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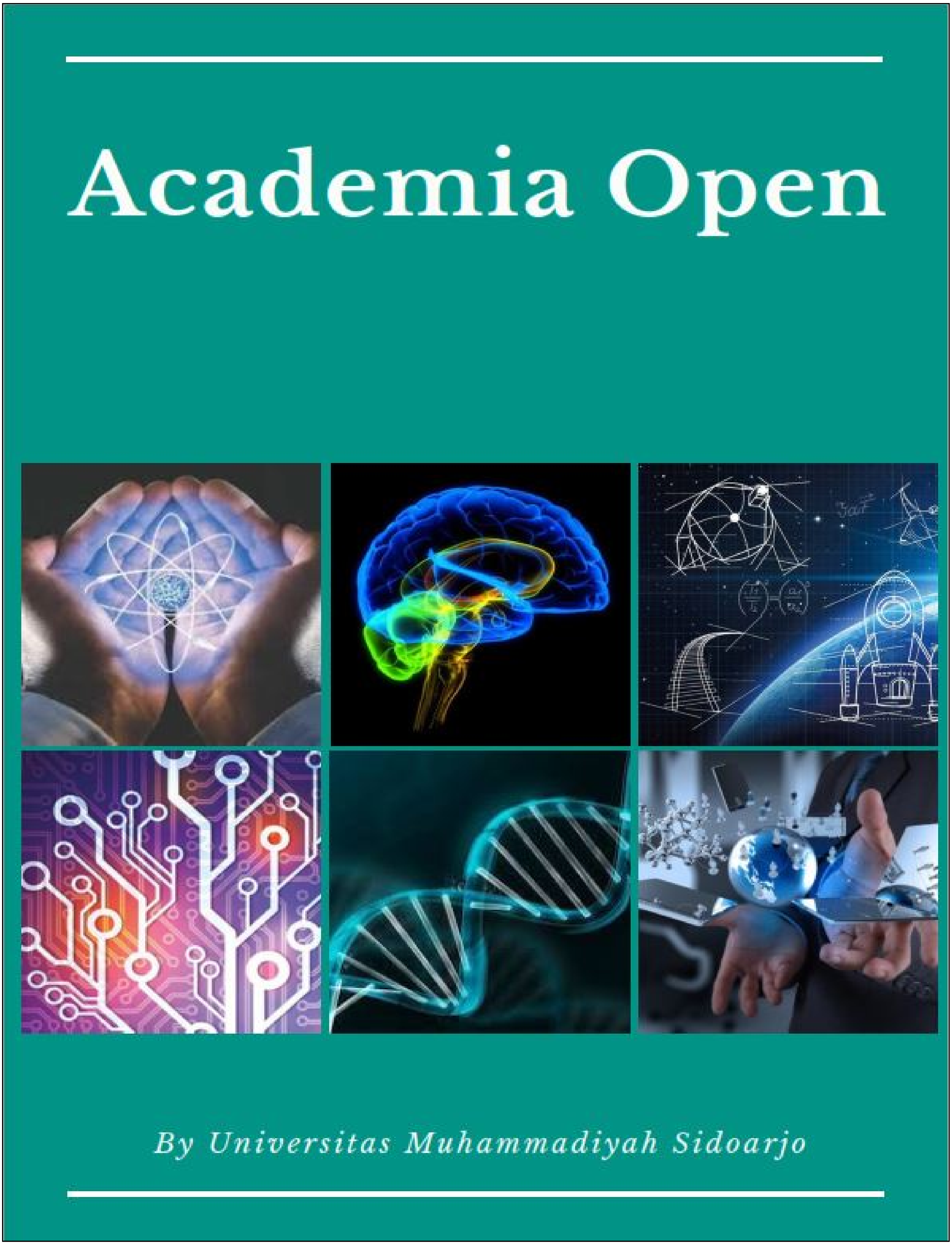

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Scientific-Theoretical Essence and Economic Foundations of Investment and Investment Attractiveness Concepts

Esensi Ilmiah-Teoritis dan Landasan Ekonomi dari Investasi dan Konsep Daya Tarik Investasi

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Abstract

This paper examines the fundamental concepts of investment and investment attractiveness, focusing on their scientific-theoretical essence and economic foundations. The research analyzes various approaches to understanding investment attractiveness, particularly in the context of industrial and mining sectors. Through a comprehensive review of both foreign and local literature, the study investigates the key factors that influence investment decisions at both macro and microeconomic levels. Special attention is given to the methodological aspects of assessing investment attractiveness, including the evaluation of investment potential, risk assessment, and the role of various economic indicators. The paper also explores the relationship between investment attractiveness and sustainable economic development, highlighting the importance of creating favorable investment environments in developing economies. The findings suggest that investment attractiveness is a complex, multifaceted concept that encompasses economic, social, political, and institutional factors, all of which play crucial roles in determining the success of investment strategies.

Highlights:

1. Investment attractiveness in industrial and mining sectors.
2. Reviews economic indicators, risk assessment, and investment potential.
3. Highlights role in sustainable economic development and policy-making.

Keywords: Investment attractiveness; Economic development; Investment potential; Risk assessment; Mining industry; Industrial development; Foreign investment; Investment climate; Economic indicators; Investment strategy

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Introduction

Today, everyone understands the role and importance of investments in the activities of countries and enterprises. At the state level, investments are recognized as a driver that revitalizes the economy, while for enterprises, they are considered the main source of technical and technological renewal, innovation production, and modernization of products and services. To assess the level of investment and investment attractiveness, it is first appropriate to examine the scientific and theoretical foundations of concepts such as the general essence of investment, its role in developing industrial sectors, specific features in organizing investment activities, as well as the investment attractiveness of enterprises.

Methods

As stated in many scientific sources, investment is a fundamental concept in finance that involves allocating resources such as money or time with the expectation of receiving income or profit in the future [1]. Through investment, individuals and organizations dedicate their capital to various financial instruments, real estate, or business activities, through which they increase their wealth and achieve specific financial goals. The investment process involves in-depth analysis of potential opportunities, risk assessment, and strategic planning to ensure efficient use of resources to achieve desired results.

In the context of personal and institutional finance, investments are made across various assets, including stocks, bonds, investment funds, real estate, and commodities. Each type of investment comes with its own set of risks and rewards, requiring investors to carefully consider their objectives, risk tolerance, and market conditions. The ultimate goal is to maintain a balance between risk and return, maximizing the potential for capital growth or income generation while minimizing the likelihood of significant losses.

According to sources, investments are defined as the commitment of current financial resources to achieve higher returns in the future. It deals with what are called domains of uncertainty. From this definition emerges the importance of time and future, as these are two crucial elements in investment. Thus, information that helps form a perception about the degrees of certainty of future investment conditions is essential. From an economic perspective, capital and savings are different; saving is recognized as total income not spent on consumption, regardless of whether it is invested for higher returns or not. Consumption represents the total expenditure on goods and services spent to meet its needs during a certain period. Investment or savings values, as well as consumption values, can be determined by various statistical methods at either the macroeconomic level or individual level [2].

According to foreign economist Ch. Jeyadevi, savings and investments are two fundamental pillars that build a country's economy. It is an asset that is purchased for income generation and appreciation of the principal value. Investments should be made not for immediate consumption but for future use, wealth creation. Savings are the accumulation saved by households which in turn generates income or appreciates in value when invested properly. Investments are made with the hope of paying more than the initial amount in the future. In other words, it is an asset that either generates good returns in the future or yields high returns when sold later [3].

In our opinion, investment refers to the allocation of resources such as capital or time to ventures with the expectation of earning income or profit over time [4]. This involves transferring money or other assets to various financial instruments, projects, or enterprises to achieve specific financial goals.

Investments in the mining industry involve various types of activities, including research, exploration, extraction, processing, and infrastructure development. These investments are influenced by various factors such as commodity prices, technological advances, regulatory environment, and geopolitical stability. Globally, mineral-rich regions like Australia, Canada, Brazil, and some African countries often attract large investments due to their mining industry and favorable policies.

The attractiveness of investments in the mining industry is reinforced by the industry's integral role in the global economy. As technological progress increases the need for more specialized materials (chips, casings, diodes, semiconductors) and emerging markets continue to industrialize, demand for extracted resources is expected to remain strong. Furthermore, the pursuit of sustainable and environmentally friendly mining practices presents new opportunities for investment in innovative technologies and green mining initiatives.

Understanding the dynamics of investment in the global mining industry is crucial for investors seeking to capitalize on its potential. Through analyzing market trends, regulatory changes, and technological innovations, investors can identify profitable opportunities and understand the complexities and risks of this important sector, after which they can direct their funds and resources to this area. Ultimately, strategic investments in the mining industry not only promise financial returns but also contribute to the sustainable development of resources crucial for the future of global progress.

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The investment attractiveness of mining industry enterprises means the attractiveness or profitability of a particular investment or market for prospective investors. This attractiveness is influenced by various factors such as economic stability, market activity, regulatory environment, and growth potential. An investment considered highly attractive typically offers favorable conditions such as strong economic growth, stable political climate, and supportive regulations, which together reduce risks and increase the likelihood of profitable returns. On the other hand, investments with low attractiveness may pose higher risks due to economic volatility, political instability, or unfavorable regulatory frameworks.

Understanding the true essence of investment attractiveness is, in our opinion, crucial for making investment decisions. By evaluating factors that contribute to the attractiveness of various investment opportunities, investors can identify their financial goals and risk tolerance. This strategic approach allows them to optimize their investment portfolios, achieve long-term growth, and ensure financial stability. Indeed, the interconnection between investments and their attractiveness forms the foundation for successful financial planning and wealth management.

Result and Discussion

Result

During the study of foreign and local sources, various approaches to the concept of investment attractiveness were identified. In particular, in the article "The investment attractiveness evaluation: methods and measurement features" co-authored by A.G. Goncharuk and S. Karavan, it is stated that a company's investment attractiveness is an economic category that indicates the effectiveness of its activities, characterized by a set of quantitative indicators and is one of the qualitative components that covers various aspects of business and determines the possibility of obtaining maximum profit for investors (compared to other preferred investment objects) when there is a certain level of risk. In assessing investment attractiveness, it is emphasized that identifying the company's life cycle stage is important, especially when analyzing financial coefficients. The weight of each indicator and its normative value may vary depending on the enterprise's life cycle stage (Fig.1.).

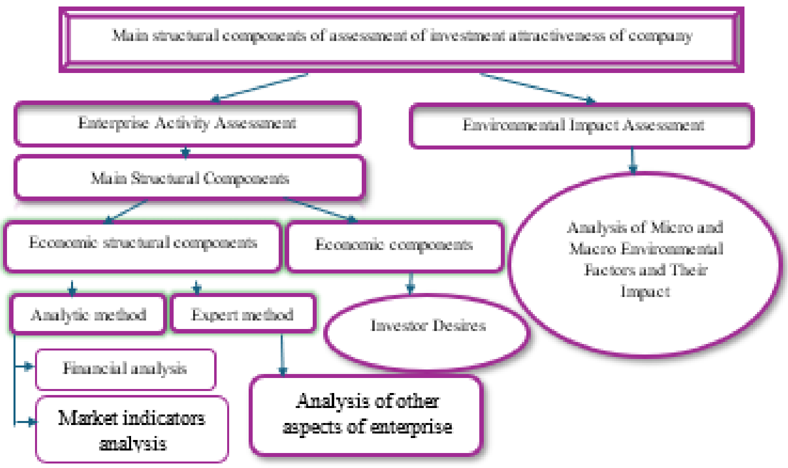

Figure 1. *Main Components of Company's Investment Attractiveness Assessment*

According to another economist S. Gutkevich, despite numerous economic changes, the problem of creating investment attractiveness, which is the basis of the investment process, has not been sufficiently widely covered in scientific economic literature. In the state's changed approach to developing the country's economy, there arose a need for in-depth research and development of new theoretical and methodological foundations for developing the investment process for the most effective capital investments, forms and mechanisms for creating investment attractiveness at micro and macro levels. Management needs to identify the highest priority objects in making investment decisions, more effective capital investments in production, securities, real estate, and others. The current stage is studying market forms and mechanisms of investment attractiveness at micro and macro levels. The choice of the most effective form of investment begins with analyzing alternative options where comparison can be made. At the center of comparison are methods for evaluating investment efficiency and primarily indicators of profitability, reliability, and risk level.

Additionally, some economists use mainly two categories when assessing the economic attractiveness of certain regions: investment potential and investment risk, as this largely determines the development of industry and sectors in its territory, and secondly, determines the investment attractiveness of the industry itself.

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According to N.S. Kanashkin and A.P. Shabalin, industrial companies have no future without investment, therefore increasing investment attractiveness is an integral part of a successful business strategy. Modern trends give industrial enterprises the right to implement innovative technologies, achieve new levels of development, increase and multiply production and sales volumes, and enter neighboring markets. Through research, the authors found that investment attractiveness depends on factors such as the level of innovative development and the potential of industry and sector companies. Mining and extraction industry enterprises have investment attractiveness, which ensures high potential profitability of purchased shares due to the companies' active participation in scientific and technical progress and adherence to promising innovative trends.

According to Matveyev and Rezvyakova's approach, the investment attractiveness of regions is the integral quality of certain areas of the country that significantly affects the profitability of investments and the level of investment risks, creating a favorable investment environment, developing investment infrastructure, opportunities to attract investment resources, and some other factors.

They also highlight the following methodological aspects of assessing investment attractiveness:

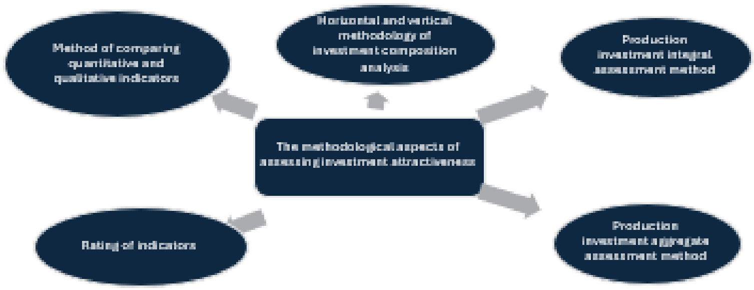

Figure 2. *The methodological aspects of assessing investment attractiveness*

According to the authors, the following criteria should be followed to assess the investment attractiveness of a region:

- Level of investment infrastructure in the region

- Demographic parameter of the territory

- Level of market development in the region

- Level of investment activity support in the region (Fig.2.)

In his research, A.G. Avetisyan identified the following factors determining countries' investment attractiveness at the macroeconomic level:

- Market size

- Level of urbanization

- Level of human capital development

- Level of economic integration in the country

- Trade regime

- Labor cost

- Currency exchange rate volatility

- Political stability and others [10]

In our opinion, the factors indicated by the author not only show the country's investment attractiveness but are also the main factors determining the stability of its economy. Along with the above factors, we believe that some economic, social, administrative-legal factors should also be added to this list:

- Independence of the judicial institution and authority to make independent decisions

- Minimal level of corruption in the country

- Existence of a system guaranteeing investors' rights

- Establishment of state economic, social, political institutions' ability to operate independently within their powers (anti-monopoly structures, competition support institutions, transparent and reliable activities of the statistics committee, etc.)

In the Global Competitiveness Report prepared by the World Bank, countries are evaluated based on several categories to determine their level of competitiveness. These categories are:

1. Institutions

2. Infrastructure

3. ICT adoption level

4.Macroeconomic stability

5. Health

6.Skills and abilities

7. Product market

8. Labor market

9. Financial system

10. Market size

11. Business dynamics

12.Innovation capability

Discussion

Additionally, countries are evaluated based on indicators such as population size, GDP per capita in US dollars, 10-year average GDP growth rate, share in world GDP, share of foreign investment in GDP over 5 years, share of renewable energy consumption, unemployment rate, global gender index, and Gini income level [11].

In our opinion, these economic indicators not only show countries' competitiveness but also serve as a beacon for foreign investors in directing their funds and provide great opportunity to assess countries' economic attractiveness.

According to another researcher A. Loi, it is crucial to identify the main factors influencing the choice of investment attraction strategy for enterprises, as they bring great success in increasing the enterprise's investment attractiveness. Several key factors can be identified in determining the optimal strategy for attracting investments (Fig.3.).

Figure 3. The factors for determining the optimal strategy for attracting investments

In our opinion, the factors listed above play an important role in forming an investment attraction strategy to increase investment attractiveness in enterprises. Along with this list, it is advisable to include the company's financial condition and economic and business information about production activities.

According to economist Sh. Mustafakulov, a country's investment attractiveness is the sum of objective economic, social, and natural characteristics, means, opportunities, and limitations that determine the inflow of capital into the territory and are evaluated by investment activity. In turn, the country's investment activity can be considered as the intensity of capital inflow. The integral investment attractiveness of a country/region is the general level of objective socio-economic, natural-geographical, and ecological indicators that characterize the conditions of economic development of the country/region and have a positive or negative impact on the formation of investment activity in it [13].

Among local economists, K.A. Mukhitdinova evaluated the concept of "investment attractiveness" of an enterprise as a system that includes the goals of potential investors, optimal theoretical and methodological aspects of determining investment attractiveness, profitability level, and risks associated with investment implementation. According to the author, enterprise investment attractiveness should be understood as a situation that exists under the influence of internal and external factors, characterized by the potential and risk for achieving the investor's

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investment goals. Assessment and diagnosis of enterprise investment attractiveness is a mandatory stage in determining the expected effect from any investment. Such an approach can be considered systematic in organizing investment activities. Within its framework, the investment potential of the enterprise is determined and determines the economic, social, environmental, and other effectiveness of the investment process [14].

C o nclusi o n

This comprehensive analysis of investment and investment attractiveness concepts reveals several key findings and implications for both theoretical understanding and practical application. The research demonstrates that investment attractiveness is a multidimensional phenomenon that operates at multiple levels - from individual enterprises to entire nations - and is influenced by a complex interplay of factors.

First, our analysis shows that investment attractiveness cannot be reduced to purely financial metrics. While traditional financial indicators remain important, the contemporary understanding of investment attractiveness must encompass a broader range of factors, including technological innovation capacity, institutional framework quality, environmental sustainability, and social stability. This is particularly evident in the mining industry case study, where environmental considerations and technological advancement capabilities increasingly influence investment decisions.

Second, the research highlights the critical role of institutional frameworks in shaping investment attractiveness. The quality of legal institutions, transparency of regulatory systems, and effectiveness of anti-corruption measures emerge as fundamental factors that can either enhance or diminish investment attractiveness. This finding is supported by both theoretical frameworks and empirical evidence from various national contexts.

Third, our investigation reveals the dynamic nature of investment attractiveness in the context of global economic transformation. The criteria for evaluating investment attractiveness are evolving, with increasing emphasis on factors such as digital infrastructure, innovation capability, and environmental sustainability. This is reflected in the World Bank's Global Competitiveness Report metrics, which now incorporate these contemporary dimensions alongside traditional economic indicators.

Fourth, the research underscores the importance of adopting a systematic approach to assessing investment attractiveness. This involves considering both quantitative metrics (such as financial ratios and market indicators) and qualitative factors (such as institutional quality and innovation potential). The integration of these different aspects provides a more robust and nuanced understanding of investment attractiveness.

From a practical perspective, these findings have several important implications:

1. For policymakers, the research suggests the need for comprehensive policy frameworks that address not only economic factors but also institutional, social, and environmental dimensions of investment attractiveness.

2. For enterprises, particularly in the mining and industrial sectors, the findings highlight the importance of developing robust strategies for enhancing investment attractiveness that go beyond financial performance to include sustainability and innovation capabilities.

3. For investors, the research provides a framework for more sophisticated evaluation of investment opportunities, emphasizing the need to consider a broader range of factors in investment decision-making.

Looking forward, several areas emerge as priorities for future research:

- The impact of digital transformation on investment attractiveness metrics

- The role of environmental, social, and governance (ESG) factors in shaping investment decisions

- The development of more sophisticated methodologies for measuring and comparing investment attractiveness across different contexts

- The relationship between investment attractiveness and sustainable development goals

In conclusion, investment attractiveness emerges as a critical concept in contemporary economic development, one that requires a nuanced and multifaceted approach to both understanding and enhancement. The success of investment strategies, whether at the national or enterprise level, increasingly depends on the ability to address and integrate multiple dimensions of attractiveness in a coherent and sustainable manner.

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