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FOREIGN DIRECT INVESTMENTS AS A CATALYST FOR SUSTAINABLE ECONOMIC GROWTH IN THE REPUBLIC OF MOLDOVA

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Abstract: The article examines the dynamics of foreign direct investments in the Republic of Moldova and their impact on the country's sustainable economic development. It highlights the essential role of foreign direct investments as a major driver of economic modernization, technological progress, and integration into the global market. The study analyzes the evolution and structural composition of these investments during recent years, focusing on sectorial trends, diversification of investment sources, and the increasing influence of innovation-oriented industries. Both internal and external factors that determine the country's investment attractiveness are explored, including macroeconomic stability, institutional reforms, and regional cooperation. Furthermore, the research investigates the contribution of leading investor countries to Moldova's competitiveness and industrial transformation. The findings emphasize that transparent governance, improved infrastructure, and consistent innovation policies are fundamental for strengthening Moldova's investment environment and ensuring long-term sustainable growth.



Introduction

Investments are the key element in economic development in any country. Foreign direct investment supports economic development by bringing financial resources, modern technologies and advanced managerial experience. It contributes to the creation of new jobs, the improvement of the skills of the workforce and the increase of the efficiency and productivity of local enterprises, thus generating a positive effect on the competitiveness of the national economy.

Investment activity plays a special role in the process of creating and renewing fixed assets through the construction of new objects, expansion, renovation or technical re-equipment of enterprises and objects in operation. Investment policy establishes the priority directions of the economy, ensuring the most substantial increase in the volume of production and gross domestic product.

Economic development involves a set of quantitative, structural and qualitative transformations, both in the economy and in scientific research, in the mechanisms and organizational structures, in the organizational culture

Economic development is associated with sustainable development, within which the essential criterion becomes ensuring equal opportunities for generations that coexist and succeed each other to life on the planet, so that there is compatibility between the economic, socio-human, ecological effects, to combine harmoniously with social justice and democracy, both nationally and globally.

Financial equilibrium is one of the possible manifestations of the financial stability of the enterprise, which provides a guaranteed solvency in the long term operation of the enterprise.

The ability of an enterprise to timely finance its current activities, including in conditions of unforeseen shocks (unstable economic situation in the country, consequences of Covid 19, etc.), determines its degree of financial stability. To ensure the long-term development of the enterprise in the future on the basis of expanded production, it is necessary to continuously maintain a stable financial condition.

Issues of assessment of financial stability of enterprises are relevant at any stage of development of an economic entity, as in the process of implementation of economic and financial activities there is a constant circulation of capital.

Material and method

The methodological approach of this study is based on a combination of quantitative and qualitative research methods, ensuring both analytical depth and empirical accuracy in examining the dynamics of foreign direct investments (FDI) in the Republic of Moldova.

The research process followed several stages: identification of relevant theoretical frameworks, collection and systematization of statistical data, comparative and structural analysis, and interpretation of results within the context of sustainable economic development. The analysis was grounded on official data provided by the National Bank of Moldova, the National Bureau of Statistics, the Foreign Investors Association, and the European Commission, complemented by relevant scientific articles and policy reports.

The study applied comparative, structural, and trend analysis to assess the evolution, composition, and distribution of FDI by sector and country of origin. Linear regression and graphical representations were used to identify correlations and forecast future developments based on historical patterns. All figures were constructed using verified datasets, with 2025 values estimated through linear extrapolation.

The research integrates both statistical interpretation and theoretical perspectives to highlight the dual role of FDI—as a source of capital inflow and a catalyst of economic modernization. This methodological design ensures analytical accuracy and supports the evaluation of FDI's contribution to Moldova's sustainable development and competitiveness.

Results and discussions

The empirical findings presented in this section highlight the main tendencies and structural transformations of FDI in the Republic of Moldova over the last years. Based on official statistical data and analytical processing of indicators, the results reveal both quantitative growth and qualitative changes in the composition of investment flows.

The analysis focuses on the dynamics of total FDI inflows, their distribution by economic sectors, and the geographical structure of investing countries. Through this multifaceted perspective, the research identifies the principal factors driving the increase of foreign capital, the emerging areas of investment concentration, and the regional shifts reflecting Moldova's progressive integration into the European economic space.

The distribution reveals a high concentration of foreign capital originating from a limited number of European countries, reflecting both historical economic ties and regional integration trends.

The largest share belongs to Romania, which accounts for 30.1% of total FDI, confirming its leading role as Moldova's key strategic and economic partner. This dominance is driven by cross-border investments in banking, telecommunications, trade, and energy infrastructure, as well as by cultural and linguistic proximity that facilitates business cooperation.

The Netherlands ranks second, with 20.5%, largely due to its status as a European financial hub and intermediary for multinational companies operating across Central and Eastern Europe.

Cyprus contributes 13.3%, a share reflecting the use of its favorable tax regime and investment-friendly legal framework, often serving as a conduit for reinvested capital from other regions.

Switzerland follows with 10.8%, primarily channeling investments into high-value sectors such as finance, manufacturing, and technology.

Italy holds 9.6%, maintaining its traditional involvement through small and medium-sized enterprises in manufacturing and construction, while Germany contributes 7.2%, with a focus on automotive components, logistics, and renewable energy.

Overall, the data highlight a clear westward orientation of Moldova's investment structure, with the European Union as the dominant source of FDI inflows.

This composition underscores Moldova's increasing integration into the European economic space, while also emphasizing the need for continued diversification and the attraction of investors from high-technology and innovation-driven economies to ensure long-term sustainable development.

Conclusions

The conducted research confirms that FDI represents a decisive factor for the sustainable development of the Republic of Moldova, serving simultaneously as a source of capital, innovation, and structural modernization.

The results demonstrate that Moldova is undergoing a gradual transformation from a trade-oriented to a more diversified investment structure, with a significant rise in the share of the information technology sector, which is becoming one of the principal engines of growth.

This structural shift towards digital and service-based industries highlights the importance of innovation, skilled human capital, and institutional transparency as key determinants of future competitiveness.

At the same time, the geographical distribution of FDI, dominated by European Union countries such as Romania, the Netherlands, and Italy, reflects the strategic reorientation of Moldova's economy towards the European market. This integration into the EU economic space brings both opportunities and challenges, requiring coherent policies to strengthen the investment climate, ensure fair competition, and align local regulations with European standards.

The research also points to several risks associated with external dependence, including the concentration of capital in a few sectors and the vulnerability to external economic or geopolitical fluctuations. To minimize these risks, Moldova needs to pursue an active investment policy aimed at diversification, sustainable infrastructure development, and incentives for green and innovative industries.

Future research could deepen the analysis by applying econometric modeling to assess the elasticity of FDI with respect to policy reforms, innovation capacity, and labor market dynamics, thereby contributing to a more precise understanding of the mechanisms through which foreign investments stimulate inclusive and sustainable growth.