

**THE CONCEPT OF INVESTMENT ATTRACTIVENESS
AND ITS ECONOMIC SIGNIFICANCE****N.K. Duvshatova**

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<https://doi.org/10.5281/zenodo.18439719>

ARTICLE INFO

Received: 27st January 2026
Accepted: 28th January 2026
Online: 29th January 2026

KEYWORDS

investment attractiveness, investment environment, economic growth, regional development, infrastructure, institutional factors, human capital, competitiveness, sustainable development, investment policy

ABSTRACT

This thesis analyzes the concept of investment attractiveness, its economic content and significance in regional development from a scientific, theoretical and practical perspective. Investment attractiveness, as an important factor ensuring economic growth, plays an important role in attracting capital flows to regions, expanding production potential and increasing employment levels. The thesis systematizes the factors affecting investment attractiveness based on classical and modern economic theories. It also highlights the role of the investment environment, infrastructure, institutional stability and human capital. The results of the study serve to draw scientific and practical conclusions on improving investment policy in reducing interregional economic disparities and ensuring sustainable development

Introduction. In the context of the global economy, investments are one of the main factors ensuring economic growth and competitiveness. In particular, the issue of increasing investment attractiveness in the regions is becoming a priority area of economic policy. Investment attractiveness is a complex indicator reflecting the economic, institutional and social potential of the region and determines the direction of capital flows. The purpose of this thesis is to clarify the scientific and theoretical foundations of the concept of investment attractiveness, determine its economic significance and analyze its role in regional development. The results of the study serve as an important scientific basis for improving investment policy.

Main part. Investment attractiveness is interpreted in economic literature as a set of conditions created for investors to invest capital in a particular region or country. This concept is directly related to the economic potential of the region, market size, production costs and financial stability, as well as the quality of the institutional environment. In particular, political stability, reliability of the legal system, guaranteed property rights and transparent governance mechanisms are important factors in investor decision-making. Also, social factors, including the level of skill of labor resources, the development of the education system and the state of social infrastructure, determine investment attractiveness. As D. North noted, effective institutions reduce investment risks and create favorable conditions for long-term economic

growth [North, 1990]. Therefore, investment attractiveness is an important component of regional and national development strategies. Classical economic theories interpreted investment mainly as a factor of capital accumulation and production, paying special attention to the volume of capital and its effective distribution in the process of economic growth. In these approaches, investment decisions were mainly explained in relation to profit opportunities and production costs. Modern economic approaches, however, assess investment attractiveness as a broader and more complex system. In particular, in the neoclassical model, investments are regulated by interest rates, capital profitability and market mechanisms. In this case, the limitation and opportunity cost of capital are considered as the main factors.

However, institutional theory considers the quality and stability of institutions to be important in explaining investment attractiveness, along with economic indicators. Secure property rights, transparent and efficient public administration, and low levels of corruption strengthen investor confidence and reduce investment risks. As Acemoglu and Robinson point out, inclusive institutions stimulate economic activity and ensure long-term sustainable development [Acemoglu & Robinson, 2012]. Therefore, institutional and social factors are increasingly important in assessing investment attractiveness in modern research.

Factors affecting investment attractiveness can be divided into the following main groups:

- ☒ macroeconomic stability (inflation, economic growth rates);
- ☒ infrastructure development (transport, energy, digital infrastructure);
- ☒ institutional environment (tax policy, legal guarantees);
- ☒ human capital and labor market;
- ☒ regional competitiveness and innovative potential [Porter, 2008].

The harmonious development of these factors increases investor confidence and creates favorable conditions for long-term capital investment.

There is a direct and stable relationship between investment attractiveness and economic growth, which is of great importance in the development of the regional and national economy. High investment attractiveness creates the basis for expanding production volumes, creating new jobs and increasing the employment rate. As a result, incomes of the population increase, domestic demand expands, and economic activity increases. At the same time, investments increase production efficiency by renewing and modernizing fixed capital.

The role of investments in the process of technological renewal is of particular importance, as they serve to introduce innovations, transfer advanced technologies and automate production processes. As P. Romer noted, investments accelerate the spread of knowledge and technologies, stimulating endogenous economic growth [Romer, 1990]. In particular, foreign direct investment (FDI) ensures the diversification of the regional economy by sectors and increases the competitiveness of local enterprises. The introduction of management experience and modern technologies through FDI contributes to long-term sustainable economic growth. The analysis of the conducted studies clearly demonstrates the important strategic importance of investment attractiveness in economic development. The inextricable link between the quality of the investment environment, institutional stability, infrastructure development and human capital determines the pace of regional economic growth. High investment attractiveness activates capital flows, increases production efficiency

and accelerates innovation processes. At the same time, investments are an important tool for reducing interregional economic disparities and ensuring balanced development of the economy across sectors. The integrated development of these factors creates a solid foundation for sustainable and long-term economic growth.

Conclusion. The results of the study show that investment attractiveness is an important factor ensuring economic growth and regional development. The quality of the investment environment is directly related to the development of infrastructure, institutional stability and human capital. High investment attractiveness increases production efficiency, stimulates innovative activity and helps to reduce interregional disparities.

As a proposal, in order to increase the investment attractiveness of regions, it is necessary to improve tax and customs privileges, expand infrastructure projects and improve the institutional environment. Also, long-term sustainable development can be achieved by increasing investments in human capital. In the future, it is advisable to develop a methodology for assessing investment attractiveness taking into account regional characteristics

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