



THE IMPACT AND IMPORTANCE OF SMALL INDUSTRIAL ZONES ON THE COUNTRY'S INVESTMENT CLIMATE

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Abstract

The article analyzes the impact and economic significance of small industrial zones on the country's investment climate. It reveals the role of these zones in increasing production capacity, supporting the activities of business entities, and attracting foreign and local investments. It also highlights on a scientific basis that regional economic activity is increasing as a result of the favorable infrastructure, tax and customs privileges created through small industrial zones. The article examines the contribution of small industrial zones to socio-economic development based on an analytical approach.

Keywords: Small industrial zones, investment climate, entrepreneurship support, local production, economic development, infrastructure benefits.

Introduction

In today's globalization environment, creating a favorable investment environment has become one of the urgent issues in ensuring the economic competitiveness of countries. Attracting investments, in turn, is carried out through the formation of effective economic infrastructure, simplifying business conditions and supporting business entities. In this regard, small industrial zones (SIZ) have become of particular importance in the country's economy, serving as an important factor in increasing economic activity in the regions, creating new jobs and developing local production.

The provision of tax, customs, credit and financial incentives to small and medium-sized businesses through SIZs helps to expand their activities. The centralized organization of production infrastructure in such zones reduces costs



for investors and encourages their active participation. In addition, SIZs create an opportunity to reduce regional economic inequality, effectively use resources and increase export potential. This article analyzes the direct and indirect impact of small industrial zones on the country's investment climate, their economic and social significance, and puts forward practical proposals.

Review of literature on the topic

According to the research of K. Sekkat and M. Varoudakis, firms in special economic zones (SEZs) are more efficient, which ensures a more rational allocation of resources, naturally eliminating less efficient enterprises from the market [1].

The research of S.A. Frick, A. Rodríguez-Poselar emphasizes that large infrastructure projects, even for small industrial zones, can lead to mismanagement and debt accumulation, which threatens to erode the investment climate [2].

G. Valensisi, in his research, stated that industrial symbiosis (for example, the Kalundborg model in Denmark) can save resources, reduce waste and create an economically/socially sustainable investment climate through industrial linkages [3].

The work of foreign scholar D. Z. Zeng emphasizes that the launch of SEZs in China has contributed to the growth of jobs, investment volume, and the production segment, but it is necessary to pay attention to social and financial risks [4].

Research Methodology

To study the problem in the article, the methods of systematic analysis, scientific observation, analysis and synthesis, induction and deduction were widely used.

Analysis and discussion of results

This figure graphically depicts the key characteristics of Small Scale Industries (SSI). The figure has the term "Small Scale Industries (SSI)" at its center, linked to six key factors surrounding it. Below is a 20-line description of each aspect:

Ownership: Small scale industries are typically privately or family-owned. This ownership structure allows for quick decision-making and flexibility in approach. **Gestation Period:** These businesses have a short lead time, allowing them to start production within a short period of time. This sets them apart from larger industries. **Area of Operation:** They typically operate within a local or regional market. This helps to increase economic activity in the area where they are located. **Technology:** Small scale industries often use simple or semi-automated technology. This helps to reduce costs. **Resources:** They are organized on the basis of small capital, small labor, and simple equipment. Although resources are scarce, they are used efficiently. **Flexibility:** Small businesses can quickly adapt their activities to market demands. This allows them to be competitive in the production of new products or services.

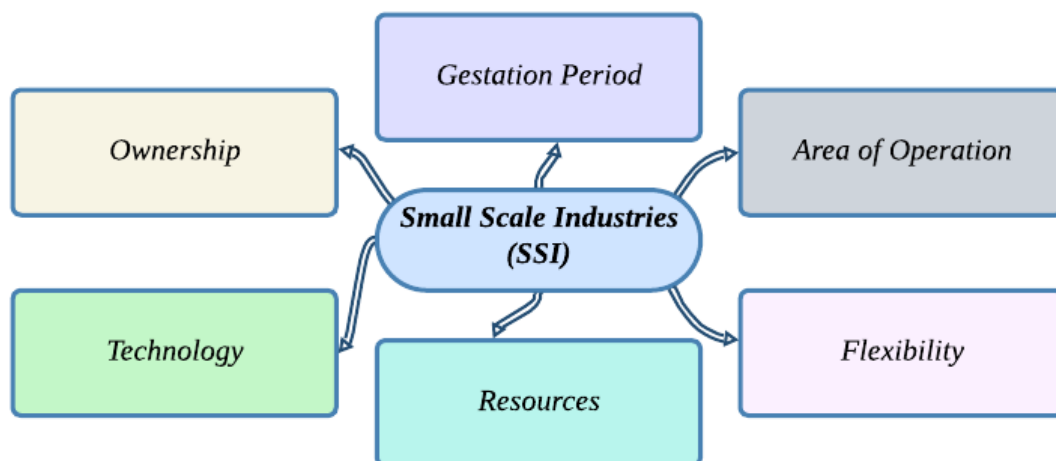


Figure 1. Economic importance of small industrial zones [5]

In conclusion, this figure visually shows the main characteristics of small industries. These factors — ownership form, resources, technologies, field of activity, lead time, and flexibility — directly affect the effective functioning of this industry. Small industries play an important role in creating employment, producing innovative products, and developing local economies in many countries.

Table 1



Information on the activities of small industrial zones in developed countries [6]

Country	Number of Zones	Main Sectors/Industries	Employment Figures
USA	1.3 million	Light manufacturing, warehousing, services	Over 2.2 million new jobs generated by SMEs in 2024
Japan	870 thousand	Manufacturing (accounts for ~15% of national employment), services	As of March 2024: 67.26 million people employed
China	1.9 million	SMEs, export processing, high-tech industries	Rural migrant labor: ~ 299.7 million ; urban unemployment: 5.1%
Singapore	350 thousand	Transport, logistics, IT, finance	Net employment growth: +44,500 in 2024; unemployment: 1.9%

As of 2024, small industrial zones (SIZs) and similar infrastructure have played a vital role in strengthening the economic base of developed and developing nations. Their influence is particularly visible in countries like the United States, Japan, China, and Singapore, where industrial clustering supports SMEs and fosters employment generation.

In the United States, there are approximately 1.3 million areas where small businesses are active, many of which operate within dedicated light industrial zones. These include manufacturing, warehousing, and service-oriented facilities. Small businesses contributed significantly to employment in 2024, generating over 2.2 million jobs. Industrial zoning in the U.S. is typically driven by private development, guided by municipal planning policies and economic incentives.

Japan, while lacking official data on distinct small industrial zones, hosts numerous industrial clusters that support small and medium-sized enterprises (SMEs). Manufacturing alone accounts for about 15% of total employment. As of March 2024, Japan's total workforce was recorded at approximately 67.26 million people. These zones, while not always labeled explicitly, contribute meaningfully to regional economic decentralization and innovation-led growth.

China, with a history of leveraging special economic zones (SEZs) as engines of growth, maintains around 232 such zones, many of which function as industrial hubs for SMEs and export-focused production. These zones vary in scale, with



some operating at a more localized level that aligns with the concept of SIZs. In 2024, China reported 299.7 million rural migrant workers actively engaged in various sectors, and urban unemployment stood at 5.1%, reflecting broad industrial participation.

In Singapore, although there is no explicit count of SIZs, the government has designated business parks and industrial estates, often focused on high-value industries such as IT, logistics, transportation, and finance. Employment trends in 2024 remained positive, with a net growth of 44,500 jobs and a low unemployment rate of 1.9%. Singapore's strategic land-use planning ensures optimal space allocation for small and medium enterprises to flourish in well-connected zones.

Across these countries, SIZs—whether formally named or functionally defined—continue to serve as catalysts for economic diversification, investment attraction, and job creation. They provide a structured environment where businesses can access infrastructure, government support, and skilled labor. Furthermore, these zones reflect each nation's approach to regional development, industrial policy, and global competitiveness.

The diversity in zoning models shows that while some countries like China rely on centralized planning and state-supported SEZs, others like the U.S. and Singapore encourage private-public partnerships and infrastructure-led strategies. In all cases, small industrial zones contribute to balancing urban-rural economic gaps and enabling sustainable industrial growth.

Conclusion and Suggestions

Small industrial zones (SIZ) are one of the important factors of economic development and play a major role in ensuring industrial diversification in countries. Through them, production volumes increase, new jobs are created, and local raw materials are effectively used. SIZs create a favorable environment, especially for small and medium-sized enterprises, allowing them to introduce innovations. These zones provide employment and increase the flow of domestic and foreign investments. Their development strengthens socio-economic equality and reduces regional disparities. They also increase entrepreneurial activity. However, infrastructure, technological gaps, and financing issues are among the



main obstacles. Therefore, public policy and private sector cooperation are important in their development. In general, SIZs have the potential to become a sustainable engine of economic growth.

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