pearson r correlations for variables: Criteria of the methodology (approach) for examining the investment attractiveness (climate) of the host 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 exclusively on professional judgments to evaluate a nation's or region's investment climate is feasible. The overwhelming majority of respondents, or 83.79%, disagreed, stating that it is not feasible to fully evaluate the investment climate based just on the opinions of experts. The majority of respondents acknowledge that evaluating a nation or region's investment climate necessitates considering more variables than simply the opinions of experts. It is thought that a comprehensive evaluation has to draw from a range of data sources, including macroeconomic data, market studies, economic indicators, statistics, assistance from financial and research organizations, and conversations with regional experts and entrepreneurs.

A thorough evaluation of the investment climate is a difficult undertaking that calls for a multifaceted approach and consideration of numerous variables, not just data from one source. Based on the replies provided, it appears that both entrepreneurs and investment researchers understand the importance of gathering and evaluating a variety of information and viewpoints in order to make wise investment decisions.

Overall, the survey's findings demonstrate that a comprehensive strategy and consideration of multiple information sources are necessary for a qualitative evaluation of the investment climate. A deeper comprehension of the investment environment, risk, and return potential is made possible by the utilization of expert assessments, statistical data, and stakeholder viewpoints. The findings of this study have significant ramifications for companies and investors seeking trustworthy instruments to evaluate the desirability of possible investment sites and arrive at informed investment choices.

3. Conclusions

We have created a list of the most important elements that, in the eyes of prospective investors, influence a nation's investment climate based on the research that has been done. The chosen determinants were grouped (categorized) into the appropriate groupings. Among the financial and economic factors, the following hold leading positions: GDP/GNP (including per capita), labor market stability, and the amount of taxes and non-tax payments. Respondents listed the efficacy of the legal environment, potential discriminatory measures, foreign capital control relative to local capital, and the independence of the judicial authority as the legal factors. Within the category of political considerations, the three most significant indicators are the degree of corruption, the overall political stability of the host nation, and the business-friendly nature of government policies.

The rate of unemployment, the growth of soft infrastructure, the degree of education, and the caliber of human capital are the most important sociodemographic indicators of the state of the investment climate. The development of general physical infrastructure (housing, offices, energy, etc.) as well as communication and transportation infrastructure was favored in opinions about infrastructure factors. The level of total innovation development, the cost of undertaking research and development activities, and company research and development were found to be the main technological drivers.

Potential investors are particularly interested in the country's geographic location, the balance of its different natural resources, including valuable minerals, the climate, and the degree of resource independence. The authors want to utilize the results they have gotten to further build their own approach for assessing the investment climate in both developed and developing nations. According to the study, in order to present a more thorough and impartial image of the investment attractiveness of a particular nation or region, a qualitative methodology for evaluating the investment climate should be founded on a range of analytical tools. Overall, the survey results demonstrate that a comprehensive methodology and consideration of multiple sources are necessary for a qualitative assessment of the investment climate.

A deeper comprehension of the investment environment, risk, and return potential is made possible by the utilization of expert assessments, statistical data, and stakeholder viewpoints. The findings of this study have significant ramifications for companies and investors seeking trustworthy instruments to evaluate the desirability of possible investment sites and arrive at well-informed investment choices.

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