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EVALUATION OF FOREIGN INVESTORS' MOTIVES BY INVESTMENT AMOUNT IN SERBIA

Vrednovanje motiva stranih investitora prema
iznosu investicija u Srbiju

Abstract

Foreign direct investments are a significant factor in economic growth, technological progress, and increasing the competitiveness of the Serbian economy. The motives driving investors to invest capital in Serbia vary depending on the investor's profile, strategic orientation, and the size and structure of the investment. Investment dynamics and investor motivation can be influenced by global economic trends, economic crises, changes in labor costs, and regional instability. The aim of this paper is to evaluate the motives of foreign investors for investing in Serbia, based on the amount of the investment. The research is based on primary data collected through a questionnaire conducted among foreign investors who invested capital in Serbia from 2001 to 2019. The core group in the research consisted of 88 foreign investors who, using a Likert scale, evaluated 24 investment motives important for deciding to invest in Serbia. Investors were grouped according to the amount of their investments, and descriptive statistical methods, t-tests, and analysis of variance (ANOVA) were used to analyze differences in the importance of individual motives. The results showed that foreign investors' decisions to invest in Serbia depend mainly on two motives: price of labor in Serbia and the desire to conquer a new market. Research results provide valuable information for economic policymakers, enabling them to improve the legal and business environment to make Serbia a more competitive and attractive investment destination.

Keywords: *foreign direct investments, economic growth, investment motives, capital, Serbia.*

Sažetak

Strane direktne investicije su značajan faktor ekonomskog rasta, tehnološkog napretka i povećanja konkurentnosti privrede Srbije. Motivi koji podstiču investitore da ulažu kapital u Srbiju variraju u zavisnosti od profila investitora, strateške orijentacije kao i veličine i strukture samog ulaganja. Dinamika ulaganja i motivacija investitora mogu biti pod uticajem globalnih ekonomskih trendova, ekonomskih kriza, ekonomska kretanja troškova rada ali i nestabilnosti u regionu. Cilj ovog rada jeste evaluacija motiva stranih investitora za investiranje u Srbiju u zavisnosti od iznosa uložених investicija. Istraživanje je zasnovano na primarnim podacima prikupljenim putem anketnog upitnika koji je sproveden među stranim investitorima koji su ulagali kapital u Srbiju u periodu 2001 – 2019 godina. Osnovni skup u istraživanju je činilo 88 stranih investitora koji su, koristeći Likertovu skalu, ocenjivali 24 investiciona motiva bitna za donošenje odluke o investiranju u Srbiju. Investitori su grupisani prema visini ostvarenih investicija, dok su za analizu razlika u značaju pojedinih motiva korišćene deskriptivne statističke metode, t-test i analiza varijanse (ANOVA). Rezultati istraživanja su pokazali da odluka stranog investitora o ulaganju u Srbiju najviše zavisi od dva motiva, i to: cene radne snage kao i želje za osvajanjem novog tržišta. Rezultati ovog istraživanja pružaju dragocene informacije i saznanja za kreatore ekonomske politike, omogućavajući im da unaprede pravni i poslovni ambijent kako bi Srbija postala konkurentnija i atraktivnija investiciona destinacija.

Ključne reči: *strane direktne investicije, ekonomski rast, investicioni motivi, kapital, Srbija.*

Introduction

Foreign direct investment (FDI) is considered as a one of the most favorable forms of engagement of foreign capital in the process of financing economic development, especially in developing countries and transition economies, such as the Republic of Serbia. Developing countries, often faced with a shortage of domestic capital, limited economic capacity, and insufficiently successful or incomplete transition processes, view the attraction of FDI as a significant opportunity to stimulate economic and overall development. FDI inflows are perceived as an important instrument for reducing unemployment and improving general social welfare. Also, for a country to ensure sustainable growth, it is important to have a stable inflow of investments [15]. Therefore, foreign direct investment represents a key mechanism for enhancing fundamental macroeconomic indicators of growth and development, ranging from GDP growth to the competitiveness of the domestic economy. The inflow of FDI is associated with significant economic advantages, including increased productivity, employment growth, and the transfer of technology [17], [6]. In addition to providing capital FDI plays an important role in integrating domestic firms into global value chains and international markets, thereby fostering long-term economic development.

Despite its potential benefits, attracting FDI remains a complex and challenging task for many economies. Foreign investors typically undertake thorough assessments of host-country conditions before committing capital, evaluating factors such as political and macroeconomic stability, institutional quality, regulatory transparency, and the overall business environment [8]. In this context, government policy, particularly tax and customs regimes, plays a decisive role in shaping a country's attractiveness as an investment destination. Well-designed tax incentives, customs duty exemptions, and predictable, transparent regulatory frameworks send strong signals to foreign investors regarding openness, stability, and cost competitiveness [37]. Conversely, inefficient or poorly aligned tax and customs policies can discourage investment by increasing operational costs, creating uncertainty, and complicating cross-border trade and logistics. The quality of labor regulation, the enforcement of laws, and the reliability of the legal system are key factors shaping foreign investors'

investment decisions in the Republic of Serbia [27]. A well-designed and stable legal framework improves the business environment and strengthens the country's ability to attract and retain FDI. Empirical studies frequently categorize investment motives into several groups: market-seeking, efficiency-seeking, resource-seeking, and strategic asset-seeking motives [33], [39], [24]. Market-seeking investors pursue access to expanding or untapped consumer bases; efficiency-seeking investors aim to optimize costs through favorable labor markets or production conditions; resource-seeking investors target specific inputs or natural resources; and strategic asset-seeking investors focus on acquiring advanced technologies, brands, or capabilities [39]. These motives often coexist within individual investment decisions and may vary depending on firm strategy, industry, and country.

Over recent years, the Republic of Serbia has positioned itself as one of the most important destinations for foreign direct investments in the Western Balkans region [43], [1], [29]. So, Serbia presents a great case for examining how investment motives differ by the amount of capital invested. Although existing studies examine the determinants and effects of foreign direct investment, there are relatively few empirical studies that focus on the attitudes of foreign investors and their perceptions of the motives for investing in the Republic of Serbia, particularly with respect to differences based on the amount of invested capital. Understanding these motives is of particular importance for the design of effective FDI attraction policies, as it enables more precise targeting of incentive measures toward different groups of investors. In this context, the aim of this paper is to analyze differences in the motives of foreign investors for investing in the Republic of Serbia according to the amount of invested capital. The study will contribute to the existing body of literature and offers relevant implications for economic policymakers and institutions responsible for enhancing the investment climate in the Republic of Serbia.

Literature review

Foreign direct investment presents one of the most significant forms of international capital movement and plays an important role in the process of economic

growth and development of host countries [20], [3], [28]. In contemporary economic literature, foreign direct investment is viewed not only as a source of financial capital but also as a channel for the transfer of technology, managerial know-how, organizational capabilities, and access to international markets, thereby contributing to increased productivity, employment, and competitiveness of national economies [17], [12].

Foreign direct investment is of particular importance for developing and transition economies, which face limited domestic sources of capital and the need for accelerated structural transformation [11], [36]. Therefore, understanding the motives that drive foreign investors is important for many countries. International companies considering capital investment in another country first conduct a thorough assessment of the investment environment [26], [10]. The motives guiding international investors are not homogeneous but vary depending on the scale of invested capital, strategic orientation, and long-term business objectives of firms [32].

The theoretical framework for analyzing the motives of foreign investors is most based on Dunning's eclectic paradigm, known as the OLI (Ownership–Location–Internalization) model. According to this approach, a firm's decision to invest abroad depends on the possession of specific ownership advantages, the locational characteristics of the host country, and the benefits of internalizing business activities [13]. On this basis, literature distinguishes four main types of FDI motives: resource-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking investments [33], [39], [24]. Resource-seeking FDI is aimed at securing access to natural resources, raw materials, or low-cost labor that are either unavailable or more expensive in the investor's home country. Numerous empirical studies confirm that the availability and cost of natural resources, as well as relatively low labor costs, represent important investment motives in developing economies [16], [25], [7], [2]. In this context, differences in labor and resource costs across countries provide a basis for achieving competitive advantages [4], [9]. Market-seeking FDI is motivated by investors' desire to access new markets or to improve the supply of existing markets through local production. This motive is particularly pronounced in countries with

favorable geographic locations, well-developed transport links, and access to regional economic integrations. Research indicates that market size, demand growth, and the possibility of establishing an export base have a significant impact on FDI inflows [35], [41], [31], [34]. Accordingly, countries of Central and Eastern Europe are often positioned as production and export hubs serving broader regional and European markets. Efficiency-seeking FDI is directed toward optimizing existing international business operations through the spatial allocation of different stages of production. The objective of such investments is to achieve gains arising from economies of scale, differences in transportation, labor, and resource costs, as well as business risk diversification [19], [44].

Strategic asset-seeking FDI aims at the acquisition of technological, informational, and innovative inputs that enable the long-term strengthening of investors' competitiveness. This type of investment is characteristic of capital-intensive projects and sectors with high value added. Studies by Sultana & Turkina [40] as well as Kim & Choi [22], emphasize that FDI can significantly contribute to technological upgrading and the development of host-country innovation capacities, particularly when supported by appropriate institutional and educational policies.

While investors undertaking larger investments are more often driven by strategic and market-oriented motives, such as entering new markets or establishing export bases [38], smaller-scale investments are more frequently motivated by cost-related factors, including lower labor costs, more favorable resource prices, and other short-term economic advantages [41]. Price volatility, combined with the slowdown, indicates that the economy is in an unstable equilibrium, which negatively affects investment inflows [14]. In addition to economic motives, contemporary literature increasingly highlights institutional and fiscal factors as important determinants of FDI. A stable legal framework, predictable tax policy, and the existence of double taxation avoidance agreements significantly influence foreign investors' decisions [30], [18], [5]. Empirical studies confirm that transparent tax systems and investment incentives can enhance the attractiveness of host countries, especially in competition for large-scale and long-term investment projects [23].

In the context of exchange rate developments, some authors point out that differences in currency-related costs and exchange rate fluctuations may affect the profitability of FDI and the timing of investment decisions [42]. Current literature indicates that the Serbia possesses several locational advantages for attracting FDI, including a favorable geographic position, competitive labor costs, a relatively well-developed network of trade and tax agreements, and institutional mechanisms aimed at supporting investors [21].

Research methodology

The primary objective of this research is to identify the main motives of foreign investors (*f.i.*) for investing capital in Serbia, considering the amount of their investment. The analytical study was conducted from April to July 2025 and used a quantitative research approach with closed-ended questions. The survey of *f.i.* was conducted by sending questionnaires electronically. This method was chosen because data collection is faster than with some other techniques, interviewer bias is eliminated, costs are significantly lower, and the resulting data sets are highly representative and comprehensive, making them suitable for further processing and analysis. The core group of the research consisted of 300 *f.i.* who invested the most in

Serbia from 2001 to 2019. Following the creation of the questionnaire (see Appendix), the questions underwent two stages of validation: (a) experts from the Development Agency of Serbia's Foreign Investment Sector assessed the questions' clarity, relevance, and completeness and provided a positive evaluation; (b) five randomly chosen *f.i.* from the core pool were asked to provide their opinions in the second stage of testing the questionnaire. But after getting their answers, the questionnaire didn't need to be much altered. Although the questionnaire and accompanying materials were sent to the official email addresses, 88 companies returned completed questionnaires, resulting in a response rate of 29.3%. This response rate can be considered very satisfactory for drawing conclusions on the research topic in this paper.

We have categorized *f.i.* by their manufacturing or service sector operations, their status as regional, multinational, or global businesses, their mode of entry into the Serbian market (direct or indirect), the size of their investment, and whether they are small, medium, or large business entities (see Appendix for further information). The survey results show the following distribution of frequencies (*f*) and percentages (*pct*) for *f.i.* who participated, as the primary focus of the study was the amount of *f.i.* investment: (a) up to €10m (*f*: 25; *pct*: 28.4); (b) €11m to €50m (*f*: 36; *pct*: 40.9); (c) €51m

Figure 1. Ranking of motives that influenced the decision of *f.i.* to invest in Serbia



Source: Authors' compilation.

to €100m (*f*: 14; *pct*: 15.9); and (d) more than €100m (*f*: 13; *pct*: 14.8).

The data was processed and analyzed using descriptive statistics and other appropriate statistical techniques for this type of study. We used an independent samples t-test or ANOVA (for three or more respondent groups) to determine whether there is a statistically significant difference (*sig.*) between the various FI groups.

Empirical findings

The empirical research focused on analyzing *f.i.* attitudes toward the size of their investments in Serbia. Within the framework of the motives that encouraged *f.i.* to invest in Serbia, the attitudes of *f.i.* toward 24 different motives were examined. Figure 1 shows a graphical representation of the average ratings for each of the investigated motives of *f.i.* for investing in Serbia.

Based on the degree of importance for *f.i.* decisions to invest in Serbia, two motives stand out: the price of labor in Serbia (M: 3.7955, SD: 1.06306) and the desire to conquering a new market (M: 3.7841, SD: 1.27260). The third most important motive cited by *f.i.* for investing in Serbia is the advantage of the first investor (M: 2.9773, SD: 1.43019). Other significant and influential motives, as rated by *f.i.* who participated in the research with an average score above 2.5, include observing consumers, customers and suppliers (M: 2.7955, SD: 1.24253); establishing an export base (M: 2.6932, SD: 1.42521); profit on differences in costs of in costs of transportation, resources and labor (M: 2.6932, SD: 1.42521); and economies of scale (M: 2.5682, SD: 1.20149).

Table 1 presents the results of the ANOVA for several groups regarding the potential existence of *sig.* in the assessment of *f.i.* reasons for investing in Serbia, based on the amount invested.

Table 1. Analysis of motives for investing in Serbia by investment amount

		M (SD)	95% (CIM)		F	p*
			Lower	Upper		
M01 - Conquering a new market	up to €10m; N:25	3.4400 (1.47422)	2.8315	4.0485	1.824	0.149
	€11m to €50m; N:36	3.6944 (1.39016)	3.2241	4.1648		
	€51m to €100m; N:14	4.1429 (0.66299)	3.7601	4.5257		
	more than €100m; N:13	4.3077 (0.75107)	3.8538	4.7616		
M02 - Establishing a base for export	up to €10m; N:25	3.1200 (1.53623)	2.4859	3.7541	5.045	0.003
	€11m to €50m; N:36	3.0000 (1.30931)	2.5570	3.4430		
	€51m to €100m; N:14	2.1429 (1.40642)	1.3308	2.9549		
	more than €100m; N:13	1.6154 (0.86972)	1.0898	2.1410		
M03 - Advantages of the first investor	up to €10m; N:25	2.6800 (1.54704)	2.0414	3.3186	1.409	0.246
	€11m to €50m; N:36	3.3056 (1.34843)	2.8493	3.7618		
	€51m to €100m; N:14	2.5714 (1.08941)	1.9424	3.2004		
	more than €100m; N:13	3.0769 (1.65638)	2.0760	4.0779		
M04 - Observing the competition	up to €10m; N:25	2.7200 (1.24231)	2.2072	3.2328	0.672	0.571
	€11m to €50m; N:36	2.2778 (1.30079)	1.8377	2.7179		
	€51m to €100m; N:14	2.4286 (0.75593)	1.9921	2.8650		
	more than €100m; N:13	2.3846 (1.26085)	1.6227	3.1465		
M05 - Observing consumers, customers and suppliers	up to €10m; N:25	2.8400 (1.28062)	2.3114	3.3686	2.585	0.059
	€11m to €50m; N:36	3.0833 (1.20416)	2.6759	3.4908		
	€51m to €100m; N:14	2.7143 (1.20439)	2.0189	3.4097		
	more than €100m; N:13	2.0000 (1.08012)	1.3473	2.6527		
M06 - Limited demand in conquered markets	up to €10m; N:25	2.3200 (1.10755)	1.8628	2.7772	1.007	0.394
	€11m to €50m; N:36	1.9444 (1.11981)	1.5656	2.3233		
	€51m to €100m; N:14	2.4286 (0.93761)	1.8872	2.9699		
	more than €100m; N:13	1.9231 (1.44115)	1.0522	2.7940		
M07 - Natural resources and their prices in Serbia	up to €10m; N:25	1.5600 (0.96090)	1.1634	1.9566	6.926	0.000
	€11m to €50m; N:36	2.6389 (1.33423)	2.1875	3.0903		
	€51m to €100m; N:14	2.1429 (1.16732)	1.4689	2.8168		
	more than €100m; N:13	1.2308 (0.83205)	0.7280	1.7336		
M08 - Access to infrastructure in Serbia	up to €10m; N:25	2.1200 (1.05357)	1.6851	2.5549	2.076	0.110
	€11m to €50m; N:36	2.4167 (1.15573)	2.0256	2.8077		
	€51m to €100m; N:14	2.1429 (1.02711)	1.5498	2.7359		
	more than €100m; N:13	1.5385 (1.05003)	.9039	2.1730		
M09 - Price of labor in Serbia	up to €10m; N:25	4.4400 (0.96090)	4.0434	4.8366	8.817	0.000
	€11m to €50m; N:36	3.8611 (1.04616)	3.5071	4.2151		
	€51m to €100m; N:14	3.0000 (0.96077)	2.4453	3.5547		
	more than €100m; N:13	3.2308 (0.43853)	2.9658	3.4958		

		M (SD)	95% (CIM)		F	p*
			Lower	Upper		
M10 - Brand acquisition in Serbia	up to €10m; N:25	1.7200 (0.89069)	1.3523	2.0877	1.782	0.157
	€11m to €50m; N:36	2.2500 (1.46141)	1.7555	2.7445		
	€51m to €100m; N:14	1.8571 (1.40642)	1.0451	2.6692		
	more than €100m; N:13	2.6154 (1.19293)	1.8945	3.3363		
M11 - Acquisition of technical-technological-information inputs	up to €10m; N:25	2.5600 (1.55671)	1.9174	3.2026	4.366	0.007
	€11m to €50m; N:36	2.2778 (0.97427)	1.9481	2.6074		
	€51m to €100m; N:14	1.8571 (1.40642)	1.0451	2.6692		
	more than €100m; N:13	1.1538 (0.55470)	0.8186	1.4890		
M12 - Increase in company assets	up to €10m; N:25	1.6800 (0.85245)	1.3281	2.0319	1.135	0.340
	€11m to €50m; N:36	1.9444 (1.19390)	1.5405	2.3484		
	€51m to €100m; N:14	1.5714 (0.93761)	1.0301	2.1128		
	more than €100m; N:13	2.2308 (1.30089)	1.4447	3.0169		
M13 - Risk diversification in the company	up to €10m; N:25	2.4800 (1.04563)	2.0484	2.9116	2.827	0.043
	€11m to €50m; N:36	2.1667 (1.08233)	1.8005	2.5329		
	€51m to €100m; N:14	3.1429 (1.29241)	2.3966	3.8891		
	more than €100m; N:13	2.5385 (0.77625)	2.0694	3.0075		
M14 - Economies of scale	up to €10m; N:25	2.6000 (1.19024)	2.1087	3.0913	0.855	0.468
	€11m to €50m; N:36	2.7500 (1.07902)	2.3849	3.1151		
	€51m to €100m; N:14	2.4286 (1.45255)	1.5899	3.2672		
	more than €100m; N:13	2.1538 (1.28103)	1.3797	2.9280		
M15 - Reduction of tax burden	up to €10m; N:25	3.0400 (1.36870)	2.4750	3.6050	2.843	0.053
	€11m to €50m; N:36	2.2222 (1.24467)	1.8011	2.6434		
	€51m to €100m; N:14	2.8571 (1.02711)	2.2641	3.4502		
	more than €100m; N:13	2.2308 (0.92681)	1.6707	2.7908		
M16 - Profit on differences in costs of transportation. resources and labor	up to €10m; N:25	3.3600 (1.25433)	2.8422	3.8778	8.436	0.000
	€11m to €50m; N:36	2.8611 (1.33423)	2.4097	3.3125		
	€51m to €100m; N:14	2.4286 (1.45255)	1.5899	3.2672		
	more than €100m; N:13	1.2308 (0.83205)	0.7280	1.7336		
M17 - Further development of existing business relationships with Serbia	up to €10m; N:25	2.5200 (1.73494)	1.8039	3.2361	2.594	0.058
	€11m to €50m; N:36	2.5000 (1.38358)	2.0319	2.9681		
	€51m to €100m; N:14	2.0000 (1.35873)	1.2155	2.7845		
	more than €100m; N:13	1.3077 (1.10940)	0.6373	1.9781		
M18 - Avoidance of business and customs barriers	up to €10m; N:25	2.4000 (1.52753)	1.7695	3.0305	1.298	0.280
	€11m to €50m; N:36	2.0278 (0.94070)	1.7095	2.3461		
	€51m to €100m; N:14	1.8571 (0.66299)	1.4743	2.2399		
	more than €100m; N:13	1.6923 (1.31559)	.8973	2.4873		
M19 - Availability of financial resources on the Serbian market	up to €10m; N:25	2.2800 (1.42945)	1.6900	2.8700	1.141	0.338
	€11m to €50m; N:36	2.1389 (1.19888)	1.7332	2.5445		
	€51m to €100m; N:14	1.7143 (0.72627)	1.2949	2.1336		
	more than €100m; N:13	1.6923 (1.03155)	1.0689	2.3157		
M20 - Characteristics of the Serbian tax system	up to €10m; N:25	2.9600 (1.05987)	2.5225	3.3975	2.567	0.060
	€11m to €50m; N:36	2.2500 (1.44173)	1.7622	2.7378		
	€51m to €100m; N:14	2.7143 (0.91387)	2.1866	3.2419		
	more than €100m; N:13	2.0000 (1.08012)	1.3473	2.6527		
M21 - Serbian government subsidies for f.i.	up to €10m; N:25	2.9600 (1.45717)	2.3585	3.5615	1.998	0.121
	€11m to €50m; N:36	2.5556 (1.64655)	1.9984	3.1127		
	€51m to €100m; N:14	2.1429 (1.40642)	1.3308	2.9549		
	more than €100m; N:13	1.7692 (1.48064)	0.8745	2.6640		
M22 - Advantages of free customs zones in Serbia	up to €10m; N:25	2.2400 (1.39284)	1.6651	2.8149	2.416	0.072
	€11m to €50m; N:36	2.2222 (1.37552)	1.7568	2.6876		
	€51m to €100m; N:14	1.2857 (0.46881)	1.0150	1.5564		
	more than €100m; N:13	1.7692 (1.01274)	1.1572	2.3812		
M23 - Avoidance of double taxation	up to €10m; N:25	3.0000 (1.29099)	2.4671	3.5329	2.747	0.048
	€11m to €50m; N:36	2.3889 (1.29345)	1.9512	2.8265		
	€51m to €100m; N:14	2.2857 (1.20439)	1.5903	2.9811		
	more than €100m; N:13	1.7692 (1.48064)	0.8745	2.6640		
M24 - Profit on differences in currency costs	up to €10m; N:25	2.2000 (1.47196)	1.5924	2.8076	3.497	0.019
	€11m to €50m; N:36	1.6667 (1.09545)	1.2960	2.0373		
	€51m to €100m; N:14	1.7143 (0.72627)	1.2949	2.1336		
	more than €100m; N:13	1.0000 (0.00000)	1.0000	1.0000		

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

In assessing the motives for investing in Serbia, the ANOVA results for several groups showed *sig.* among international investors based on the amount invested in Serbia.

Motive M02 – Establishing a base for export, $F(3,84)=5.045$, $p=0.003$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.153$), which can be considered large. If

Table 2. T-HSD results for evaluating motive M02 - Establishing a base for export

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M02 - Establishing a base for export	up to €10m	€11m to €50m	0.12000	0.986	-0.7963	1.0363
		€51m to €100m	0.97714	0.137	-0.1977	2.1520
		more than €100m	1.50462	0.008	0.3012	2.7080
	€11m to €50m	up to €10m	-0.12000	0.986	-1.0363	0.7963
		€51m to €100m	0.85714	0.186	-0.2514	1.9657
		more than €100m	1.38462	0.011	0.2458	2.5234
	€51m to €100m	up to €10m	-0.97714	0.137	-2.1520	0.1977
		€11m to €50m	-0.85714	0.186	-1.9657	0.2514
		more than €100m	0.52747	0.738	-0.8281	1.8830
	more than €100m	up to €10m	-1.50462	0.008	-2.7080	-0.3012
		€11m to €50m	-1.38462	0.011	-2.5234	-0.2458
		€51m to €100m	-0.52747	0.738	-1.8830	0.8281

* At the level $p < 0.05$, a sig. is present

Source: Authors' compilation.

further comparison is made (T-HSD test) with results shown in Table 2, found that this *sig.* exists between the group of *f.i.* who invested in Serbia up to €10m (M: 3.1200, SD: 1.53623) and those who invested from €11m to €50m (M: 3.0000, SD: 1.30931), on one hand, and those who invested over €100m (M: 1.6154, SD: 0.86972), on the other.

This means that this motive was considered significant by *f.i.* who invested up to €10m in Serbia, as well as those who invested between €11m to €50m. However, *f.i.* who invested more than €100m in Serbia rated it as completely insignificant when deciding to invest in Serbia.

Motive M07 - Natural resources and their prices in Serbia, $F(3, 84)=6.926$, $p=0.000$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.198$), and can be considered a large difference. If further comparison is made (T-HSD test) with results shown in Table 3, found that this *sig.* exists between the group of *f.i.* who invested in Serbia from €11m to €50m (M: 2.6389, SD: 1.33423) and those who invested up to €10m (M: 1.5600, SD: 0.96090) and those who invested over €100m (M: 1.2308, SD: 0.83205).

This means that *f.i.* who invested in Serbia from €11m to €50m considered this motive neutral, while those who invested up to €10m or over €100m rated it as insignificant when deciding to invest in Serbia.

Motive M09 - Price of labor in Serbia, $F(3,84)=8.817$, $p=0.000$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.239$) and can be considered a large difference. If further comparison is made (T-HSD test) with results shown in Table 4, found that this *sig.* exists between the group of *f.i.* who invested in Serbia up to €10m (M: 4.4400, SD: 0.96090) and those who invested from €11m to €50m (M: 3.8611, SD: 1.04616), on one hand, and those who invested from €51m to €100m (M: 3.0000, SD: 0.96077) and those who invested over €100m (M: 3.2308, SD: 0.43853), on the other hand.

This means that *f.i.* who invested up to €10m in Serbia, as well as those who invested from €11m to €50m, assigned greater significance to this motive when deciding to invest in Serbia compared to *f.i.* who invested from €51m to €100m and those who invested over €100m.

Table 3. T-HSD results for evaluating motive M07 – Natural resources and their prices in Serbia

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M07 - Natural resources and their prices in Serbia	up to €10m	€11m to €50m	-1.07889	0.003	-1.8615	-0.2962
		€51m to €100m	-0.58286	0.429	-1.5864	0.4206
		more than €100m	0.32923	0.835	-0.6987	1.3572
	€11m to €50m	up to €10m	1.07889	0.003	0.2962	1.8615
		€51m to €100m	0.49603	0.520	-0.4508	1.4429
		more than €100m	1.40812	0.002	0.4354	2.3809
	€51m to €100m	up to €10m	0.58286	0.429	-0.4206	1.5864
		€11m to €50m	-0.49603	0.520	-1.4429	0.4508
		more than €100m	0.91209	0.173	-0.2458	2.0700
	more than €100m	up to €10m	-0.32923	0.835	-1.3572	0.6987
		€11m to €50m	-1.40812	0.002	-2.3809	-0.4354
		€51m to €100m	-0.91209	0.173	-2.0700	0.2458

* At the level $p < 0.05$, a sig. is present

Source: Authors' compilation.

Table 4. T-HSD results for evaluating motive M09 – Price of labor in Serbia

(I)		(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M09 - Price of labor in Serbia	up to €10m	€11m to €50m	0.57889	0.094	-0.0650	1.2227
		€51m to €100m	1.44000	0.000	0.6145	2.2655
		more than €100m	1.20923	0.002	0.3636	2.0549
	€11m to €50m	up to €10m	-0.57889	0.094	-1.2227	0.0650
		€51m to €100m	0.86111	0.024	0.0822	1.6401
		more than €100m	0.63034	0.173	-0.1699	1.4306
	€51m to €100m	up to €10m	-1.44000	0.000	-2.2655	-0.6145
		€11m to €50m	-0.86111	0.024	-1.6401	-0.0822
		more than €100m	-0.23077	0.920	-1.1833	0.7218
	more than €100m	up to €10m	-1.20923	0.002	-2.0549	-0.3636
		€11m to €50m	-0.63034	0.173	-1.4306	0.1699
		€51m to €100m	0.23077	0.920	-0.7218	1.1833

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

Motive M11 – Acquisition of technical-technological-information inputs, $F(3,84)=4.366$, $p=0.007$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.134$), and can be considered large. If further comparison is made (T-HSD test) with results shown in Table 5, found that this *sig.* exists between the group of *f.i.* who invested in Serbia up to €10m (M: 2.5600, SD: 1.55671) and those who invested over €100m (M: 1.1538, SD: 0.55470).

This means that *f.i.* who invested up to €10m in Serbia considered this motive mostly insignificant, while those

who invested over €100m in Serbia rated it as completely insignificant when deciding to invest in Serbia.

Motive M13 - Risk diversification in the company, $F(3,84)=2.827$, $p=0.043$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.091$), which can be considered a medium-sized difference. If further comparison is made (T-HSD test) with results shown in Table 6, found that this *sig.* exists between the group of *f.i.* who invested in Serbia from €11m to €50m (M: 2.1667, SD: 1.08233) and those who invested from €51m to €100m (M: 3.1429, SD: 1.29241).

Table 5. T-HSD results for evaluating motive M11 – Acquisition of technical-technological-information inputs

		(I)	(J)	MD (I-J)	p*	95% CIM	
						Lower	Upper
M11 - Acquisition of technical- technological-information inputs	up to €10m		€11m to €50m	0.28222	0.803	-0.5361	1.1005
			€51m to €100m	0.70286	0.302	-0.3464	1.7521
			more than €100m	1.40615	0.005	0.3314	2.4810
	€11m to €50m		up to €10m	-0.28222	0.803	-1.1005	0.5361
			€51m to €100m	0.42063	0.682	-0.5694	1.4107
			more than €100m	1.12393	0.054	0.1069	2.1410
	€51m to €100m		up to €10m	-0.70286	0.302	-1.7521	0.3464
			€11m to €50m	-0.42063	0.682	-1.4107	0.5694
			more than €100m	0.70330	0.429	-0.5074	1.9140
	more than €100m		up to €10m	-1.40615	0.005	-2.4810	-0.3314
			€11m to €50m	-1.12393	0.054	-2.1410	-0.1069
			€51m to €100m	-0.70330	0.429	-1.9140	0.5074

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

Table 6. T-HSD results for evaluating motive M13 – Risk diversification in the company

		<i>MD</i>		<i>95% CIM</i>		
(I)	(J)	(I-J)	<i>p</i> *	Lower	Upper	
M13 - Risk diversification in the company	up to €10m	€11m to €50m	0.31333	0.675	-0.4169	1.0436
		€51m to €100m	-0.66286	0.255	-1.5992	0.2734
		more than €100m	-0.05846	0.999	-1.0176	0.9006
	€11m to €50m	up to €10m	-0.31333	0.675	-1.0436	0.4169
		€51m to €100m	-0.97619	0.024	-1.8596	-0.0927
		more than €100m	-0.37179	0.706	-1.2794	0.5358
	€51m to €100m	up to €10m	0.66286	0.255	-0.2734	1.5992
		€11m to €50m	0.97619	0.024	0.0927	1.8596
		more than €100m	0.60440	0.462	-0.4760	1.6847
	more than €100m	up to €10m	0.05846	0.999	-0.9006	1.0176
		€11m to €50m	0.37179	0.706	-0.5358	1.2794
		€51m to €100m	-0.60440	0.462	-1.6847	0.4760

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

Table 7. T-HSD results for evaluating motive M16 – Profit on differences in costs of transportation, resources and labor

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M16 - Profit on differences in costs of transportation, resources and labor	up to €10m	€11m to €50m	0.49889	0.438	-0.3688	1.3666
		€51m to €100m	0.93143	0.133	-0.1811	2.0440
		more than €100m	2.12923	0.000	0.9896	3.2689
	€11m to €50m	up to €10m	-0.49889	0.438	-1.3666	0.3688
		€51m to €100m	0.43254	0.703	-0.6172	1.4823
		more than €100m	1.63034	0.051	0.5519	2.7088
	€51m to €100m	up to €10m	-0.93143	0.133	-2.0440	0.1811
		€11m to €50m	-0.43254	0.703	-1.4823	0.6172
		more than €100m	1.19780	0.076	-0.0859	2.4815
	more than €100m	up to €10m	-2.12923	0.000	-3.2689	-0.9896
		€11m to €50m	-1.63034	0.051	-2.7088	-0.5519
		€51m to €100m	-1.19780	0.076	-2.4815	0.0859

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

This means that this motive was considered more significant by *f.i.* who invested in Serbia between €51m to €100m, compared to those who invested between €11m to €50m.

Motive M16 – Profit on differences in costs of transportation, resources and labor, $F(3,84)=8.436$, $p=0.000$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.231$), and can be considered large. If further comparison is made (T-HSD test) with results shown in Table 7, found that this sig. exists between the group of *f.i.* who invested in

Serbia up to €10m (M: 3.3600, SD: 1.25433) and those who invested over €100m (M: 1.2308, SD: 0.83205).

This means that *f.i.* who invested up to €10m in Serbia considered this motive mostly significant, while those who invested over €100m in Serbia rated it as insignificant when deciding to invest.

Motive M23 – Avoidance of double taxation, $F(3,84)=2.747$, $p=0.048$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.089$), and can be considered a medium-sized difference. If further comparison is made (T-HSD

Table 8. T-HSD results for evaluating motive M23 - Avoidance of double taxation

		<i>MD</i>		<i>95% CIM</i>		
(I)	(J)	(I-J)	<i>p</i> *	Lower	Upper	
M23 - Avoidance of double taxation	up to €10m	€11m to €50m	0.61111	0.283	-0.2815	1.5037
		€51m to €100m	0.71429	0.364	-0.4302	1.8588
		more than €100m	1.23077	0.036	0.0584	2.4032
	€11m to €50m	up to €10m	-0.61111	0.283	-1.5037	0.2815
		€51m to €100m	0.10317	0.994	-0.9767	1.1831
		more than €100m	0.61966	0.464	-0.4898	1.7291
	€51m to €100m	up to €10m	-0.71429	0.364	-1.8588	0.4302
		€11m to €50m	-0.10317	0.994	-1.1831	0.9767
		more than €100m	0.51648	0.735	-0.8041	1.8371
	more than €100m	up to €10m	-1.23077	0.036	-2.4032	-0.0584
		€11m to €50m	-0.61966	0.464	-1.7291	0.4898
		€51m to €100m	-.051648	0.735	-1.8371	0.8041

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

Table 9. T-HSD results for evaluating motive M24 - Profit on differences in currency costs

		<i>MD</i>	<i>p</i> *	95% <i>CIM</i>		
(I)	(J)	(I-J)		Lower	Upper	
M24 - Profit on differences in currency costs	up to €10m	€11m to €50m	0.53333	0.249	-0.2144	1.2811
		€51m to €100m	0.48571	0.548	-0.4731	1.4445
		more than €100m	1.20000	0.010	0.2179	2.1821
	€11m to €50m	up to €10m	-0.53333	0.249	-1.2811	0.2144
		€51m to €100m	-0.04762	0.999	-0.9523	0.8570
		more than €100m	0.66667	0.244	-0.2627	1.5960
	€51m to €100m	up to €10m	-0.48571	0.548	-1.4445	0.4731
		€11m to €50m	0.04762	0.999	-0.8570	0.9523
		more than €100m	0.71429	0.334	-0.3920	1.8206
	more than €100m	up to €10m	-1.20000	0.010	-2.1821	-0.2179
		€11m to €50m	-0.66667	0.244	-1.5960	0.2627
		€51m to €100m	-0.71429	0.334	-1.8206	0.3920

* At the level $p < 0.05$, a sig.is present
Source: Authors' compilation.

test) with results shown in Table 8, found that this *sig.* exists between the group of *f.i.* who invested in Serbia up to €10m (M: 3.0000, SD: 1.29099) and those who invested over €100m (M: 1.7692, SD: 1.48064).

This means that *f.i.* who invested up to €10m in Serbia considered this motive neutral, while those who invested over €100m rated it as completely insignificant when deciding to invest in Serbia.

Motive M24 – Profit on differences in currency costs, $F(3,84)=3.497$, $p=0.019$, illustrates the degree of difference observed among the groups of *f.i.*, as indicated by eta squared ($\eta^2 = 0.111$), which can be considered a medium-sized effect. If further comparison is made (T-HSD test) with results shown in Table 9, found that this *sig.* exists between the group of *f.i.* who invested in Serbia up to €10m (M: 2.2000, SD: 1.47196) and those who invested over €100m (M: 1.0000, SD: 0.00000).

This means that *f.i.* who invested up to €10m in Serbia considered this motive mostly insignificant, while those who invested over €100m rated it as completely insignificant when deciding to invest in Serbia.

Conclusions

Foreign direct investment is considered one of the key factors in the economic development of any modern economy. This is especially true for the economies of countries in transition, which strive to attract capital to their territories through various measures and incentives. The importance of FDI is primarily seen in providing additional capital, which increases investment activity, modernizes production capacities, and accelerates economic growth. In addition to financial resources, FDI enables the transfer of modern technologies, knowledge, and managerial skills, improving the productivity of domestic companies and the competitiveness of the entire economy. The presence of *f.i.* encourages the creation of new jobs, export growth, and the integration of the domestic economy into international production chains. At the same time, FDI strengthens the institutional framework and improves the business environment by introducing higher business standards. Although FDI may carry certain risks, such as profit repatriation or dependence on foreign capital, it

generally has a positive effect on economic stability and the long-term development of an economy.

The amount of investment plays a significant role in an investor's decision to invest capital in a country. Larger investments usually involve a higher degree of risk but also offer the potential for greater profits. As a result, investors carefully evaluate macroeconomic conditions, political stability, the regulatory framework, and the level of institutional development in the host country. In transitional economies, characterized by reform, privatization, and market liberalization, the investment amount influences the choice of sector, form of investment, and market entry strategy. Smaller investments are often used to test the market and carry less risk, while larger investments require long-term stability and strong institutional support. Therefore, the amount of investment is a key factor in assessing the attractiveness of a transition country and directly influences an investor's decision to invest capital.

The main goal of this paper was to identify and analyze the motives important to *f.i.* when deciding to invest in Serbia. The analysis focused on *f.i.* based on the amount they invested in Serbia from 2001 to 2019. Primary data were collected using a survey technique by sending questionnaires electronically to *f.i.* These data were then processed using appropriate statistical methods (t-test and analysis of variance), and relevant conclusions were drawn. Analyzing the motives and their significance from the perspective of *f.i.*, the results showed certain differences among investors regarding the amount of investment in Serbia. The study's findings showed that *f.i.* decisions to invest in Serbia are mainly influenced by two factors: price of labor in Serbia and their ambition to conquering a new market.

The price of labor is one of the key factors that *f.i.* consider when deciding on capital investment in Serbia. The relatively low wages compared to European Union countries make Serbia a competitive destination for labor-intensive activities, especially in the manufacturing, textile, automotive, and service sectors. Favorable operating costs allow investors to reduce total business expenses and increase profitability, which significantly influences the choice of location for investment projects. In addition to wage levels, investors also consider labor

force productivity, labor market flexibility, education levels, and the availability of qualified personnel. In this context, Serbia has a comparative advantage due to a relatively well-educated workforce and competitive employment costs. However, Serbia's long-term attractiveness for *f.i.* depends not only on low labor costs but also on improvements to the institutional framework, economic stability, and productivity growth, to ensure sustainable development based on quality and better-paid jobs.

On the other hand, entering a new market is one of the most important motives for *f.i.* when deciding to invest capital in Serbia. As a transitional and open economy, Serbia offers access to a growing domestic market and a favorable geographical position that enables the distribution of products and services to a broader regional and European market. By entering the Serbian market, *f.i.* can test demand, adapt their products to local conditions, and gradually expand their business in the Western Balkans region. This market potential makes Serbia an attractive destination for investments aimed at exports as well as supplying the domestic market. Therefore, it can be concluded that the opportunity to enter a new market significantly influences *f.i.* decisions to invest capital in Serbia and is an important factor in the country's competitiveness in attracting foreign direct investment.

This research shows that labor costs and the potential to enter new markets are key motives for *f.i.* in Serbia. Therefore, economic policymakers should design measures to enhance the economy's competitiveness while ensuring sustainable development. It is essential to maintain competitive labor costs and promote productivity growth through investments in education and professional training. This approach ensures that low labor costs are not Serbia's only comparative advantage, making the country attractive for the quality of its human capital as well. Special attention should be given to developing sectors with higher added value, reducing reliance on labor-intensive and low-profitability activities. To support entry into new markets, policymakers should continue improving trade and investment policies, expand the network of free trade agreements, and actively promote Serbia as a regional investment hub. Further improvements in transport and

logistics infrastructure, as well as digital connectivity, are necessary to lower export costs and increase the efficiency of access to regional and international markets.

Like any research, this study has several limitations. First, the evaluation of *f.i.* motives for their investments was conducted at the level of Serbia. It is recommended that future research includes other transition countries within a single region (e.g., the Western Balkans). Second, primary data was collected through a questionnaire sent by email. It is recommended that future research use additional methods and techniques to achieve more robust results (e.g., surveys conducted in person or by telephone). Third, this study analyzed 24 motives important to *f.i.* when deciding to invest in Serbia. It is recommended that future research expand the list of motives to provide insights that can help economic policymakers create conditions for Serbia to become an even more competitive and attractive investment destination.

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