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Foreign Investors' Motives for Investing in Economies in Transition: The Case of Serbia

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ABSTRACT

Transition economies are attractive destinations for foreign direct investment (FDI), offering lower production costs, emerging consumer markets, and opportunities for strategic positioning, while also facing structural and institutional constraints. This study examines the motives of foreign investors in Serbia, with a particular focus on how investment motivations vary according to firms' level of internationalization. The analysis is based on a survey of 300 foreign investors that entered the Serbian market between 2001 and 2019 (response rate: 29.3%). The findings indicate that the most important motives include entering a new market, observing consumers, customers, and suppliers, first-mover advantage, the availability of financial resources in the Serbian market, economies of scale, characteristics of the Serbian tax system, and natural resources and their prices in Serbia. However, a more detailed analysis reveals significant differences across investor types. Regional firms are primarily driven by market expansion, economies of scale, and resource-related factors, while global firms place greater emphasis on infrastructure, technological and informational inputs, and integration into broader production networks. Multinational firms display a more balanced pattern of motives, without a clearly dominant driver. These results highlight the importance of investor heterogeneity in shaping FDI patterns in transition economies. They also suggest that policy approaches tailored to specific investor profiles may be more effective than uniform strategies in attracting and sustaining foreign investment.

1. Introduction

Over the last three decades, foreign direct investment (FDI) has become an important factor in promoting growth, industrial restructuring, and economic transformation in both developing and advanced economies. The FDI inflow has been associated with major economic benefits such as

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higher productivity, job creation, knowledge and technology transfer, as well as playing a pivotal role in the integration of domestic economies into global markets [1, 2]. As globalisation continues to reshape international trade and investment flows, the importance of attracting FDI has also become crucial for governments across the world. Regardless of their degree of development, economies worldwide continue to demonstrate a strong desire to attract FDI [3]. However, the benefits of FDI are not automatic - they depend on a variety of factors, including institutional quality, policy frameworks, and the host country's ability to absorb and use the expertise and resources offered by foreign investors [4, 5]. Thus, countries often compete to create a favourable investment environment through regulatory reforms, tax incentives, and infrastructure development to attract and retain foreign investors.

Transition economies, defined as countries shifting from centrally planned systems toward market-oriented economic frameworks, represent a distinct category in the context of international investment landscape [6]. Foreign investors looking for new growth opportunities are drawn to these economies because they frequently provide a combination of reform momentum, unexplored markets, and reduced manufacturing costs. However, transition economies also confront structural challenges such as institutional instability, regulatory uncertainty, and inadequate infrastructure, which can discourage investors [7]. Therefore, compared to advanced or emerging economies, foreign direct investment (FDI) in transition economies is frequently more sensitive to institutional quality and policy coherence. Foreign investors often anticipate an increase in institutional capacity, improvements to the legislative environment, followed by the reduction in administrative obstacles [8].

Serbia, like many other transitional economies, has recognised the potential of FDI as a driver of economic growth. Since the early 2000s, it has implemented a range of reforms aimed at strengthening the business environment, liberalizing markets, and attracting foreign investment. These include regulatory changes, institutional support mechanisms, and increasing integration with European and regional markets [9]. As a result, Serbia has experienced steady FDI inflows, particularly in manufacturing, real estate, and information technology sectors, with the European Union accounting for the largest share of inflows [10, 11].

At the same time, the motives attracting foreign investors to Serbia differ depending on the degree of internationalization of their enterprises. Serbia provides a cost-effective production and distribution base for multinational enterprises, allowing access to vital European supply chains. These companies are often motivated by efficiency-seeking goals, aiming to reduce costs through a cheaper labour force, attractive tax regimes, and closeness to European markets [12, 13]. Proximity to Balkan markets is also crucial, as it facilitates regional integration, cross-border operations, and access to neighbouring Western Balkan economies with shared cultural and business environments. Smaller or regionally focused companies, on the other hand, may regard Serbia as a growing market with room for expansion, motivated by market-seeking objectives that stress local demand and consumption trends. Understanding the variety of motives of foreign investors is crucial for developing successful policies that attract FDI while also maximising its development impact on the host economy [14].

In recent years, scholars have increasingly focused on how foreign investors' levels of internationalization influence their decision-making processes, including investment strategies [15, 16]. Highly globalized enterprises, for instance, may prioritize strategic asset-seeking investments that enable access to local innovation networks or advanced technologies, whereas less internationalized companies may prioritize resource-seeking motivations, such as access to natural resources or skilled labour. These differences in investment priorities suggest that host countries

should adopt more nuanced methods of FDI attraction, taking into consideration the individual demands and aims of different types of investors [17, 18].

While there is extensive literature on the motives for foreign direct investment, most existing research has focused on general factors such as market potential, labour costs, and institutional frameworks, without examining the specific characteristics of investors in detail. There is a particular lack of empirical studies that systematically investigate the relationship between the degree of internationalization of foreign investors and the relative importance of individual investment motives, especially in the context of transition economies. The present study addresses this gap by examining the investment motives of foreign firms in Serbia while explicitly distinguishing between investors according to their level of internationalization. Using survey data covering 24 investment motives, the study offers a comparative assessment of how regional, multinational and global companies prioritize location factors. In this way, the study contributes to the literature by moving beyond the aggregate approach and providing a more nuanced understanding of investors' heterogeneity.

Based on the identified gap, the aim of this study is to examine how different levels of internationalization shape the investment motives of foreign investors in Serbia. By analysing these relationships, the study seeks to provide valuable insights that may support the design of more targeted FDI policies and enhance the positive spillover effects of foreign investment on the local economy.

2. Literature review

Attracting foreign direct investments is an important component of economic reforms in many countries, because it is considered as a significant tool for transferring advanced technologies, knowledge, and skills, increasing foreign exchange reserves, and integrating the economy into global markets [19]. Less developed countries often depend on labour-intensive sectors and face challenges such as low levels of investment, higher unemployment rates, brain drain, and insufficient economic diversification, which significantly affects their economic performance and attractiveness to investors [20]. Therefore, many countries try to attract FDI due to the expected benefits, such as generating income from capital inflows, technology transfer [21, 22], development of management skills, and market knowledge [23]. Consequently, the FDI tends to attract the interest of developing countries [24, 25].

The motivations of FDI flows vary depending on the host country's characteristics and the strategic interests of multinational enterprises (MNEs) [26]. Foreign direct investment (FDI) in transition economies has been a subject of significant research due to its capacity to support economic transformation and stimulate sustainable growth. It provides host countries with possibilities for economic growth and gives multinational corporations (MNCs) to work globally. Thus, they play a significant role in promoting economic growth in host countries [27], specifically, by accelerating industrialization and strengthening export bases, contributing to income growth and enhancing economic well-being.

Because of the significance of FDI to host countries, analysing the factors that attract or deter FDI flows into economies is a relevant and interesting topic. If a country aims to attract foreign investors and increase FDI inflows [28], it should focus on key aspects to increase its attractiveness to investors [29]. Large corporations, which are seeking to invest their capital in another country, first analyse specific factors to determine whether the environment is favourable for their operations. Traditional decision-making approaches that prioritize cost alone can lead to suboptimal outcomes, highlighting

the importance of incorporating multiple criteria and uncertainty into evaluation processes, particularly in complex economic environments [30].

They are mostly driven by a range of motivations, which vary according to their individual interests and business goals. While some companies aim to take new markets or take advantage of low costs, others focus on accessing rare and low-cost resources or achieving other strategic objectives [31].

Some of the factors traditionally seen as important for foreign investors include market size, purchasing power, growth prospects, availability and cost of labour, trade openness, exchange rate, inflation, tax rates, and infrastructure [19]. In addition to these elements, a destination's attractiveness is also influenced by economic growth, low political risk, low levels of corruption, availability of raw materials, innovation, financial systems, low tax rates, ease of doing business, and government policies [32, 33]. According to Xuan [34], human resources and infrastructure are two of the most crucial factors influencing foreign technology companies' investment decisions.

The motives of foreign investors for investing in transition economies are most associated with market-seeking and resource-seeking factors, which represent the main drivers of foreign direct investment in these countries [35, 36].

The evolution of foreign investment motives over time reflects changing of global economic conditions and the development level of host economies. Empirical evidence shows that foreign direct investment is primarily driven by market- and efficiency-seeking motives, with its volume and structure shaped by factor endowments, institutional quality which is key role by enhancing investment attractiveness and shaping the relative importance of cost factors [37]. Long-term foreign investment patterns are further influenced by investment inertia and structural characteristics of host [38]. Macroeconomic conditions such as interest rates, inflation, and exchange rates, as well as political stability, technological development, and market competitiveness directly affect business conditions and investment decisions [39].

According to Yakubu *et al.*, [40], firms from emerging economies invest in developed markets primarily for market seeking, resource seeking, strategic asset acquisition, and efficiency seeking, with home government support often playing a supplementary role in facilitating outward FDI. Successful adoption of advanced technologies depends on a country's institutional readiness, infrastructure, and ability to manage risk and efficiently allocate resources, which significantly shape the attractiveness of economies for foreign investors [41].

According to Okafor and Webster [42], the size of the domestic market, the abundance of natural resources, and the quality of institutional and regulatory frameworks are key determinants of investment decisions in transition economies. The study by Iwasaki & Tokunaga [43] further indicates that progress in transitioning toward a market economy has a positive impact on FDI inflows, creating a favourable feedback loop between institutional development and foreign investment. Marinova [44] analysed the motives and strategies of foreign direct investment in Central and Eastern Europe, placing emphasis on the ways multinational companies seek to achieve long-term competitive advantage. Among the three key strategies most commonly employed by investors are: cost reduction, market expansion, and targeted market segmentation. These strategies are adapted to the specific characteristics of local markets and the institutional environment of the region.

In contrast to advanced economies, where investors may place a higher priority on technological infrastructure or skilled labour, FDI flows into transition economies are also often driven by the speed and legitimacy of reforms, the protection of property rights and the mitigation of investment related risks. Furthermore, investor trust in these areas can be swiftly destroyed by policy reversals or delays in structural changes. Estrin and Uvalic [7] contend that institutional gaps in transition economies, such as lax contract enforcement or politicized judicial systems, might undermine the advantages of

low prices or market potential, even in the face of positive macroeconomic development. Foreign investors become more cautious as a result of these institutional gaps, which leads to conditional investments or shorter-term partnerships. As such, the strength and consistency of the reform process are frequently used to evaluate the investment climate in transition countries in addition to economic fundamentals.

Bailey [45] and Jovanović *et al.*, [46] emphasize that institutional factors such as political stability, democracy, and the rule of law encourage FDI inflows, while corruption, high tax rates, and cultural differences deter them. Political stability is a foundation condition that affects foreign investors' perceptions of risk and long-term feasibility. Its role is especially important for efficiency-seeking investors, such as multinational enterprises, which rely on stable regulatory environments to maximise cost structures and secure capital-intensive operations. For companies that have long-term investment strategies, a stable political climate ensures consistent policies, strong institutions, and fewer risks of expropriation or abrupt policy changes. For market-seeking investors, political stability also conveys economic consistency and consumer confidence, both of which are critical for demand growth. By creating an atmosphere of trust, a stable political climate that is not prone to frequent changes has a favourable effect on social outcomes as well as business operations.

Findings of Tag and Degirmen [47] also confirm that countries with institutions ensuring the rule of law, expanding trade freedoms, and reducing regulatory barriers to investing and doing business attract FDI. Investors tend to favour markets that offer attractive returns and are relatively less risky [17]. According to Sorcaru *et al.*, [48], Zvezdanović Lobanova *et al.*, [8], and Minović *et al.*, [49], political stability, economic liberalization, and institutional quality are particularly significant determinants in luring investors to transitional economies.

According to Haudi *et al.*, [50], wages and labour costs are primary factors influencing foreign investors' decisions. In addition to wage levels, a qualified and skilled workforce is also important for attracting FDI [51]. The availability of resources and raw materials plays a crucial role in attracting FDI [52], as foreign investors often opt to start business ventures in countries where resources are relatively easily accessible [50]. Companies seeking specific resources invest abroad to secure access to high-quality resources at significantly lower costs than in their home country [24]. Developed infrastructure and a high-quality transportation system play a crucial role in attracting foreign investors [53] as they facilitate quick and seamless communication, which is especially important for large companies and export-oriented businesses [50].

The growing importance of ESG criteria (environmental, social, and corporate responsibility), regulatory compliance, and sustainability considerations significantly influences strategic decision-making processes, including investment and supplier selection in modern economic environments [54].

The impact of taxes on FDI is complex and depends on various factors, including the type of investment and specific tax frameworks. Additionally, the sensitivity to taxes varies depending on investment strategy. Vertical FDI is generally more tax-sensitive than horizontal FDI [55]. Hong [56] examines the relationship between FDI and tax minimization structures, noting that mechanisms for minimizing tax liabilities have a positive and significant impact on FDI. Developing countries aiming to attract foreign companies often offer incentives like lower tax rates [50]. Multinational companies producing large quantities and distributing products worldwide prefer favourable tax incentives and other government benefits on exports, imports, VAT, and various other fees [32]. Lower corporate tax rates and other incentives can attract more investors to the host country [50]. A reduced corporate tax rate positively influences FDI and GDP growth, making it an important factor for attracting FDI and driving GDP growth [57-59]. Furthermore, the impact of FDI on economic growth

is not uniform and depends largely on the host country's absorptive capacity—its ability to leverage and internalize the benefits of foreign investment. Silajdzic and Mehic [60] emphasize that technological capabilities, institutional quality, and human capital development are essential in enabling economies to translate FDI inflows into sustainable growth.

3. Methodology

In the process of globalisation, capital is considered the most mobile factor in the creation of the world economy. Since capital is directed to the markets where conditions are most favourable for the investor, it is quite certain that the economic development of the country receiving the capital will be accelerated. Foreign direct investment is seen as an effective means of increasing a country's comparative advantage. This is especially true for developing countries that need to internationalize their economies and where the main players are multinational companies. One of the main tasks of any country is to increase production and exports, aiming for stable economic growth over a longer period of time. For this to be possible, FDI must be attracted.

The primary objective of the study is to uncover the main motives of foreign investors (FI) when deciding to invest in Serbia. That is, to analyse the motives for investing in Serbia, depending on the degree of internationalization of FI business (regional companies, multinational companies, global companies). The research used a quantitative approach, as it is based on collecting numerical data, comparing them, or examining the relationships between them. Of the four basic types of surveys (by phone, personal contact, postal mail, and e-mail), this research employed an email-based survey with closed-ended questions. This method was selected due to its efficiency, low costs, absence of interviewer bias, and suitability for reaching the selected target group. Additionally, this approach was considered appropriate given the research objective, as it enables the collection of standardized data across a relatively large number of foreign investors and allows for comparative analysis of investment motives.

After the questionnaire was created, it was validated in two stages: (a) first, experts from the Foreign Investment Sector of the Development Agency of Serbia assessed the completeness, relevance and clarity of the questions and gave a positive evaluation; (b) then, the questionnaire was tested on five randomly selected foreign investors from the core sample. However, no significant changes to the questionnaire were required after receiving their responses. The sample of the study included 300 of the largest FI that invested in Serbia in the period from 2001 to 2019. After the deadline for submitting the questionnaires, we received 88 validly completed questionnaires (response rate of 29.3 %). The Statistical Package for Social Sciences computer programme was used to process and analyse the data collected. The data analysis was conducted in the period from March to June 2024. According to the degree of internationalization of the FI business, the investors were classified as regional companies (24 investors, representing 27.3% of the total number of investors who participated in the survey), multinational companies (41 investors, representing 46.6% of the total number of investors who participated in the survey) and global companies (23 investors, representing 26.1% of the total number of investors who participated in the survey).

The collected data were processed and analysed using the Statistical Package for the Social Sciences (SPSS), Version 19.0. The analysis was conducted at two levels. The first level included descriptive statistics and graphical techniques, which enabled the presentation of frequencies, percentages, mean values, standard deviation, and variances. The second level involved inferential statistical analysis, including one-way analysis of variance (ANOVA) and independent samples t-tests, in order to examine differences in investment motives across groups of investors with different levels of internationalization. Statistical significance was assessed at conventional levels.

4. Results

This section delineates the empirical results based on descriptive and inferential statistical analysis. While detailed findings for individual motives are presented in the tables, the main focus of the section is identifying primary patterns in investment motivations and the differences across investor groups.

The first phase of the research aimed to analyse the overall importance of various investment motives. Figure 1 presents the ranking of motives based on their average scores, while detailed descriptive statistics are provided in Table 1.

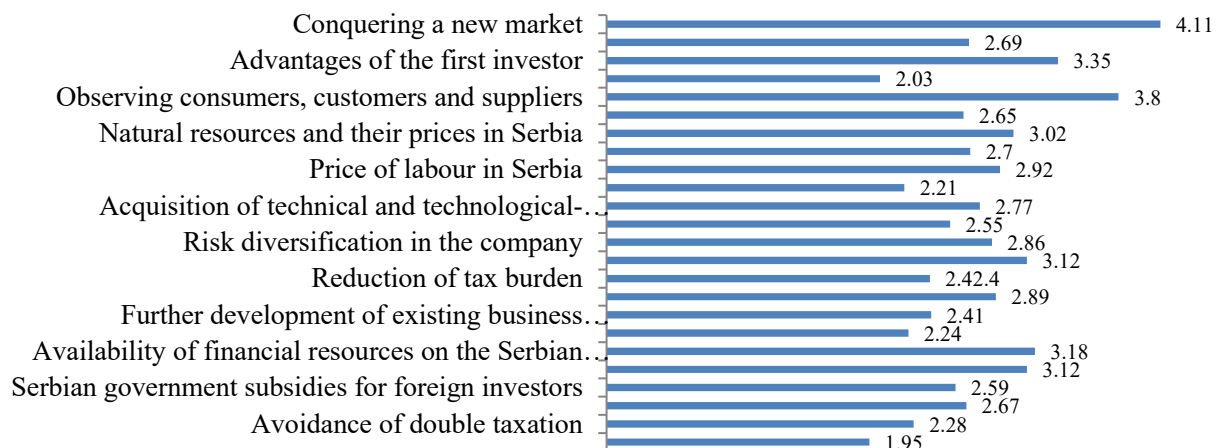


Fig. 1. Ranking of motives that influenced the decision of FI to invest in Serbia
Source: Authors' compilation.

At the aggregate level, the results suggest that market-oriented and information-related motives dominate foreign investors' decisions to invest in Serbia. In particular, conquering a new market ($M = 4.11$, $SD = 1.11$) and observing consumers, customers and suppliers ($M = 3.80$, $SD = 1.11$) stand out as the most important drivers.

Table 1

Analysis of the motives that influenced the decision to invest in Serbia - descriptive statistics

Code	Motive	Evaluation ratio					M	SD	V
		1	2	3	4	5			
		f	f	f	f	f			
M01	Conquering a new market	5	3	10	29	41	4.11	1.11	1.23
M02	Establishing a base for export	27	12	19	21	9	2.69	1.39	1.94
M03	Advantages of the first investor	9	17	22	14	26	3.35	1.35	1.84
M04	Observing the competition	39	21	18	6	4	2.03	1.16	1.34
M05	Observing consumers, customers and suppliers	4	6	22	27	29	3.80	1.11	1.24
M06	Limited demand in conquered markets	23	19	19	20	7	2.65	1.30	1.70
M07	Natural resources and their prices in Serbia	13	12	32	22	9	3.02	1.18	1.40
M08	Access to infrastructure in Serbia	15	22	30	16	5	2.70	1.12	1.26
M09	Price of labour in Serbia	24	11	16	22	15	2.92	1.47	2.16
M10	Brand acquisition in Serbia	31	20	26	9	2	2.22	1.11	1.22
M11	Acquisition of technical and technological-information inputs	24	13	22	17	12	2.77	1.39	1.94

Table 1
Continued

Code	Motive	Evaluation ratio					M	SD	V
		1	2	3	4	5			
		f	f	f	f	f			
M12	Increase in company assets	27	15	20	22	4	2.56	1.28	1.65
M13	Risk diversification in the company	20	13	23	21	11	2.89	1.34	1.80
M14	Economies of scale	15	14	23	17	19	3.13	1.38	1.90
M15	Reduction of tax burden	22	24	27	14	1	2.41	1.07	1.14
M16	Profit on differences in costs of transportation, resources and labour	25	6	22	24	11	2.89	1.41	1.98
M17	Further development of existing business relationships with Serbia	36	12	25	12	3	2.25	1.22	1.50
M18	Avoidance of business and customs barriers	33	16	28	8	3	2.23	1.15	1.32
M19	Availability of financial resources on the Serbian market	13	14	19	28	14	3.18	1.30	1.69
M20	Characteristics of the Serbian tax system	16	13	18	26	15	3.13	1.36	1.85
M21	Serbian government subsidies for foreign investors	26	19	16	19	8	2.59	1.35	1.83
M22	Advantages of free customs zones in Serbia	14	18	42	11	3	2.67	1.00	1.01
M23	Avoidance of double taxation	34	20	17	9	8	2.28	1.32	1.74
M24	Profit on differences in currency costs	48	13	13	11	3	1.95	1.23	1.51

The advantage of the first investor ($M = 3.35$, $SD = 1.35$) also ranks highly, implying that early entry into the Serbian market is perceived as beneficial by a number of companies. Other motives with an average score above 3 include the availability of financial resources on the Serbian market ($M = 3.18$, $SD = 1.30$), characteristics of the Serbian tax system ($M = 3.13$, $SD = 1.36$), economies of scale ($M = 3.13$, $SD = 1.38$), and natural resources and their prices in Serbia ($M = 3.02$, $SD = 1.18$).

Motives with moderate importance (average score between 2.5 and 3) include price of labour ($M = 2.92$, $SD = 1.47$), acquisition of technical and technological-information inputs ($M = 2.77$, $SD = 1.39$), access to infrastructure in Serbia ($M = 2.70$, $SD = 1.12$), establishing a base for export ($M = 2.69$, $SD = 1.39$), advantages of free customs zones in Serbia ($M = 2.67$, $SD = 1.00$), limited demand in conquered markets ($M = 2.65$, $SD = 1.30$), Serbian government subsidies for foreign investors ($M = 2.59$, $SD = 1.35$), and Increase in company assets ($M = 2.56$, $SD = 1.28$). In contrast, motives such as currency-related advantages and avoidance of double taxation receive relatively low evaluations.

4.1. Differences in investment motives across investor groups

To examine whether investment motives differ depending on the level of internationalization, an analysis of variance (ANOVA) was conducted. The ANOVA results of the different groups showed the existence of statistically significant differences between the FI depending on the degree of internationalization of FI business (Table 2) with regard to the evaluation of the following motives for investing in Serbia: (1) conquering a new market, (2) advantages of the first investor, (3) observing consumers, customers and suppliers, (4) limited demand in conquered markets, (5) natural resources and their prices in Serbia, (6) access to infrastructure in Serbia, (7) acquisition of technical and technological-information inputs, (8) economies of scale, (9) profit on differences in costs of transportation, resources and labour, (10) availability of financial resources on the Serbian market,

and (11) characteristics of the Serbian tax system, (12) avoidance of double taxation, and (13) profit on differences in currency costs.

Table 2

Analysis of motives for investing in Serbia (the degree of internationalization of the FI business)

Motive	Code*	N	M (SD)	95% Confidence Interval for Mean		F	p**
				Lower Bound	Upper Bound		
M01	Conquering a new market	RC	24	4.75 (0.53)	4.53	7.01	0.00
		MC	41	4.00 (1.18)	3.63		
		GC	23	3.65 (1.15)	3.15		
M02	Establishing a base for export	RC	24	2.63 (1.20)	2.11	0.04	0.95
		MC	41	2.73 (1.55)	2.24		
		GC	23	2.70 (1.32)	2.12		
M03	Advantages of the first investor	RC	24	3.92 (1.13)	3.44	3.68	0.02
		MC	41	3.00 (1.28)	2.59		
		GC	23	3.39 (1.53)	2.73		
M04	Observing the competition	RC	24	2.29 (1.12)	1.82	1.11	0.33
		MC	41	1.85 (1.25)	1.46		
		GC	23	2.09 (0.99)	1.66		
M05	Observing consumers, customers and suppliers	RC	24	3.75 (0.84)	3.39	5.99	0.00
		MC	41	3.49 (1.28)	3.08		
		GC	23	4.43 (0.72)	4.12		
M06	Limited demand in conquered markets	RC	24	3.25 (0.89)	2.87	5.82	0.00
		MC	41	2.20 (1.18)	1.82		
		GC	23	2.83 (1.58)	2.14		
M07	Natural resources and their prices in Serbia	RC	24	3.75 (0.79)	3.41	8.18	0.00
		MC	41	2.61 (1.11)	2.26		
		GC	23	3.00 (1.31)	2.43		
M08	Access to infrastructure in Serbia	RC	24	2.58 (0.92)	2.19	3.47	0.04
		MC	41	2.49 (1.12)	2.13		
		GC	23	3.22 (1.20)	2.70		
M09	Price of labour in Serbia	RC	24	3.42 (1.28)	2.88	1.93	0.15
		MC	41	2.71 (1.47)	2.24		
		GC	23	2.78 (1.59)	2.09		
M10	Brand acquisition in Serbia	RC	24	2.54 (0.93)	2.15	1.67	0.19
		MC	41	2.02 (1.15)	1.66		
		GC	23	2.22 (1.16)	1.71		
M11	Acquisition of technical and technological-information inputs	RC	24	2.75 (0.98)	2.33	8.14	0.00
		MC	41	2.29 (1.41)	1.84		
		GC	23	3.65 (1.33)	3.07		
M12	Increase in company assets	RC	24	2.33 (1.30)	1.78	1.07	0.39
		MC	41	2.51 (1.20)	2.13		
		GC	23	2.87 (1.39)	2.27		
M13	Risk diversification in the company	RC	24	2.92 (1.38)	2.33	0.65	0.52
		MC	41	2.73 (1.22)	2.34		
		GC	23	3.13 (1.51)	2.47		
M14	Economies of scale	RC	24	4.13 (1.22)	3.61	11.48	0.00
		MC	41	2.61 (1.18)	2.24		
		GC	23	3.00 (1.34)	2.42		
M15	Reduction of tax burden	RC	24	2.71 (0.75)	2.39	2.14	0.12
		MC	41	2.17 (1.04)	1.84		
		GC	23	2.52 (1.31)	1.96		

Table 2
Continued

	Motive	Code*	N	M (SD)	95% Confidence Interval for Mean		F	p**
					Lower Bound	Upper Bound		
M16	Profit on differences in costs of transportation, resources and labour	RC	24	3.75 (1.18)	3.25	4.25	8.99	0.00
		MC	41	2.34 (1.23)	1.95	2.73		
		GC	23	2.96 (1.49)	2.31	3.60		
M17	Further development of existing business relationships with Serbia	RC	24	2.46 (1.31)	1.90	3.01	0.83	0.44
		MC	41	2.27 (1.28)	1.86	2.67		
		GC	23	2.00 (1.00)	1.57	2.43		
M18	Avoidance of business and customs barriers	RC	24	2.50 (1.21)	1.99	3.01	1.01	0.37
		MC	41	2.17 (0.99)	1.86	2.49		
		GC	23	2.04 (1.33)	1.47	2.62		
M19	Availability of financial resources on the Serbian market	RC	24	4.08 (0.88)	3.71	4.46	10.78	0.00
		MC	41	2.68 (1.10)	2.33	3.03		
		GC	23	3.13 (1.51)	2.47	3.79		
M20	Characteristics of the Serbian tax system	RC	24	3.83 (0.96)	3.43	4.24	8.42	0.00
		MC	41	2.56 (1.32)	2.14	2.98		
		GC	23	3.39 (1.40)	2.78	4.00		
M21	Serbian government subsidies for foreign investors	RC	24	2.88 (1.42)	2.27	3.48	1.91	0.15
		MC	41	2.29 (1.20)	1.91	2.67		
		GC	23	2.83 (1.46)	2.19	3.46		
M22	Advantages of free customs zones in Serbia	RC	24	2.71 (0.75)	2.39	3.03	0.53	0.59
		MC	41	2.56 (1.14)	2.20	2.92		
		GC	23	2.83 (0.98)	2.40	3.25		
M23	Avoidance of double taxation	RC	24	2.50 (1.47)	1.88	3.12	5.53	0.01
		MC	41	1.83 (1.02)	1.51	2.15		
		GC	23	2.87 (1.39)	2.27	3.47		
M24	Profit on differences in currency costs	RC	24	2.21 (1.28)	1.67	2.75	3.75	0.03
		MC	41	1.59 (1.02)	1.26	1.91		
		GC	23	2.35 (1.36)	1.76	2.94		

Note: *RC = regional company, MC = multinational company, GC = global company; **If $p < 0.05$, an SSD exists.

Source: Authors' compilation.

(1) Motive M01 - Conquering a new market - the analysis shows significant differences between groups, $F(2, 85) = 7.01$, $p = 0.00$, with a large effect size ($\eta^2 = 0.14$). Post hoc comparisons (Table 3) indicate that regional companies ($M = 4.75$, $SD = 0.53$) assign significantly greater importance to this motive compared to both multinational ($M = 4.00$, $SD = 1.18$) and global firms ($M = 3.65$, $SD = 1.15$). This implies a stronger market-expansion orientation among regional investors compared to multinational and global companies.

Table 3
Conquering a new market - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M01 - Conquering a new market	RC	MC	0.75*	0.02	0.11	1.39
		GC	1.09*	0.00	0.37	1.82
	MC	RC	-0.75*	0.02	-1.39	-0.11
		GC	0.35	0.41	-0.30	0.99
	GC	RC	-1.09*	0.00	-1.82	-0.37
		MC	-0.35	0.41	-0.99	0.30

* If $p < 0.05$, an SSD exists.

(2) Motive M03 - Advantages of the first investor - significant differences are also found for this motive, $F(2, 85) = 3.68$, $p = 0.02$. Post hoc results (Table 4) show that regional companies ($M = 3.92$, $SD = 1.13$) attach greater importance to this motive than multinational companies ($M = 3.00$, $SD = 1.28$), while differences with global companies are less pronounced.

Table 4

Advantages of the first investor - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M03 - Advantages of the first investor	RC	MC	0.92*	0.02	0.11	1.72
		GC	0.52	0.36	-0.39	1.44
	MC	RC	-0.92*	0.02	-1.72	-0.11
		GC	-0.39	0.49	-1.21	0.43
	GK	RC	-0.52	0.36	-1.44	0.39
		MC	0.39	0.49	-0.43	1.21

* If $p < 0.05$, an SSD exists.

(3) Motive M05 - statistically significant differences are detected, $F(2, 85) = 5.99$, $p = 0.00$, with a moderate effect size ($\eta^2 = 0.12$). The results (Table 5) indicate that global companies ($M = 4.43$, $SD = 0.72$) place greater importance on this motive compared to multinational companies ($M = 3.49$, $SD = 1.28$), suggesting a stronger emphasis on information gathering and market monitoring.

Table 5

Observing consumers, customers and suppliers - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M05 - Observing consumers, customers and suppliers	RC	MC	0.26	0.59	-0.38	0.91
		GC	-0.68	0.07	-1.42	0.05
	MC	RC	0.26	0.59	-0.91	0.38
		GC	-0.95*	0.00	-1.60	-0.29
	GC	RC	0.68	0.07	-0.05	1.42
		MC	-0.95*	0.00	0.29	1.60

* If $p < 0.05$, an SSD exists.

(4) Motive M06 - Limited demand in conquered markets, $F(2, 85) = 5.82$, $p = 0.00$, where the magnitude of the difference between the different groups of FI, expressed by the Eta squared indicator, is $\eta^2 = 0.120$ and can be considered a medium-size difference. The subsequent comparison using the T-HSD test (Table 6) revealed that the above-mentioned statistically significant difference exists between the group of FI belonging to regional companies ($M = 3.25$, $SD = 0.89$) on the one hand and those belonging to multinational companies ($M = 2.20$, $SD = 1.18$) on the other. This may suggest that regional investors are more likely to expand abroad due to limited growth opportunities in their existing markets.

Table 6

Limited demand in conquered markets - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M06 - Limited demand in conquered markets	RC	MC	1.05*	0.00	0.30	1.81
		GC	0.42	0.47	-0.044	1.29
	MC	RC	-1.05*	0.00	-1.81	-0.30
		GC	-0.63	0.13	-1.40	0.14
	GC	RC	-0.42	0.47	-1.29	0.44
		MC	0.63	0.13	-0.14	1.40

* If $p < 0.05$, an SSD exists.

(5) Motive M07 - Natural resources and their prices in Serbia - the analysis reveals significant differences, $F(2, 85) = 8.18$, $p = 0.00$, with a relatively strong effect ($\eta^2 = 0.161$). Regional companies ($M = 3.75$, $SD = 0.79$) place greater importance on this factor compared to multinational companies ($M = 2.61$, $SD = 1.11$), highlighting their stronger dependence on location-specific resources (Table 7).

Table 7

Natural resources and their prices in Serbia - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M07 - Natural resources and their prices in Serbia	RC	MC	1.14*	0.00	0.47	1.81
		GC	0.75	0.05	-0.01	1.51
	MC	RC	-1.14*	0.00	-1.81	-0.47
		GC	-0.39	0.36	-1.07	0.29
	GC	RC	-0.75	0.05	-1.51	0.01
		MC	0.39	0.36	-0.29	1.07

* If $p < 0.05$, an SSD exists.

(6) Motive M08 - Access to infrastructure in Serbia - in contrast, this motive shows a different pattern, $F(2, 85) = 3.47$, $p = 0.04$, where global companies ($M = 3.22$, $SD = 1.20$) assign greater importance than multinational companies ($M = 2.49$, $SD = 1.12$), Table 8. This suggests that infrastructure plays a more significant role for globally integrated companies.

Table 8

Natural resources and their prices in Serbia - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M08 - Access to infrastructure in Serbia	RC	MC	0.09	0.94	-0.58	0.77
		GC	-0.63	0.12	-1.40	0.13
	MC	RC	-0.09	0.94	-0.77	0.58
		GC	-0.73*	0.03	-1.41	-0.05
	GC	RC	0.63	0.12	-0.13	1.40
		MC	0.73*	0.03	0.05	1.41

* If $p < 0.05$, an SSD exists.

(7) Motive M11 - Acquisition of technical and technological-information inputs - a similar trend is observed for this motive, $F(2, 85) = 8.14$, $p = 0.00$, where global companies ($M = 3.65$, $SD = 1.33$) rate it significantly higher than both regional and multinational companies (Table 9). This reflects the importance of operational coordination and technological compatibility for globally oriented investors.

Table 9

Acquisition of technical and technological-information inputs - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M11 - Acquisition of technical and technological- information inputs	RC	MC	0.46	0.35	-0.34	1.25
		GC	-0.90*	0.04	-1.80	0.00
	MC	RC	-0.46	0.36	-1.25	0.34
		GC	-1.36*	0.00	-2.16	-0.56
	GC	RC	0.90*	0.04	0.00	1.80
		MC	1.36*	0.00	0.56	2.16

* If $p < 0.05$, an SSD exists.

(8) Motive M14 - Economies of scale - the differences are particularly pronounced, $F(2, 85) = 11.48$, $p = 0.00$, with a large effect size ($\eta^2 = 0.212$). Regional companies ($M = 4.13$, $SD = 1.22$) place significantly greater emphasis on this motive compared to both multinational and global companies, Table 10.

Table 10
Economies of scale - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M14 - Economies of scale	RC	MC	1.51*	0.00	0.76	2.27
		GC	1.12*	0.01	0.26	1.99
	MC	RC	-1.51*	0.00	-2.27	-0.76
		GC	-0.39	0.45	-1.16	0.38
	GC	RC	-1.12*	0.01	-1.99	-0.26
		MC	0.39	0.45	-0.38	1.16

* If $p < 0.05$, an SSD exists.

(9) Motive M16 - Profit on differences in costs of transportation, resources and labour - statistically significant differences are observed, $F(2, 85) = 8.99$, $p = 0.00$, with a relatively strong effect size ($\eta^2 = 0.174$). Post hoc comparisons (Table 11) show that regional firms ($M = 3.75$, $SD = 1.18$) assign significantly greater importance to this motive compared to multinational companies ($M = 2.34$, $SD = 1.23$), while differences with global companies are not statistically significant. This indicates that cost-related advantages remain more relevant for regionally oriented investors.

Table 11
Profit on differences in costs of transportation, resources and labour - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M16 - Profit on differences in costs of transportation, resources and labour	RC	MC	1.41*	0.00	0.61	2.20
		GC	0.79	0.09	-0.11	1.70
	MC	RC	-1.41*	0.00	-2.20	-0.61
		GC	-0.61	0.16	-1.42	0.19
	GC	RC	-0.79	0.09	-1.70	0.11
		MC	0.61	0.16	-0.19	1.42

* If $p < 0.05$, an SSD exists.

(10) Motive M19 - Availability of financial resources on the Serbian market - significant differences are also present, $F(2, 85) = 10.78$, $p = 0.00$, with a moderate effect size ($\eta^2 = 0.121$). The results (Table 12) indicate that regional firms ($M = 4.08$, $SD = 0.88$) place greater importance on this factor than both multinational ($M = 2.68$, $SD = 1.10$) and global companies ($M = 3.13$, $SD = 1.51$), implying that access to financial resources is particularly relevant for companies with a stronger regional orientation.

Table 12
Availability of financial resources on the Serbian market - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
M19 - Availability of financial resources on the Serbian market	RC	MC	1.40*	0.00	0.68	2.12
		GC	0.95*	0.02	0.14	1.77
	MC	RC	-1.40*	0.00	-2.12	-0.68
		GC	-0.45	0.31	-1.18	0.28
	GC	RC	-0.95*	0.02	-1.77	-0.14
		MC	0.45	0.31	-0.28	1.18

* If $p < 0.05$, an SSD exists.

(11) Motive M20 - A similar pattern is observed for this motive (M20), where statistically significant differences are found, $F(2, 85) = 8.42$, $p = 0.00$ (Table 13). Multinational companies ($M = 2.56$, $SD = 1.32$) assign lower importance to this motive compared to both regional ($M = 3.83$, $SD = 0.96$) and global companies ($M = 3.39$, $SD = 1.40$), indicating a comparatively weaker sensitivity to tax-related factors among this group.

Table 13

Characteristics of the Serbian tax system - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M20 - Characteristics of the Serbian tax system	RC	MC	1.27*	0.00	0.50	2.04
		GC	0.44	0.45	-0.43	1.32
	MC	RC	-1.27*	0.00	-2.04	-0.50
		GC	-0.83*	0.03	-1.61	-0.05
	GC	RC	-0.44	0.45	-1.32	0.43
		MC	0.83*	0.03	0.05	1.61

* If $p < 0.05$, an SSD exists.

(12) Motive M23 - Avoidance of double taxation - significant differences are identified, $F(2, 85) = 5.33$, $p = 0.01$, with a moderate effect size ($\eta^2 = 0.115$). Post hoc results (Table 14) show that global companies ($M = 2.87$, $SD = 1.39$) place greater importance on this motive than multinational companies ($M = 1.83$, $SD = 1.02$). This suggests a stronger focus on international fiscal considerations among globally oriented companies.

Table 14

Characteristics of the Serbian tax system - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M23 - Avoidance of double taxation	RC	MC	0.67	0.10	-0.10	1.44
		GC	-0.37	0.57	-1.24	0.51
	MC	RC	-0.67	0.10	-1.44	0.10
		GC	-1.04*	0.01	-1.82	-0.26
	GC	RC	0.37	0.57	-0.51	1.24
		MC	1.04*	0.01	0.26	1.82

* If $p < 0.05$, an SSD exists.

(13) Motive M24 - Profit on differences in currency costs - the analysis also reveals statistically significant differences, $F(2, 85) = 3.75$, $p = 0.03$, with a moderate effect size ($\eta^2 = 0.080$). The results (Table 15) indicate that global companies ($M = 2.35$, $SD = 1.36$) assign greater importance to this motive compared to multinational companies ($M = 1.59$, $SD = 1.02$), reflecting their greater exposure to international financial dynamics.

Table 15

Profit on differences in currency costs - results of the T-HSD test

Motive	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
M24 - Profit on differences in currency costs	RC	MC	0.62	0.11	-0.11	1.35
		GC	-0.14	0.91	-0.97	0.69
	MC	RC	-0.62	0.11	-1.35	0.11
		GC	-0.76*	0.04	-1.50	-0.02
	GC	RC	0.14	0.91	-0.69	0.97
		MC	0.76*	0.04	0.02	1.50

* If $p < 0.05$, an SSD exists.

Overall, the results indicate that investment motives differ across groups of foreign investors, with statistically significant variations observed for several key factors. These differences suggest that the relative importance of individual motives depends on the level of internationalization.

5. Discussion

At the aggregate level, the descriptive results indicate that market-seeking and information-oriented motives dominate foreign investors' decisions to invest in Serbia. In particular, conquering a new market (M01) and observing consumers, customers, and suppliers (M05) emerge as the most highly ranked motives, followed by the advantages of the first investor (M03) and several cost- and scale-related factors, such as economies of scale (M14) and financial resource availability (M19). This pattern is broadly consistent with previous studies emphasizing market access and related positioning motives as key drivers of FDI in transition and emerging economies [15, 32, 33, 37]. However, closer examination of the results reveals that aggregate rankings obscure important heterogeneity among investors. When companies are grouped according to their level of internationalization, significant differences emerge in how individual motives are evaluated.

The results clearly indicate that regional companies appear to be primarily motivated by conquering a new market (M01), economies of scale (M14), availability of financial resources (M19), as well as natural resource availability (M07) and cost-related advantages (M16). They also place greater emphasis on the advantages of the first investor (M03) and limited demand in home markets (M06). Taken together, these results suggest that regional investors approach Serbia primarily as a nearby growth market and an opportunity for expansion beyond constrained domestic environments. This interpretation is consistent with literature on outward investment from neighbouring and transition economies, highlighting incremental internationalization, proximity-driven expansion, and risk management above globally optimized efficiency strategies [15, 32, 44]. The importance attributed to natural resources and fiscal characteristics further supports earlier findings that regional investors remain relatively dependent on host-country endowments and regulatory frameworks [35, 42].

In contrast, global companies exhibit a distinctly different pattern of motivations. They assign greater importance to access to infrastructure (M08), acquisition of technological and informational inputs (M11), and observing consumers, customers, and suppliers (M05), alongside moderate emphasis on cost-related factors (M16). This pattern corresponds with the efficiency-seeking investment behaviour associated with participation in global production networks [36, 52]. The significant focus on labour costs corresponds with a substantial body of FDI literature that recognises cost effectiveness as a crucial factor influencing location selection for globally mobile production activities, especially in manufacturing and logistics-intensive industries [43]. At the same time, the results indicate that technological and information inputs are valued primarily for operational compatibility and coordination rather than for accessing local innovation capacities, which aligns with previous studies highlighting that the impact of FDI in transition economies depends on absorptive capacity and institutional conditions, which may limit the role of host countries as sources of advanced knowledge and innovation [43, 60].

Multinational companies display a more balanced profile, without a clearly dominant set of motives. Their evaluations are generally less pronounced across most variables, suggesting that no single factor strongly drives their investment decisions. This may indicate that their presence in Serbia reflects an extension of existing regional operations rather than a response to specific location advantages. Such a pattern is consistent with studies indicating that companies with established

international experience often rely on standardized location strategies shaped by prior regional embeddedness rather than by strong sensitivity to individual host-country attributes [15, 44].

Taken together, the results point to the coexistence of distinct investment logics within the same host economy. While regional companies are primarily market- and expansion-oriented, global companies are mostly linked to efficiency and coordination requirements, whereas multinational firms occupy an intermediate position without a clearly dominant motive.

The practical significance of the results lies in their potential application in developing more tailored economic policies and strategies aimed at attracting foreign direct investment. In particular, the findings may help decision-makers to identify which motives are most relevant for different categories of investors, thereby enabling more targeted use of policy instruments such as fiscal incentives (e.g. subsidies, tax breaks), infrastructure development or measures aimed at improving the business environment. In a broader sense, the results contribute to a better understanding of how transition economies such as Serbia can strengthen their investment attractiveness while also maximising the longer-term economic benefits of foreign investment.

Although the results reveal consistent patterns across investor groups, they should be interpreted in light of several methodological limitations, particularly those related to sample size, the cross-sectional nature of the data, and the specific characteristics of the Serbian economy.

6. Conclusions

The findings of the study highlight that differences in investment motivations among foreign investors in Serbia are closely linked to their level of internationalization. Notably, regional companies are primarily oriented toward market expansion and growth opportunities, while global firms are more strongly associated with efficiency and coordination within broader production networks. Multinational companies, in contrast, display a more balanced pattern of motivations, indicating a less pronounced reliance on any single investment driver.

These findings suggest that Serbia attracts foreign investment through multiple channels rather than a single dominant model, which has important implications for policymakers in Serbia. When designing investment policies, several factors should be considered. First, foreign investors should not be treated as a homogeneous group when designing FDI attraction policies. Different categories of investors respond to different sets of incentives and structural conditions. Policies targeting regional investors may benefit from emphasizing market potential, regulatory stability, and favourable fiscal conditions, while strategies aimed at attracting globally integrated companies should prioritize improvements in infrastructure, logistics, technological capacity, and supply-chain connectivity.

Second, maintaining Serbia's competitiveness requires a balanced policy approach that combines cost advantages with continuous improvements in institutional quality and business infrastructure. While competitive labour costs remain an important factor for globally oriented investors, long-term investment attractiveness increasingly depends on a reliable regulatory framework, transparent administrative procedures, and the quality of transport and digital infrastructure.

Overall, by recognizing the diversity of investor motivations and adapting policy measures accordingly, transition economies such as Serbia can strengthen their ability to attract sustainable foreign investment and maximise its positive contribution to long-term economic development.

7. Limitations and Future Research

Several limitations should be considered when interpreting the results of this study.

First, the analysis is based on cross-sectional survey data, which captures investors' motivations at a single point in time. As investment strategies may evolve in response to changing economic conditions, policy frameworks, or firm-level developments, the findings do not reflect potential dynamic shifts in investment motives. Future research could address this limitation by adopting a longitudinal approach and examining how motivations change over time.

Second, the study focuses on a single transition economy. While Serbia represents a relevant and illustrative case, this limits the extent to which the results can be generalized to other countries. Comparative studies across multiple transition or post-transition economies, particularly within Western Balkans or Central and Eastern Europe, could provide a broader perspective and allow for more robust conclusions. In addition, the relatively limited sample size should also be considered when interpreting and generalizing the findings.

Third, the research relies on self-reported data collected through questionnaires. Although this approach enables direct insight into investors' perceptions, it may also be affected by response bias and differences in how respondents interpret survey questions. Future studies could complement survey-based analysis with qualitative methods, such as in-depth interviews, in order to gain more detailed understanding of decision-making processes.

Finally, the study does not explicitly account for sectoral differences or firm-specific characteristics beyond the level of internationalization. Further research could explore how, for instance, industry structure, ownership patterns, or firm size influence investment behaviour, thereby providing a more fine-grained analysis of foreign investment strategies.

Author Contributions

Conceptualization, D.M. and E.J.; methodology, J.V.; software, D.M. and N.M.; formal analysis, Đ. Ć.; writing—original draft preparation, D.M., B.D., N.M.; writing—review and editing, D.M. and E.J.; visualization, D.M., J.V., B.D and Đ.Ć.; supervision, N.M., Đ.Ć. and B.D. All authors have read and agreed to the published version of the manuscript.

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Data Availability Statement

The original contributions presented in the study are included in the article/supplementary material, further inquiries can be directed to the corresponding authors.

Conflicts of Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.

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