

-RESEARCH ARTICLE-

PRIVATE INVESTMENT AND ECONOMIC RECESSION IN PERU: A SYSTEMATIC REVIEW

Felipe Rafael Valle Díaz

José María Arguedas National University
ORCID: <https://orcid.org/0000-0003-0855-9688>
Email: fvalle@unajma.edu.pe

Fernando Eduardo Cano Legua

San Luis Gonzaga National University
ORCID: <https://orcid.org/0000-0002-6881-4313>
Email: fcano@unica.edu.pe

Rosa Luz Galindo Pasache

San Luis Gonzaga National University
ORCID: <https://orcid.org/0000-0001-8696-5185>
Email: rosa.galindo@unica.edu.pe

Hans Ciovanni Quispe Arcos

San Luis Gonzaga National University
ORCID: <https://orcid.org/0000-0002-7002-5479>
Email: hans.quispe@unica.edu.pe

Nieves Sandra Cuadros Luna

San Luis Gonzaga National University
ORCID: <https://orcid.org/0000-0002-5133-4962>
Email: nieves.cuadros@unica.edu.pe

Cesar Augusto Ediberto Levano Salazar

San Luis Gonzaga National University
ORCID: <https://orcid.org/0000-0002-5922-1305>
Email: cesar.levano@unica.edu.pe

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—Abstract—

Aim: This study aimed to assess the key factors contributing to the decline in private investment in Peru and to explore the impact of the country's economic recession. **Methods:** A mixed-methods approach with a non-experimental design was employed, adhering to PRISMA guidelines for the article review. The selected articles, published between 2015 and 2023, were sourced from journals indexed in SCIELO, Web of Science, and Scopus. Data were gathered from the Central Reserve Bank of Peru (BCRP) and the National Institute of Statistics and Informatics (INEI). **Results:** The findings revealed a significant decline in private investment in Peru over the past six years. Factors contributing to this decline include political instability, diminished business confidence, challenges in the ease of doing business, social unrest, and institutional and organisational instability. This contraction in private investment has exacerbated the economic recession, resulting in detrimental effects on economic growth and employment figures. **Practical Implications:** For Peru's economic recovery, the establishment of stable political institutions and robust economic foundations is crucial to restoring business confidence, which is essential for stimulating private investment growth. **Originality/Value:** This review integrates literature examining the impact of private investment on economic recessions in Peru, while identifying research gaps and proposing that future studies focus on the regional dynamics between public investment and economic growth.

Keywords: Growth; Institutional Weakness; Employment; Uncertainty; Political Instability

INTRODUCTION

The Peruvian economy has seen sustained growth from 2004 to 2019, with an average annual rate of 3.8% over the past 27 years. For more than 17 years, Peru successfully diversified its trade balance, thanks to the economic reforms of the 1990s and the free trade agreements formalised from the early 2000s. These measures allowed Peruvian products to reach not only traditional trade partners but also new partners in emerging economies, leading to periods of positive trade balances and reserve accumulation. Additionally, the poverty rate, which stood at 59% in 2004, had decreased by 20% by 2019 (Ari & Koc, 2020; Desalegn et al., 2022).

Reflecting on past events, the 2009 financial crisis was less severe than the crisis of 2020, which was exacerbated by the COVID-19 pandemic and the economic rebound in 2023, which closed in a deficit (Dang et al., 2020; Menguy, 2025). The country faced over four consecutive periods of recession in national production, and rescue measures in various sectors did not fully achieve their objectives (Ocolişanu et al., 2022). Furthermore, under the leadership of recent presidents, from Pedro Pablo Kuczynski to

Pedro Castillo, the Peruvian economy had to reverse severe poverty. While extreme poverty was gradually reduced, monetary poverty persists, compounded by dependence on natural resources for fiscal revenue, increasing insecurity, corruption, political instability, and uncertainty due to shifting power at both national and subnational levels, with Congress exerting disproportionate influence (Dugal & Tiwari, 2024).

In 2023, the country witnessed a decline in national production and a contraction in private employment, attributed to the adoption of new technologies by businesses following lessons learned from the pandemic. There was also a contraction in domestic demand as a result of consumers focusing on essential goods, and a shrinking labour market, all of which, combined with the lingering effects of health measures aimed at curbing COVID-19, reshaped national consumption behaviours, business processes, and production. This was further compounded by a drop in private investment and climatic events (Čermáková et al., 2021; Guerra et al., 2022).

Despite concerns about the deterioration of private investment in Peru, it is crucial to conduct studies that thoroughly investigate the causes and consequences of this phenomenon, along with its impact on the economic recession (Semenya & Ogujiuba, 2024). Consequently, this review sought to identify and highlight the root causes and impacts of the decline in private investment in Peru. The study also aimed to assess how investment influences economic recessions. The literature reviewed in this study consisted of articles published between 2015 and 2023, sourced from well-regarded databases such as SCIELO, Web of Science, and Scopus-indexed journals. These articles focused on private investments and economic recessions, specifically within the context of Peru. Additionally, data from the BCRP, the INEI, and the Peruvian Ministry of Economy and Finance were analysed to evaluate the role of private investment and its evolution, as well as its impact on the Peruvian economy in recent years (Ofosu-Mensah Ababio et al., 2022).

The theoretical contributions of authors such as Acemoglu and Robinson were pivotal in shaping the foundations of this study. They argue that political and economic institutions and policies are fundamental drivers of private investment, which, in turn, leads to economic development. Stiglitz's work further emphasises the importance of infrastructure investment in fostering economic growth. Rodrik's analysis also links direct foreign investment with economic growth. This study also draws on recent analyses, including significant work by (Naeher & Narayanan, 2023), which highlights the importance of public investment in stimulating economic growth in Peru. Similar studies have examined the impact of managing public investment and its direct effect on reducing poverty in various regions of Peru. Based on the identified gaps in the literature, further research is needed to explore the roles of both public and private investments in influencing economic growth, particularly in regions such as Cusco, Ica, and Arequipa. Additionally, there is an urgent need to investigate the legal gaps related to the management and regulation of investments. A recent study also discussed how

improved management of these regulations would contribute to economic growth and help mitigate financial instability in Peru (Zhang et al., 2022).

METHODS

Application of the PRISMA Method for Systematic Review

The PRISMA method (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) will be employed, which is a procedural protocol designed to facilitate systematic reviews and meta-analyses in a transparent and rigorous manner. This method involves several stages, including identification, screening, eligibility assessment, and inclusion of studies, all following pre-established guidelines to ensure the quality and reproducibility of the process (Lu et al., 2022). The literature selection process begins by searching indexed and specialised databases, using specific variables and keywords in search engines. The search is repeated until all relevant scientific production matches are identified for each database. The platforms utilised include Research Rabbit, Open Knowledge Maps, Elsevier, and Web of Science (WOS); however, relevant files were also found. Furthermore, additional files and statistics were located on the websites and repositories of institutions connected to the economic sector, such as the Ministry of Economy and Finance, the Central Reserve Bank of Peru, and the National Institute of Statistics and Informatics of Peru.

Research Questions for the Systematic Review

The systematic review model for this research is centred around the following five questions, which will guide the research process:

1. What are the causes of the deterioration of private investment in Peru over the last 20 years?
2. How has the decline in private investment impacted Peru's economic recession?
3. What are the consequences of the decline in private investment for job creation in the country?
4. What role have political, social, and climatic factors played in the decline of private investment in Peru?
5. What measures and policies could help reverse the decline in private investment and promote economic recovery in Peru? S

Research Approach, Type and Design

The approach of this review will be mixed (quantitative and qualitative), as it aims to analyse both numerical data related to private investment and economic recession, as well as qualitative studies that explore the causes and consequences of these phenomena (Dzhikiya et al., 2023). The mixed approach will enable the separate analysis of quantitative and qualitative data, which will then be compared, with incidences and similarities regarding economic facts identified. The research type is documentary, as

it will involve the collection and analysis of information from statistics, reports, and existing scientific articles or journals. The research design is non-experimental, as no variables will be manipulated. It will examine phenomena and facts captured in previously published information, which will be corrected and adjusted but cannot be altered thereafter (Gilligan & Scholes, 2020). The design supporting the mixed approach will be concurrent triangulation.

Search Strategies

An exhaustive database search will be undertaken, employing preferred search terms related to keywords such as "private investment," "economic recession," "Peru," and other indirect terms like "causes of recession," "consequences of recession," among others. Additionally, data from the BCRP and the INEI will be utilised to supplement the analysis of the evolution of private investment and the Peruvian economy over the past 25 years.

RESULTS

This section is supported by statistical data and analysis from specialists at the following institutions: the National Institute of Statistics and Informatics of Peru, the United Nations Development Programme, the Economic Commission for Latin America, and the World Bank (Boz & Tesar, 2018).

What are the causes of the deterioration of private investment in Peru over the last 20 years?

Multiple studies identify a range of factors contributing to the decline in private investment in Peru in recent years. To provide context, we begin by reviewing the trend in private gross fixed capital formation over the past two decades. Subsequently, we highlight the key causes that have influenced the reduction in private investment in Peru. From 2000 to 2022, gross private fixed capital formation exhibited a moderate growth trend during the early years of the 21st century, with a notable dip in 2009 due to the financial crisis or real estate bubble. Between 2010 and 2014, growth accelerated, shifting from moderate to strong. However, in 2015, a decline began, followed by a period of slow growth from 2016 to 2019. In 2020, the economy entered a recession, before experiencing a rebound in 2021 and a return to moderate growth in 2022 (Figure 1). The linear regression model for this data is represented by the equation $Y = 3904.4x + 22667$, with an R-squared value of 85.31%, indicating a strong fit to the data. This model forecasts the following growth for Gross Private Fixed Capital Formation: S/. 115,858.61 million for 2023, S/. 119,701.29 million for 2024, S/. 123,543.97 million for 2025, and S/. 127,386.65 million for 2026.

Gross Public and Private Fixed Capital Formation (2000–2022)
Millions of Soles at Constant 2007 Prices

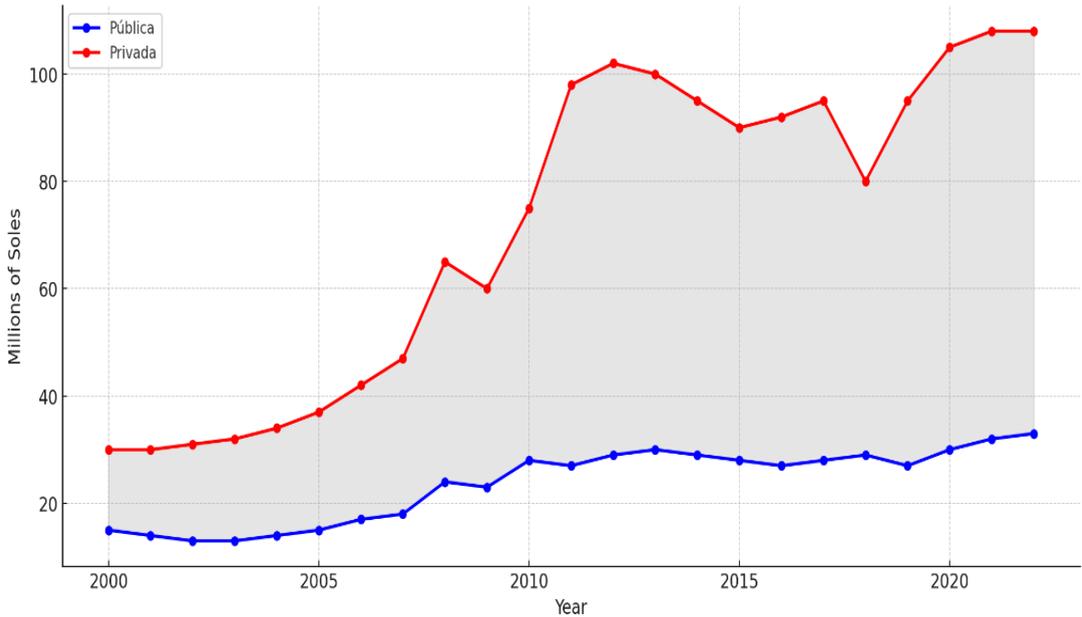


Figure 1: Gross Public and Private Fixed Capital Formation from 2000 to 2022 in Millions of Soles (At Constant 2007 Prices)

Gross private fixed capital formation exhibited strong growth in 2002 and 2003, with rates fluctuating between 1.6% and 5.6%. Despite negative growth in 2000 and 2001, at -1.3% and -3.2%, respectively, private investment surged in 2004, peaking at 26.5% in 2008 (Figure 2). This growth was largely driven by foreign demand, particularly from China and other key trading partners. However, the financial crisis of 2009 led to a contraction of -11.0%. In the aftermath of the 2009 crisis, private investment rebounded sharply, buoyed by fiscal and monetary policies, with a growth rate of 23.7% in 2010. However, this was followed by two consecutive years of decline, with rates of -16.6% and -13.7%, worsening the sector's recession, and the growth rate reached just 3.6% in 2013. From 2014 to 2016, the sector continued to experience negative growth, with rates ranging from -2.9% to -7.6%. A gradual recovery occurred from 2017 to 2019, with average annual growth rates of 2.9%, 4.2%, and 3.9%, respectively. In 2020, the sector contracted at a rate of -15.1%, a decline deeper than that observed during the 2009 crisis. However, a strong recovery followed in 2021, driven by fiscal recovery packages, with growth reaching 34.5%. This was followed by a slowdown, with rates remaining no higher than 10% in 2022.

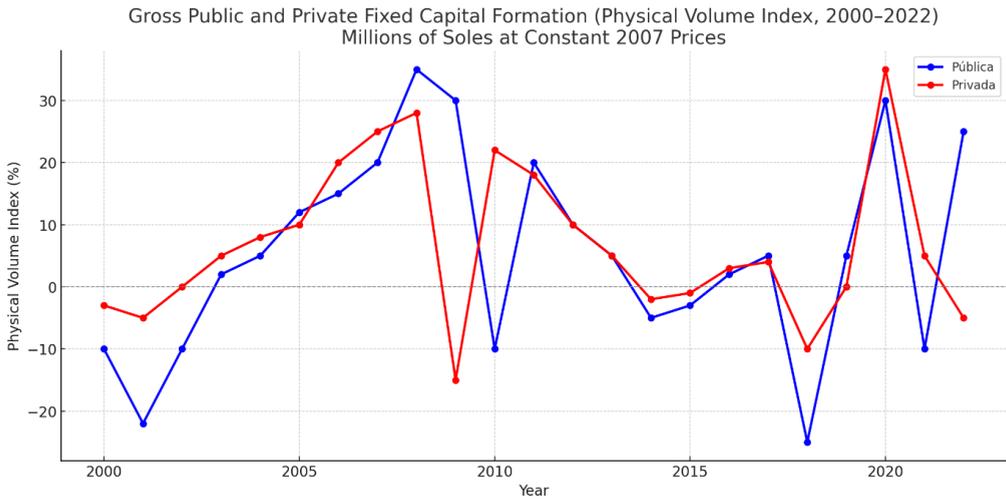


Figure 2: Gross Public and Private Fixed Capital Formation, Physical Volume Index Period 2000 to 2022 in Millions of Soles (At Constant 2007 Prices)

Gross private fixed capital formation in the construction sector experienced moderate to strong growth from 2000 to 2011, with rates fluctuating, peaking at 10.00% in 2011. However, negative growth was prominent in 1998 and 1999, reaching -8.6% (Figure 3). The initial growth surge was followed by a setback in 2002, with a slight recovery in 2004, maintaining the same growth rate until 2006, when it peaked at 19.7%. This growth was driven by increasing external demand, which injected capital and spending into the construction sector. A slowdown occurred in 2007, followed by a recovery in private investment in construction in 2008, which rose above 10.3%. However, in 2009 and 2010, the financial crisis led to a contraction of -9.2% in private investment in the construction sector.

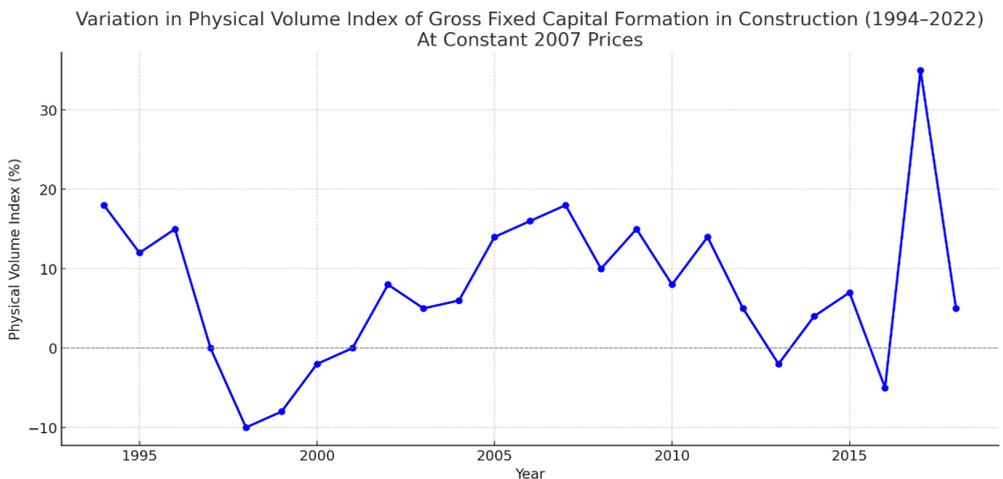


Figure 3: Variation in the Physical Volume Index of Gross Fixed Capital Formation, Construction Sector, Period 2000 to 2022 (At Constant 2007 Prices)

Two years after the 2009 crisis, there was moderate growth supported by fiscal measures. However, this did not fully reverse the medium-term impact, and the sector's slowdown and recession persisted from 2012 to 2015, despite signs of recovery in 2015. Although the sector showed signs of recovery in 2017, it experienced further decline in 2018 and 2019, again falling into negative growth. The fiscal stimulus in 2020, despite being paradoxical, was supported by measures aimed at reactivating the economy. This allowed for a historically positive variation of over 30%, but the lack of sustained fiscal measures and poor economic performance in the construction sector led to a return to negative growth. Upon reviewing the statistical figures on public and private Gross Fixed Capital Formation, the first question is addressed by identifying the causes of the deterioration in private investment over the past 25 years.

- a) **Political Uncertainty:** The extreme political instability from 2016 onwards, characterised by consecutive changes in government every few years, hindered the consolidation of national governance. This lack of continuity in leadership prevented the development of long-term strategic goals, leaving vulnerable segments of the population behind and creating an environment where private investment was deterred.
- b) **Economic Instability:** Both external and internal investors lacked confidence in placing and maintaining capital due to the high risks associated with investment recovery, which were linked to unstable and declining GDP growth. Furthermore, business confidence suffered as a result of economic insecurity, which undermined efforts to stimulate sustained financial and economic growth.
- c) **Climatic Events:** Unpredictable climatic events that affected sowing and harvesting seasons in the agricultural export sector, particularly in the Andean region, had a detrimental impact. These events often destroyed crops and caused shortages, leading to the conversion of cultivable areas into regions unsuitable for farming, which further strained economic activities and investments.
- d) **Corruption:** Over the past two decades, corruption has been a significant factor affecting investment. High-profile judicial cases, particularly those involving former presidents and sub-national government officials, have exposed widespread corruption. The actions of the Comptroller General's office, which investigated and sentenced numerous local government officials, have contributed to a climate of distrust, discouraging both domestic and foreign investment.
- e) **Infrastructure Deficiencies:** Despite political decisions and sovereign bond placements aimed at financing public investment, the infrastructure gap remains substantial. Social infrastructure deficiencies are expected to take up to 30 years to close, making it difficult to accommodate the rapidly growing population. This lack of adequate infrastructure further limits the development of the private investment environment.
- f) **Lack of Political Consensus:** The absence of sustained political agreements, exacerbated by power struggles and opposition efforts to destabilise the

government, weakened national institutions. This lack of political cohesion delayed key decisions on investment financing and budget allocation, which contributed to the contraction of private investment.

How has the decline in private investment impacted Peru's economic recession?

The decline in private investment has had a significant impact on Peru's economic recession. According to the Central Reserve Bank of Peru (BCRP), private investment is projected to fall by 7.3% in 2023, marking the largest contraction in the past 15 years. This trend is reflected in several key sectors:

- a) **Construction Sector:** The construction sector, which saw a sharp recession starting in mid-2020 with a decline rate of 30.0, is expected to remain below 10.0 until 2022.
- b) **Machinery and Equipment Sector:** In the national context, this sector has experienced a steady decline, with investment dropping from 20.0% in 1995 to 9.0% in 2022.
- c) **Imported Goods:** The imported goods sector also saw fluctuations, with a decline from 19.0% in 1995 to 15.0% in 2002, followed by growth periods above 30.0% in 2008, 2010, and 2011. However, this was followed by a steady decrease, reaching 25.0% by 2022.

Imports at FOB prices show the following trends:

- a) **Construction Materials:** These imports remained stable at 1.9 billion soles.
- b) **Agricultural Equipment and Inputs:** Imports in this category remained constant with a rate of change at 0.00.
- c) **Transportation Equipment:** Imports fluctuated, peaking at 4 billion soles in 2012 and 2013, before declining to 38 billion soles.
- d) **Industry Imports:** From 2010 to 2013, industry-related imports surged, reaching 8 billion soles before stabilising at 9 billion soles by 2022.

This contraction in private investment has had a direct negative effect on job creation and the production of goods and services, contributing significantly to the ongoing economic recession. Over the past 25 years (1995–2019), the Peruvian economy grew at an average annual rate of 4.5%. From 2015 to 2019, the country experienced a slower expansion, with an average annual growth rate of 3.2%, yet still remained one of the most dynamic economies in Latin America.

Private investment in Peru has seen a significant decline, despite the introduction of favourable measures for the mining sector, such as investment contracts and fiscal support initiatives in response to the COVID-19 pandemic. However, political and social instability has hindered the importation of necessary facilities and equipment, disrupted production flows, and worsened tax collection (Figure 4). These challenges have fostered investor mistrust and fear, compounding the difficulties. Between 2017

and 2022, the situation worsened, resulting in production shutdowns in the mining sector. Although the export sector was less severely impacted, due to its need to comply with health measures to mitigate the spread of the virus, it still experienced setbacks. Both sectors have negatively affected fiscal revenues, while the decline in transaction volumes and remittances from Peruvians abroad to their families has further contributed to the country's economic recession and deepened the crisis in the mining sector.

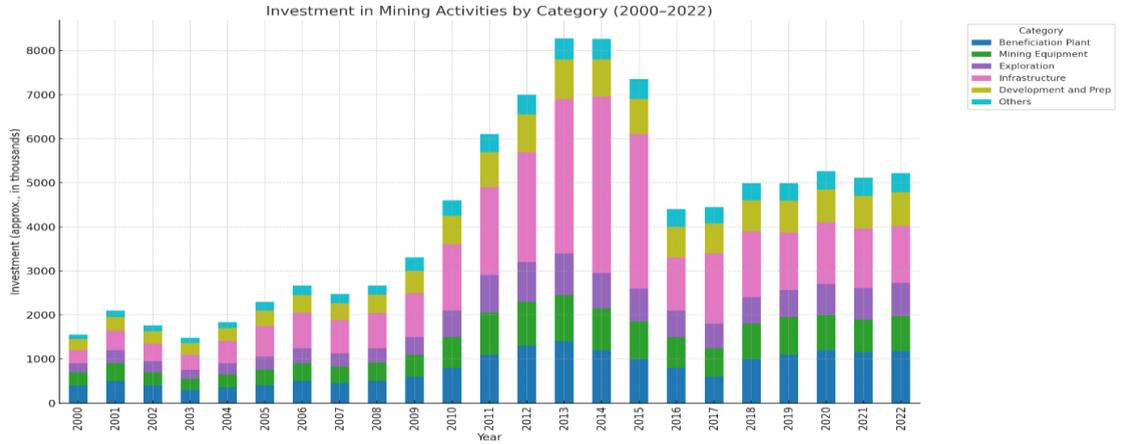


Figure 4: Mining Investment by Sector in Thousands of US Dollars, Period 2000 to 2022 (At Constant 2007 Prices)

In Peru, private investment constitutes 80% of total investment, while public investment represents 20% (Figure 5). These figures highlight the significant role that the business sector plays in sustaining investment. Political instability and rising insecurity, including issues such as extortion and robbery, create an environment that is unfavourable for the private sector. As a result, private investment is discouraged, which contributes to a decline in gross fixed capital formation.

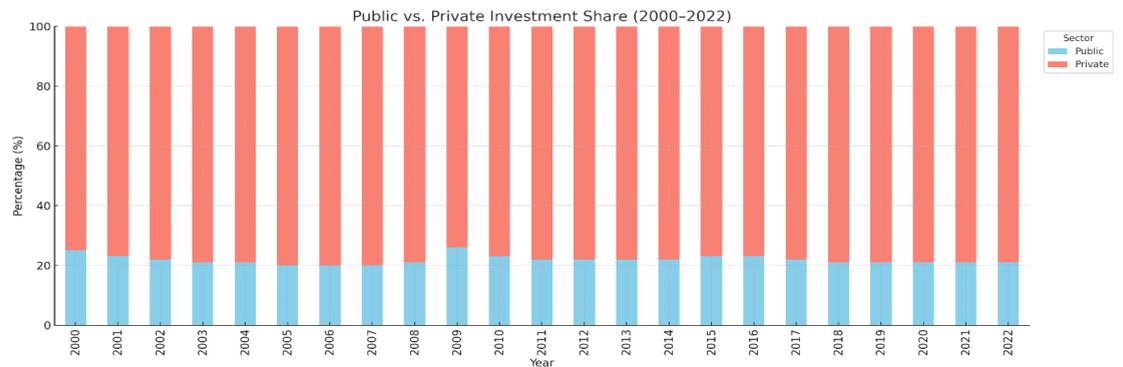


Figure 5: Structure of Public and Private Gross Fixed Capital Formation, Period 2000 to 2022 (At Constant 2007 Prices)

The annual growth rate of Gross Fixed Capital Formation in Peru between 2001 and 2022 exhibited significant fluctuations (Figure 6), largely influenced by fiscal and trade

policy decisions. From 2004 to 2007, the rate increased from 8.6% to 30.0%, before experiencing a sharp decline of -20.0% between 2008 and 2009. A rebound followed from late 2009 to early 2010, with growth surpassing 36.0%, but this was followed by a progressive decline until 2015, reaching -0.6%. This downturn was driven by political destabilisation and a slowdown in external demand, particularly from China and emerging Asian economies. A recovery occurred in 2016 and 2017, supported by renewed investor confidence after Pedro Pablo Kuczynski assumed the presidency. However, political instability re-emerged, generating uncertainty and prompting a contraction in investment from late 2018 through 2020, exacerbated by the severe impact of the COVID-19 pandemic.

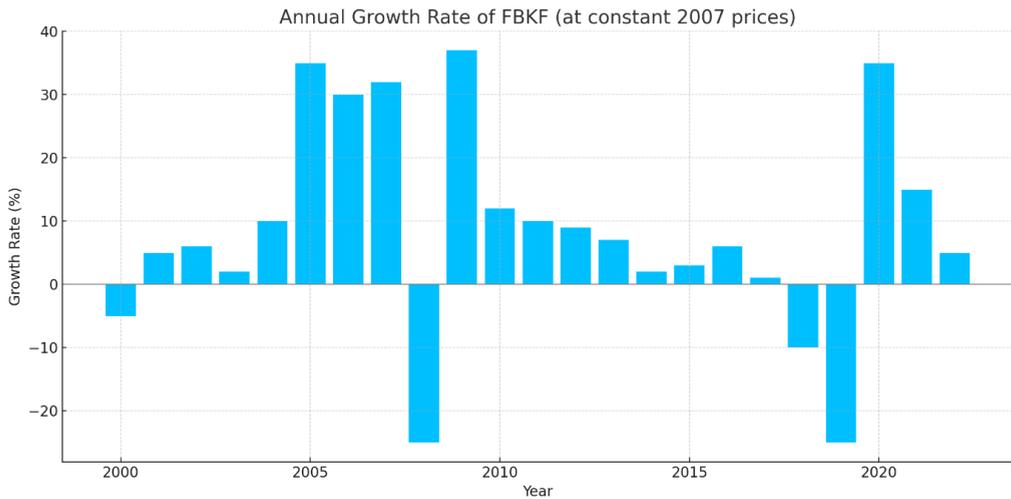


Figure 6: Annual growth rate of Gross Fixed Capital Formation, period 2000 to 2022 (at constant 2007 prices)

What are the consequences of the decline in private investment for job creation in the country?

The contraction in private investment has adversely affected job creation in Peru. Data from the National Institute of Statistics and Informatics (INEI) indicate that the national unemployment rate rose to 9.1% in 2023. This decline in private investment has particularly impacted key productive sectors such as construction and manufacturing, both of which are traditionally significant sources of employment. Peru's unemployment rate showed a downward trend from 2007 to 2012, supported by increased external demand—particularly from China—which boosted exports and stimulated labour market growth (Figure 7). Between 2013 and 2015, the rate stabilised at approximately 4.4%. However, beginning in 2016, the unemployment rate gradually increased by around 0.2 to 0.3 percentage points annually, continuing this trend until 2019. In 2020, due to restrictive health measures implemented to contain the spread of COVID-19, unemployment peaked at 9.4%, significantly worsening labour market

conditions. Although fiscal and financial support measures were introduced between late 2020 and 2022, these efforts only achieved a 3.0% reduction in unemployment. As of 2023, the national unemployment rate remains around 6%.

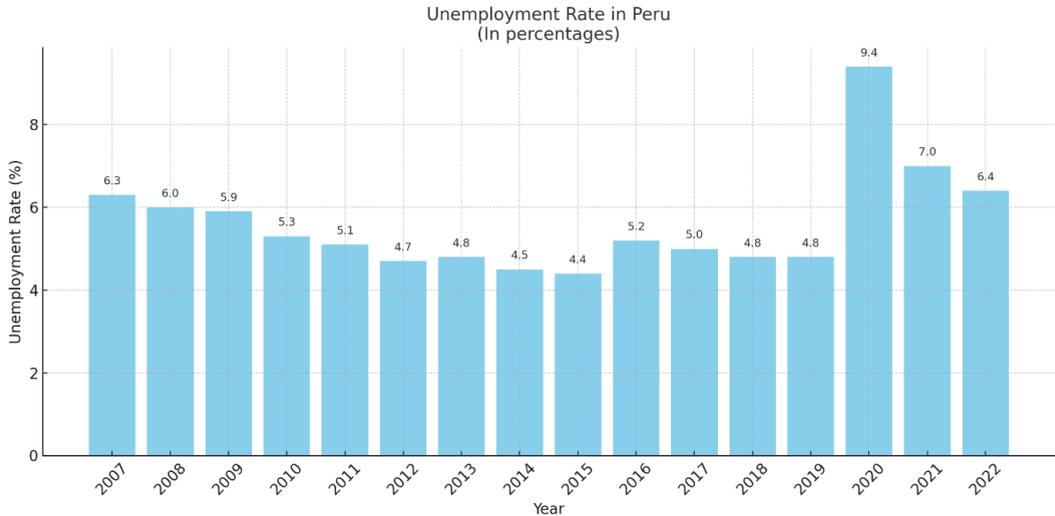


Figure 7: Unemployment Rate in Peru, Period 2007 to 2022 (In Percentages)

What role have political, social, and climatic factors played in the decline of private investment in Peru?

Climate, political, and social factors have significantly contributed to the decline in private investment in Peru. Climatic disruptions have interfered with commercial and productive logistics, leading to weakened financial markets due to unfulfilled contractual obligations. These conditions have especially burdened sectors such as mining, energy, and industry, where social demands and unrest have further slowed production capacity and heightened risks associated with logistical and financial commitments. Additionally, natural disasters have adversely impacted private investment, particularly in agriculture and infrastructure. On the political front, recurrent changes in government have disrupted the continuity of governance, preventing the establishment of stable policy frameworks. The absence of consensus among interest groups pursuing political influence has intensified uncertainty, while mistrust towards public administrators—especially concerning public safety and fiscal management—has elevated country risk. Social factors have also played a critical role, with both ongoing and potential protests and conflicts negatively affecting private investment, particularly in the mining and construction sectors.

What measures and policies could help reverse the decline in private investment and promote economic recovery in Peru?

To reverse the decline in private investment and stimulate economic recovery in Peru, a multi-faceted approach is essential. Key measures include the adoption of sound fiscal and monetary policies to ensure macroeconomic stability, along with significant investments in infrastructure to close structural gaps and enhance productivity. Combating corruption through transparent governance and effective legal mechanisms is also critical to restoring public trust.

DISCUSSION

The findings of this systematic review align with various studies that highlight the decline in private investment as one of the principal causes of Peru's economic recession over the past six years. Additionally, the reduction in private investment has adversely impacted employment generation and the production of goods and services (Unni, 2023). However, the persistent corruption among public officials—intensifying over the past two decades—remains unresolved. The corruption reports issued by the Comptroller General of the Republic of Peru continue to rise annually, with limited prospects for reversal. Peru has experienced a decline in domestic production as a result of climatic events, which have disrupted agricultural exports, led to the destruction of arable land, intensified shortages in the Andean regions, and forced a return to unsuitable crop types. Furthermore, deficiencies in social infrastructure have prevented the closure of structural gaps, with little expectation of bridging them in the medium or long term. The contraction in private employment, partly driven by entrepreneurs' adoption of new technologies learned during the pandemic, has limited the recovery of sectors such as tourism, commerce, and transport—each suffering from a depletion of human capital.

The consequences of declining production and rising unemployment have contributed to increased mistrust among both domestic and foreign investors. This distrust is rooted in the heightened risk of capital recovery, given the country's unstable and slowing GDP growth. This phenomenon is evident in statistical indicators showing a contraction in domestic demand, as households increasingly prioritise essential consumption amid limited job opportunities. These effects have been further exacerbated by the restrictive public health measures introduced to curb the spread of COVID-19 (Silva, 2020). Another contributing factor is political disparity and internal conflict, which have resulted in governmental imbalance over the past seven years. This instability has obstructed the formulation and implementation of national and sectoral strategic agendas, thereby exacerbating poverty among vulnerable population segments.

Consequently, disparities in addressing basic needs have widened, and efforts to enhance purchasing power have stagnated. Additionally, the slight increase in country

risk—stemming from political instability—has undermined business confidence regarding the certainty of investment recovery within projected timeframes, as well as the consolidation of financial and economic stability in the stock market. This has led to a paralysis in consumer behaviour nationwide and prompted shifts in business processes and production systems. These issues, alongside the decline in private investment and climate-related events, constitute the core of the present discussion (Ribaj & Mexhuani, 2021).

Nevertheless, this study has certain limitations. Firstly, the literature review was conducted using peer-reviewed scientific articles, bulletins, and specialised reports accessed through databases such as Scielo, WOS, and Scopus, along with institutional sources. This approach may have inadvertently excluded potentially relevant materials from non-peer-reviewed platforms such as blogs or informal applications. Secondly, the analysis was limited to private investment, omitting other critical elements that may also have influenced the economic downturn in Peru, including public insecurity, social fragmentation, and instability. In light of these limitations, future research should adopt a broader scope that incorporates political, social, and climatic dimensions to enhance understanding of the recession's underlying drivers. Moreover, further exploration of the mechanisms governing private investment and its relationship with economic contraction is warranted (Boundi-Chraki & Perrotini-Hernández, 2024). It is also imperative to identify and assess public policies that may foster private investment and support sustainable economic growth in Peru.

In recent years, economic growth, financial risk, and sustainable development have emerged as prominent subjects within both academic research and applied discourse. Khoruzhy et al. (2022) advocate for programme-targeted strategies to manage financial risks associated with sustainable development, emphasising the critical role of CSR. Their findings suggest that integrating CSR with financial risk management mechanisms enhances organisational resilience and ensures the continuity of sustainable operations, thereby fostering macroeconomic stability. Abdulkarim (2023), through a systematic review focused on Nigeria, investigates the relationship between investment indicators and economic growth. The findings underscore the necessity for a nuanced and multidimensional understanding of various investment determinants in order to formulate effective economic policy. Similarly, Zheng et al. (2020) explore the operation of healthcare financing during periods of economic downturn, analysing the burden of out-of-pocket expenditures borne by patients. Their research highlights the significant public health challenges exacerbated by economic recessions, thereby reinforcing the importance of policy interventions that not only address healthcare accessibility but also support long-term economic resilience.

Fisseha (2023) employ a Panel ARDL approach to examine the interconnections between economic growth, FDI, and ODA. Their study reveals that FDI serves as a vital catalyst for economic expansion, particularly when complemented by ODA. This

dynamic illustrates how foreign investment aligned with developmental objectives can promote sustainable growth and mitigate financial vulnerabilities, in accordance with the strategic principles outlined by [Khoruzhy et al. \(2022\)](#). Furthermore, [Cicceri et al. \(2020\)](#) demonstrate the potential of machine learning applications to improve recession forecasting. Their research suggests that advanced analytical tools can significantly enhance both financial risk mitigation and macroeconomic predictive accuracy, thereby reinforcing the broader sustainable development agenda. The synthesis of financial policy, healthcare economics, investment dynamics, and analytical innovation offers a comprehensive framework for promoting economic sustainability. A deeper understanding of these interconnected dimensions can empower policymakers to respond more effectively to the multifaceted challenges of economic development and financial risk.

The analysis of economic growth alongside diverse investment strategies continues to attract scholarly and policy interest. [Sadiq et al. \(2021\)](#) demonstrate that foreign private investment significantly enhances economic development, with conducive investment environments serving as catalysts for attracting foreign capital. Innovation, supported by international investment, plays a crucial role in national economic advancement. [Orjuela-Ramirez et al. \(2023\)](#) examine how firms employ innovation strategies under competitive pressure, finding that even dysfunctional competition can drive economic performance through innovation. [Harman et al. \(2025\)](#) focusing on Peruvian enterprises, explore the challenges of inclusive innovation in competitive markets, offering insights into how innovation can meet social goals and support equitable development.

[Dash \(2016\)](#) underscores the pivotal role of public investment in stimulating private investment, particularly in infrastructure, reinforcing the synergy between public and private sectors in promoting growth. [Neely and Carmichael \(2021\)](#) reveal that unregulated financial actors intensified inequality during the COVID-19 pandemic, highlighting the need for robust regulatory frameworks to shield vulnerable groups and ensure inclusive economic progress. Collectively, these studies link investment models, innovation, and economic development as mutually reinforcing elements of sustainable growth. This systematic review explored key barriers contributing to the decline in private investment in Peru, highlighting political instability, uncertainty, and the impacts of the COVID-19 pandemic. The findings indicate that such factors undermine investor confidence and correlate with job market dynamics and economic downturns. Notably, institutional disorganisation, frequent changes in government leadership—such as those involving Pedro Pablo Kuczynski and Pedro Castillo—and widespread corruption have deterred private capital inflows. Social unrest and insecurity further hinder business development, exacerbating economic stagnation.

Data from the Central Reserve Bank of Peru and the National Institute of Statistics and Informatics confirm that reduced private investment leads to decreased national

production and broader economic instability. This is significant given Peru's prior progress in poverty reduction and economic diversification since 2004. The review recommends reinforcing stable political institutions, enhancing legal and governance frameworks, and implementing transparent, consistent policies to restore investor confidence (Foroughi et al., 2022). It also suggests incentivising growth-oriented sectors, promoting public-private partnerships, and encouraging infrastructure and technological development through strategic state collaboration (Hilders et al., 2025).

This analysis underscores the need for a deeper understanding of how regional influences shape private investment patterns across Peru. Future research should explore the relationship between public investment and economic growth, considering both national and regional variations. Examining local economic disparities will offer valuable insights for designing tailored investment strategies that align with regional needs. Further investigations should assess the long-term impacts of declining private investment on societal factors, such as employment structures and poverty levels. Additionally, studying the effects of pandemic-induced technological shifts on labour markets would contribute to a better understanding of post-crisis economic transformations. The current challenges in private investment present opportunities for reform and revitalisation. To achieve sustainable economic development, Peru must address political and institutional issues through targeted economic policies and focused research efforts, fostering a resilient investment environment.

CONCLUSION

The study highlights that the decline in private investment in Peru has been a significant factor driving the economic recession in recent years. This systematic review identifies key causes of the deterioration in private investment, including political uncertainty, economic instability, loss of business confidence, climate events, corruption, and inadequate infrastructure. The decline in private investment has adversely impacted job creation and the production of goods and services, further exacerbating the economic recession. Future research should comprehensively explore the factors contributing to the economic downturn in Peru, with a detailed analysis of the causes and effects of the decline in private investment.

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