

THE ROLE OF GLOBAL ECONOMIC INDICES IN ASSESSING INVESTMENT ATTRACTIVENESS: INTERNATIONAL EXPERIENCE AND ANALYSIS OF INSTITUTIONAL FACTORS

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Abstract. *Global economic indices have become essential analytical instruments for assessing countries’ investment attractiveness in the context of globalization and increasing capital mobility. This article examines the role of major global economic indices—such as the Global Competitiveness Index, Economic Freedom Index, Doing Business Index, and Global Innovation Index—in shaping investor perceptions and influencing foreign direct investment (FDI) flows. Particular attention is paid to institutional factors, including governance quality, rule of law, regulatory efficiency, and innovation capacity. Based on international experience, the study highlights the strong relationship between institutional development and investment attractiveness and discusses the practical implications of index-based assessments for economic policy.*

Keywords: *global economic indices, investment attractiveness, institutional quality, foreign direct investment, competitiveness, economic freedom.*

In the context of economic globalization and intensifying international capital mobility, assessing a country’s investment attractiveness has become a critical task for both policymakers and investors. Global economic indices play an increasingly important role in this process by providing standardized, comparative, and analytically grounded evaluations of national economic environments. Indices such as the Global Competitiveness Index (GCI), Economic Freedom Index (EFI), Global Innovation Index (GII), and the former Doing Business Index serve as key reference tools for measuring institutional quality, market efficiency, regulatory transparency, and innovation capacity across countries.

Investment attractiveness is not determined solely by macroeconomic indicators such as GDP growth or inflation rates. Instead, it is strongly influenced by institutional factors, including the rule of law, protection of property rights, effectiveness of public administration, regulatory predictability, and the level of corruption control. Global economic indices incorporate these institutional dimensions into composite indicators, enabling investors to



evaluate both economic performance and the quality of governance. As a result, these indices significantly shape international investment decisions, sovereign risk assessments, and country branding in the global market.

International experience demonstrates that countries achieving higher positions in global economic rankings tend to attract greater volumes of foreign direct investment (FDI). Empirical studies show a positive correlation between improvements in institutional indicators—such as judicial independence, ease of doing business, and market openness—and increased investor confidence. For example, reforms aimed at simplifying business regulations, enhancing transparency, and strengthening legal frameworks have helped several emerging economies improve their standings in global indices and, consequently, increase their investment inflows.

At the same time, global economic indices are not merely descriptive tools but also policy instruments that influence national reform agendas. Governments increasingly use index-based benchmarks to identify institutional weaknesses, set reform priorities, and signal commitment to investors. However, the methodological limitations and contextual differences of these indices raise important academic debates regarding their objectivity, comparability, and real impact on investment decisions. Therefore, this study aims to analyze the role of global economic indices in assessing investment attractiveness through the lens of international experience and institutional factors. By examining how institutional quality is reflected in major global indices and how these indicators influence investment flows, the research seeks to provide a comprehensive understanding of the interaction between global rankings, institutional development, and investment dynamics in the modern global economy.

The role of global economic indices in assessing investment attractiveness has been widely examined in international economic and institutional literature. Scholars generally agree that these indices serve as important analytical tools for evaluating the quality of a country's economic environment, governance system, and institutional framework, which are critical determinants of foreign direct investment (FDI) flows. A substantial body of research emphasizes the strong relationship between institutional quality and investment attractiveness. According to North (1990), institutions—defined as formal rules, legal systems, and informal norms—shape economic performance by reducing uncertainty and transaction costs. Later studies by Acemoglu, Johnson, and Robinson (2005) further demonstrate that countries with inclusive and effective institutions tend to attract higher levels of long-term



investment due to stronger property rights protection and better contract enforcement.

Global economic indices operationalize these institutional concepts into measurable indicators. The Global Competitiveness Index (GCI), developed by the World Economic Forum, has been extensively analyzed in academic literature. Schwab (2019) argues that competitiveness is increasingly driven by institutional efficiency, innovation capacity, and governance quality rather than by traditional production factors alone. Empirical studies confirm that improvements in GCI pillars—such as institutions, financial systems, and market efficiency—are positively correlated with increased FDI inflows (Sala-i-Martin et al., 2018). Similarly, the Economic Freedom Index, produced by the Heritage Foundation, focuses on regulatory efficiency, market openness, and rule of law. Research by Gwartney, Lawson, and Hall (2020) finds that higher levels of economic freedom are associated with stronger investment performance and faster economic growth. Investors tend to favor countries with lower regulatory burdens, stable fiscal policies, and transparent legal systems, all of which are reflected in this index.

The Doing Business Index has also received significant attention in the literature, particularly regarding its impact on investment decisions. Djankov et al. (2002, 2010) argue that simplified business regulations and reduced administrative barriers lower entry costs for firms and encourage entrepreneurial activity. Several cross-country studies indicate that reforms improving Doing Business indicators—such as starting a business, enforcing contracts, and protecting minority investors—are linked to higher levels of private investment and FDI, especially in developing economies. Innovation-related indices, notably the Global Innovation Index (GII), highlight the growing importance of knowledge-based and technology-driven factors in investment attractiveness. According to Dutta, Lanvin, and Wunsch-Vincent (2022), countries with strong innovation ecosystems, human capital development, and digital infrastructure are more successful in attracting high-value and efficiency-seeking investments. This aligns with the shift in global investment patterns toward technology-intensive and innovation-oriented sectors.

Despite their widespread use, global economic indices have also been subject to critical assessment. Some scholars argue that these indices may oversimplify complex institutional realities or reflect normative assumptions favoring liberal economic models (Rodrik, 2011). Others point out methodological limitations, including data comparability issues and potential bias in perception-based indicators (Kaufmann, Kraay, & Mastruzzi, 2010).



Nevertheless, most studies acknowledge that, despite their imperfections, global indices remain influential reference points for investors and policymakers alike. In summary, the literature suggests that global economic indices play a dual role: they not only measure investment-relevant institutional and economic conditions but also shape reform agendas and investor perceptions. The consensus in international research highlights institutional quality as a key transmission channel through which global indices influence investment attractiveness, making them an essential component of contemporary economic analysis.

Overview of major global economic indices. Global economic indices are widely used analytical instruments that provide a systematic and comparative assessment of countries' economic performance, institutional quality, and development potential. In the context of globalization, these indices have become essential reference points for investors, policymakers, researchers, and international organizations, as they translate complex economic and institutional realities into measurable and comparable indicators. By doing so, they help evaluate national competitiveness, investment attractiveness, and long-term growth prospects. One of the most influential global indices is the Global Competitiveness Index (GCI), developed by the World Economic Forum. The GCI evaluates countries based on a broad set of factors that determine productivity and sustainable economic growth. Its framework integrates institutional quality, infrastructure development, macroeconomic stability, human capital, market efficiency, and innovation capacity. The index emphasizes that competitiveness is no longer driven solely by traditional factors such as natural resources or low labor costs, but increasingly by effective institutions, technological readiness, and the ability to innovate. For investors, the GCI provides insights into a country's long-term economic resilience and productivity potential.

Another important measure is the Economic Freedom Index, published by the Heritage Foundation. This index focuses on the degree to which individuals and firms can operate freely within an economy, with minimal government intervention. It assesses key dimensions such as the rule of law, property rights protection, regulatory efficiency, fiscal discipline, and openness to trade and investment. High levels of economic freedom are generally associated with lower regulatory risks, greater market flexibility, and a more predictable business environment, all of which are crucial for attracting both domestic and foreign investment.

The doing business index, formerly compiled by the World Bank, has played a significant role in evaluating the regulatory environment for business



activities. Although discontinued in 2021, its indicators remain highly influential in academic research and policy analysis. The index measured the ease of starting and operating a business across countries by examining areas such as business registration, construction permits, access to electricity, contract enforcement, and insolvency resolution. By highlighting regulatory bottlenecks and administrative barriers, the Doing Business framework encouraged governments to implement business-friendly reforms and improve their investment climate.

In recent years, the growing importance of knowledge-based economies has increased the relevance of the Global Innovation Index (GII), published by the World Intellectual Property Organization in cooperation with international partners. The GII assesses countries' innovation ecosystems by analyzing innovation inputs—such as human capital, research and development, and institutional support—and innovation outputs, including patents, scientific publications, and high-tech exports. This index is particularly important for investors seeking opportunities in high-value, technology-intensive, and innovation-driven sectors. Taken together, these global economic indices offer a multidimensional perspective on national economic performance and investment conditions. While each index has a distinct methodological focus, their combined use allows for a more comprehensive understanding of how institutional quality, regulatory frameworks, market efficiency, and innovation capacity shape a country's position in the global economy. Despite ongoing debates regarding their limitations and methodological challenges, global economic indices remain powerful tools for benchmarking economic reforms, guiding policy decisions, and informing investment strategies worldwide.

Table 1

Key global economic indices used to assess investment attractiveness

Index	Institution	Main Focus Areas	Relevance for Investors
Global Competitiveness Index (GCI)	World Economic Forum	Institutions, infrastructure, macro stability, innovation	Long-term productivity and competitiveness
Economic Freedom Index (EFI)	Heritage Foundation	Rule of law, regulatory efficiency, market openness	Regulatory risks and market access
Doing Business Index (DBI)*	World Bank	Business regulations, contract enforcement,	Ease of market entry and operations



		property registration	
Global Innovation Index (GII)	WIPO	Innovation inputs and outputs, human capital	High-tech and efficiency-seeking investment

Note: The Doing Business Index was discontinued in 2021, but its indicators remain influential in academic and policy analysis.

Institutional factors reflected in global indices. Institutional factors constitute one of the most critical foundations of economic development and investment attractiveness, and they are central components of major global economic indices. Institutions define the “rules of the game” in an economy by shaping incentives, reducing uncertainty, and influencing the behavior of economic agents. As a result, global indices place strong emphasis on institutional quality when evaluating countries’ economic performance and competitiveness. One of the key institutional factors reflected in global indices is the rule of law. This dimension captures the extent to which legal frameworks are transparent, predictable, and effectively enforced. Indices such as the Global Competitiveness Index and the Economic Freedom Index assess the independence of the judiciary, the reliability of law enforcement, and the effectiveness of contract enforcement. A strong rule of law reduces legal risks for investors, ensures fair dispute resolution, and enhances confidence in long-term investment decisions.

Protection of property rights is another fundamental institutional component incorporated into global economic indices. Secure property rights, including the protection of physical and intellectual property, are essential for encouraging capital formation, innovation, and entrepreneurship. Weak protection mechanisms increase the risk of expropriation and discourage both domestic and foreign investment. For this reason, indices explicitly evaluate the strength of legal safeguards, investor protections, and enforcement mechanisms related to ownership rights. Regulatory quality and government effectiveness are also prominently reflected in global indices. These factors measure how efficiently governments design and implement regulations that support private sector development without imposing excessive administrative burdens. Indicators related to business regulation, licensing procedures, taxation, and regulatory transparency help assess the cost and complexity of operating in a given economy. Countries with streamlined, predictable, and transparent regulatory systems tend to score higher in global rankings and are generally more attractive to investors.

Another important institutional factor is control of corruption and accountability. High levels of corruption increase transaction costs, distort



market competition, and undermine trust in public institutions. Global indices incorporate both objective and perception-based measures of corruption to evaluate how effectively countries prevent abuse of public power for private gain. Improved transparency, accountability mechanisms, and anti-corruption policies are often associated with better index performance and stronger investor confidence.

Finally, global indices increasingly recognize the importance of institutional support for innovation and human capital development. Effective education systems, research institutions, and policies that promote innovation are considered institutional enablers of long-term growth. The Global Innovation Index, in particular, highlights the role of institutional frameworks that foster research and development, protect intellectual property, and facilitate knowledge transfer between universities and the private sector. In sum, global economic indices reflect a broad range of institutional factors that collectively shape a country's economic environment and investment attractiveness. By translating complex institutional realities into measurable indicators, these indices provide valuable insights into governance quality, regulatory efficiency, and legal certainty. Although institutional conditions are often context-specific, their representation in global indices plays a decisive role in shaping international perceptions, guiding policy reforms, and influencing global investment flows.

Global economic indices emphasize institutional quality as a core determinant of economic performance and investment attractiveness.

Table 2

Institutional factors and their representation in global indices

Institutional Factor	CI	FI	BI	II
Rule of law				
Property rights protection				
Regulatory quality				
Judicial effectiveness				
Innovation capacity				
Human capital development				

The table demonstrates that while each index has a distinct focus, together they provide a comprehensive picture of institutional conditions affecting investment decisions. International experience and empirical evidence.



International experience shows a strong correlation between improvements in global index rankings and increased investment inflows. Countries such as Singapore, New Zealand, and South Korea consistently rank high in institutional and competitiveness indices and attract significant volumes of FDI. Emerging economies that implemented institutional reforms—simplifying business regulations, strengthening judicial systems, and improving governance—have also benefited from improved index positions. Empirical studies indicate that a one-point improvement in institutional indicators can lead to a measurable increase in FDI inflows, particularly in developing and transition economies.

Global economic indices play a significant role in assessing and shaping countries' investment attractiveness. By integrating institutional, regulatory, and innovation-related factors, these indices provide investors with valuable insights into both economic performance and governance quality. International experience confirms that strong institutions reflected in higher index rankings are closely associated with increased investment inflows. For policymakers, global indices serve not only as evaluation tools but also as strategic benchmarks for institutional reform. Strengthening legal frameworks, improving regulatory efficiency, and fostering innovation ecosystems remain key priorities for enhancing investment attractiveness in the global economy.

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