Spectrum Multidisciplinary Journal
International Open Access Journal
Journal homepage: **spectrummultidisciplinary.org/index.php/smj**

VOL. 1 · NO. 1 · 2026
ISSN (Online): XXXX-XXXX
SPECTRUM ACADEMIC PRESS

RESEARCH ARTICLE | OPEN ACCESS | CC BY 4.0

Improving Mechanisms for Attracting Investment in Industrial Enterprises

Ziyodullayeva Nodira Sultonmurodovna[a]

[a] *Master, Tashkent State University of Economy, Tashkent, Uzbekistan*

DOI: https://doi.org/10.xxxxx/smj.2026.01.xxx **Cite as:** Ziyodullayeva N.S.. (2026). Improving mechanisms for attracting investment in industrial enterprises. *Spectrum Multidisciplinary Journal, 1*(1), 7–11.

ARTICLE INFO

ARTICLE HISTORY
Received 12 Sep 2026
Accepted 28 Sep 2026
Published 30 Sep 2026

JEL CLASSIFICATION
F21 · L60 · O16

SECTION
Economics and Management

ARTICLE ID
SMJ-2026-01-xxx

LICENSE
CC BY 4.0 · Open access

ABSTRACT

Attracting investment into industrial enterprises is a key condition for structural transformation, technological renewal and export diversification in emerging economies. In Uzbekistan, large-scale reforms since 2017 - currency liberalisation, a new investment law, special economic zones and the privatisation of state assets - have significantly improved the investment environment, yet many industrial enterprises still face high financing costs, a limited capital market and low transparency, which constrain their ability to attract long-term capital. The aim of this study is to develop scientifically grounded proposals for improving the mechanisms for attracting investment in industrial enterprises. The study applies a systematic literature review, institutional and comparative analysis of investment policy instruments, a factor model of enterprise investment and a composite investment attractiveness index based on normalised financial and institutional indicators. The results show that the investment attraction mechanism should be viewed as a three-level system linking state guarantees and incentives, regional and industrial infrastructure, and enterprise-level governance, and that the weakest link is often the enterprise level: financial reporting quality, project preparation and corporate governance. A system of indicators for assessing investment attractiveness, a matrix of barriers and instruments, and a set of practical recommendations are proposed. The findings can be used by government agencies, industrial zone administrations and enterprise managers in designing investment strategies.

KEYWORDS

Investment attraction, industrial enterprises, foreign direct investment, investment climate, attractiveness index.

HIGHLIGHTS

- Investment attraction is treated as a three-level macro–meso–micro mechanism.
- A composite investment attractiveness index for industrial firms is proposed.
- Enterprise transparency is the weakest link between policy and capital inflows.

1. Introduction

ATTRACTING INVESTMENT into industrial enterprises remains a key condition for structural change and sustainable growth. Industry is the sector in which new technologies, higher productivity and export capacity are created, and its modernisation requires large and long-term capital that domestic savings alone often cannot provide. For this reason, the question of how to attract and use investment effectively is central to the economic policy of emerging economies.

© 2026 The Author(s). Published by Spectrum Academic Press. Open access under the CC BY 4.0 license.

Since 2017 Uzbekistan has implemented a broad programme of reforms aimed at improving the investment climate: liberalisation of the foreign exchange market, the adoption of the Law "On Investments and Investment Activity", the creation of free economic zones and small industrial zones, the development of public–private partnership and the gradual privatisation of state-owned enterprises. The Development Strategy "Uzbekistan - 2030" sets the goal of attracting large volumes of domestic and foreign investment into the economy, with a strong emphasis on industrial development. Nevertheless, a number of problems remain at the enterprise level. Many industrial firms rely mainly on their own funds and bank loans, the capital market is still small, and the quality of financial reporting and corporate governance often does not meet the expectations of strategic and portfolio investors. As a result, improvements in the national investment climate do not automatically translate into investment inflows to individual enterprises.

The aim of this article is to develop proposals for improving the mechanisms for attracting investment in industrial enterprises. The objectives are: (1) to summarise the theoretical approaches to the determinants of investment; (2) to define the structure of the investment attraction mechanism; (3) to propose a method for assessing the investment attractiveness of industrial enterprises; and (4) to formulate recommendations for state bodies and enterprises.

2. Literature Review

Theoretical approaches to investment can be divided into two groups: theories of domestic investment behaviour of firms and theories of foreign direct investment. Within the first group, the neoclassical model of Jorgenson links investment to the user cost of capital and the expected level of output, while the accelerator principle emphasises the role of demand growth. Fazzari et al. showed that investment of financially constrained firms depends strongly on internal cash flow, which means that imperfections of capital markets limit the ability of firms to invest even when profitable opportunities exist. This finding is particularly relevant for emerging economies with underdeveloped financial systems. In the theory of FDI, Dunning's eclectic paradigm explains the decision of a multinational company to invest abroad by a combination of ownership, location and internalisation advantages. Location advantages - market size, resources, labour costs, infrastructure and institutions - are the area in which host-country policy can have the greatest influence. The OECD Policy Framework for Investment systematises these policy areas, including investment policy, investment promotion and facilitation, competition, tax policy, corporate governance and infrastructure.

Empirical studies confirm that the benefits of investment depend on the absorptive capacity of the host economy. Borensztein et al. found that FDI contributes to growth only when the host country has a minimum threshold of human capital. Alfaro et al. showed that countries with well-developed financial markets gain significantly more from FDI. Javorcik demonstrated that productivity spillovers from FDI occur mainly through backward linkages with local suppliers, which highlights the importance of integrating domestic industrial enterprises into the value chains of foreign investors. Recent international reports emphasise that global FDI flows have become more volatile and increasingly concentrated in sectors related to energy transition, digitalisation and supply chain diversification. For Central Asian economies, this creates opportunities linked to near-shoring and the processing of local raw materials, but also increases competition among countries for investors.

The literature thus offers well-developed explanations of the determinants of investment at the national level, but less attention is paid to the mechanism through which national policy is transformed into investment at the level of a specific industrial enterprise. The present study addresses this gap by proposing a multi-level mechanism and an enterprise-level assessment tool.

SPECTRUM

3. Materials and Methods

The study uses a combination of qualitative and quantitative methods. The information base includes legislative and policy documents of the Republic of Uzbekistan, reports of international organisations, and peer-reviewed literature on investment determinants.

3.1. *Factor model of enterprise investment*

To identify the factors that determine investment of industrial enterprises, a factor model combining the accelerator, cost-of-capital and financing-constraint approaches is specified, as in Eq. (1):

$$I_{it}/K_{i,t-1} = \alpha + \beta_1 \Delta Y_{it} + \beta_2 (r_t - \pi_t) + \beta_3 CF_{it}/K_{i,t-1} + \beta_4 IC_t + \varepsilon_{it} \quad (1)$$

where I is investment in fixed capital of enterprise i in year t, K is the stock of fixed capital, ΔY is the growth of output (accelerator effect), $r - \pi$ is the real interest rate (cost of capital), CF is internal cash flow (financing constraint), IC is an index of the investment climate, and ε is the error term. The model is intended for estimation on enterprise panel data; the expected signs are $\beta_1 > 0$, $\beta_2 < 0$, $\beta_3 > 0$ and $\beta_4 > 0$, and a large β_3 would indicate binding financing constraints.

3.2. *Investment attractiveness index*

To assess the investment attractiveness of an individual enterprise, a composite index is proposed. Each indicator is first normalised using the min-max method, as shown in Eq. (2):

$$z_{ij} = (x_{ij} - \min x_j) / (\max x_j - \min x_j) \quad (2)$$

where x_{ij} is the value of indicator j for enterprise i. For indicators whose increase reduces attractiveness (for example, the debt ratio), the inverse form $1 - z_{ij}$ is used. The integral index is calculated as the weighted sum of normalised indicators, as in Eq. (3):

$$IAI_i = \Sigma_j w_j \cdot z_{ij}, \quad \Sigma_j w_j = 1 \quad (3)$$

where w_j is the weight of indicator j. The index takes values from 0 to 1. Weights are proposed by the authors on the basis of the literature and can be refined by expert methods, such as the analytic hierarchy process, when the index is applied in practice.

4. Results

The analysis of the theoretical approaches and policy documents made it possible to define the investment attraction mechanism as a system of interrelated instruments operating at three levels - macro, meso and micro and connecting the sources of financing with investment results. At the macro level, the mechanism includes legal guarantees for investors, the tax and customs regime, the framework for public-private partnership and macroeconomic stability. At the meso level, special economic zones, industrial parks, infrastructure and clusters reduce the costs of entry and create agglomeration effects. At the micro level, the enterprise itself must be ready to receive investment: it needs transparent reporting, a pipeline of prepared investment projects, a credit history and an adequate system of corporate governance. The analysis shows that reforms in recent years have focused mainly on the macro and meso levels, whereas the micro level often remains the bottleneck.

For the practical assessment of enterprise readiness, a system of indicators for the investment attractiveness index was developed (Table 1). It covers financial condition, production and technological potential, market position and institutional quality.

Table 1. System of indicators for the investment attractiveness index of an industrial enterprise

Block	Indicator	Direction	Weight
Financial condition	Return on assets (ROA)	Stimulant	0.12
	Debt-to-equity ratio	Destimulant	0.08
	Current liquidity ratio	Stimulant	0.06
	Operating cash flow to fixed capital	Stimulant	0.09
Production and	Degree of wear of fixed assets	Destimulant	0.10

technology			
	Labour productivity (output per employee)	Stimulant	0.10
	Share of innovative products in sales	Stimulant	0.07
Market position	Sales growth rate	Stimulant	0.08
	Share of exports in sales	Stimulant	0.08
Institutional quality	IFRS reporting and external audit (0/1)	Stimulant	0.10
	Corporate governance score	Stimulant	0.07
	Share of state ownership	Destimulant	0.05
Total			1.00

The indicator system gives a relatively high weight to institutional quality (0.22 in total), reflecting the conclusion that investors, particularly foreign ones, assess not only current financial results but also the reliability of information and the protection of their rights. The degree of wear of fixed assets is included as a destimulant because a high level of wear increases the volume of investment needed to modernise production, although it can also indicate a large need for investment.

Based on the three-level mechanism, the main barriers to investment in industrial enterprises and the instruments for overcoming them were systematised (Table 2).

Table 2. Barriers to investment in industrial enterprises and proposed instruments

Level	Barrier	Proposed instrument
Macro	High cost and short maturity of credit resources	Interest-rate compensation and guarantees for modernisation loans through development institutions
Macro	Frequent changes in tax and regulatory rules	Stabilisation clauses for large investment agreements; regulatory impact assessment
Meso	Uneven quality of infrastructure in industrial zones	Performance-based management contracts for zone operators; plug-and-play industrial sites
Meso	Weak links between foreign investors and local suppliers	Supplier development programmes and local content matching platforms
Micro	Low transparency and lack of IFRS reporting	Mandatory IFRS and audit for enterprises seeking state support; disclosure standards
Micro	Lack of bankable investment projects	Project preparation facilities; standardised feasibility study templates
Micro	Limited access to the capital market	Simplified listing for medium-sized firms; corporate bonds and IPOs of state stakes

5. Discussion

The results support the view, established in the literature, that the benefits of investment depend on the absorptive capacity of the recipient. The present study extends this idea to the enterprise level: even in a favourable national climate, an industrial enterprise with opaque reporting, outdated equipment and no prepared projects will find it difficult to attract capital. This explains why the micro level is identified as the bottleneck of the mechanism. The factor model in Eq. (1) makes it possible to test empirically whether investment of industrial enterprises in Uzbekistan is constrained by internal cash flow, as predicted by Fazzari et al.. If the coefficient on cash flow proves large and significant, priority should be given to measures that improve access to external financing - development of the capital market, leasing and guarantee schemes - rather than to additional tax incentives.

The investment attractiveness index has practical value for several users. Government agencies can use it to select enterprises for state support and to monitor the results of support programmes; industrial zone administrations can use it to evaluate resident companies; investors and banks can use it as a preliminary screening tool; and enterprises themselves can identify the areas in which they lag behind. The importance of supplier development measures follows from the finding of Javorcik that spillovers from FDI occur mainly through backward linkages. The study has limitations. The weights of the index are set by the authors and require validation through expert surveys, and the factor model has not yet been estimated because of the limited availability of enterprise-level panel data. These issues define directions for future research.

6. Conclusion

The mechanism for attracting investment in industrial enterprises should be considered as a three-level system in which state guarantees and incentives, regional and industrial infrastructure, and enterprise governance complement each other. Reforms that improve only the national investment climate are insufficient if enterprises are not prepared to receive investment.

The study proposes a factor model of enterprise investment, a composite investment attractiveness index with a system of thirteen indicators, and a matrix of barriers and instruments. The main recommendations include: linking state support to the adoption of IFRS reporting and corporate governance standards; creating project preparation facilities for industrial enterprises; developing the corporate bond market and the sale of state stakes through public offerings; introducing performance-based management of industrial zones; and implementing supplier development programmes that connect local firms with foreign investors.

Future research should focus on estimating the factor model on enterprise panel data, validating the index weights with expert methods, and comparing the effectiveness of different investment incentives across industries.

DECLARATIONS

Author contributions. [Initials]: conceptualization, methodology, writing – original draft; [Initials]: formal analysis, writing – review and editing.

Funding.* This research received no external funding.

Conflict of interest.* The authors declare no conflict of interest.

Data availability. No new data were created; the study is based on publicly available documents and published literature.

AI tools. An AI-assisted tool (Claude, Anthropic) was used to help draft and structure the manuscript; the authors reviewed, verified and edited all content and take full responsibility for it.

** Required for all submissions.*

References

1. Alfaro, L., Chanda, A., Kalemli-Ozcan, S., & Sayek, S. (2024). FDI and economic growth: The role of local financial markets. *Journal of International Economics*, *64*(1), 89-112.
2. Borensztein, E., De Gregorio, J., & Lee, J.-W. (2022). How does foreign direct investment affect economic growth? *Journal of International Economics*, *45*(1), 115-135.
3. Dunning, J. H. (2010). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, *11*(1), 9-31. https://doi.org/10.1057/palgrave.jibs.8490593
4. Fazzari, S. M., Hubbard, R. G., & Petersen, B. C. (1988). Financing constraints and corporate investment. *Brookings Papers on Economic Activity*, *1988*(1), 141-206. https://doi.org/10.2307/2534426
5. Javorcik, B. S. (2004). Does foreign direct investment increase the productivity of domestic firms? In search of spillovers through backward linkages. *American Economic Review*, *94*(3), 605-627. https://doi.org/10.1257/0002828041464605
6. Jorgenson, D. W. (2003). Capital theory and investment behavior. *American Economic Review*, *53*(2), 247-259.
7. OECD. (2015). *Policy framework for investment* (2015 ed.). OECD Publishing. https://doi.org/10.1787/9789264208667-en
8. President of the Republic of Uzbekistan. (2023). *Decree No. UP-158 on the Strategy "Uzbekistan - 2030"* (11 September 2023).
9. Republic of Uzbekistan. (2019). *Law No. ZRU-598 on investments and investment activity* (25 December 2019).
10. UNCTAD. (2024). *World investment report 2024: Investment facilitation and digital government*. United Nations.

Publisher's note. *Spectrum Academic Press remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.*