IMPACT OF INFORMATION TECHNOLOGIES ON SOCIAL CAPITAL AND FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

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Abstract: This article investigates the effects of new information communications and technology on the social capital and foreign direct investment. Creation of technology and its acceptance are some of the major processes in the development of country’s economy and social structure. It is known that FDI results in improvement in resources such as capital, managerial skills and technology and balance of payment as well as provides job opportunities for the local population. Information communications and technology is a necessary factor to develop a country’s capacity in all sectors of the economy. It links a country with the global economy and ensures competitiveness. Unlike in developed countries where there already exists a built up information communications and technology capacity which causes inflow of FDI, in developing countries, ICT capacity must be built up by attracting FDI. Across the world, developing countries are seeking to improve their ICT investments and benefit from anticipated increases in economic activity.

Keywords: Information Technology, Information Communications (ICT), Foreign Direct Investment (FDI), Social Capital

ITHEA Keywords: H. Information Systems, H.0 General, H.2 Database Management

Introduction

Social capital theory is more and more paid attention, it's become an important theory on explaining the difficult entrepreneurial development. Social capital refers to opportunities arising from the information of others, particularly those among a social network. Social capital improves access to info resulting in business opportunities, and at a similar time, it improves each the entrepreneurial chance identification method and recognition capabilities. Social capital provides access to resources helpful for entrepreneurship, like resource and funding. Social capital conjointly provides temporal arrangement benefits of self-employment and compensates shortfalls of human capital. Therefore, social capital seems to be crucial for early start-up success and property development. Social capital determines
attraction of FDI. It additionally ought to be noted that ICT is the technology used for communicating, however additionally storing, retrieving and packaging info, usually, the technology that we are concerning is laptop, telephone and network. ICT takes nice part in social and economic developing, in order that the link between social capital, FDI, economic process and ICT has been well established.

The Role of New Information Communications and Technology in Developing Social Capital

Social capital is also outlined as those resources inherent in social relations that facilitate collective action [Putnam, 1993]. Social capital resources embody trust [Paxton, 1999], norms, and networks of association representing any cluster that gathers systematically for a typical purpose [Svendsen, 2004]. A norm of a culture high in social capital is reciprocity, which inspires negotiation, pluralistic politics and encourages the formation of cross-cutting teams [Shepard, 1998].

Most of the analysis on social capital is conducted by either social, political, economic and organization man of science [Knack, 1997]. As a result, the vary of topics is broad and varies from the impact of social capital on individual career moves to industrial economic regions. It's therefore stunning to notice that though the introduction and acceptance of the idea of social capital in numerous educational disciplines has been important, the eye from the facet of knowledge technology analysis lacks so much behind [Ackerman, Pipek, & Wulf, 2003]. the subject has not gained comparable attention from students inquisitive about the planning of information technology in organizations or the society at giant. this is often on the one hand not stunning as we are handling rather completely different disciplines. though pc scientists have shown to become more and more receptive incorporate science analysis into their discipline and bench vise versa, cross-fertilization between the various analysis streams continues to be not commonplace practice. One the opposite hand, this restricted interest within the topic from the facet of IT students is stunning as understanding this relationship is turning into more and a lot of imperative in todays networked society. The expansion in attention in networks at intervals and between organizations makes analysis into the link between IT and social capital even a lot of necessary. Since social capital is about connected individuals, the question must be display if and the way social capital is influenced once these connections are supported by IT. concerning the event of IT, one needs to raise a way to style specific practicality to support social capital and the way to line up a style processes suitably. High levels of social capital, or pre-existing strong social networks, are seen to be successful think about establishing electronic based mostly networks [Barley, 1986]. At a similar time, the existence of IT creates networking infrastructure which inspires the formation of social capital [Fountain, 1997].
Connection between Foreign Direct Investment and Information and Communication Technology

Foreign direct investment (FDI) thought of as cross-borders investment created by the direct investor that has important control on the management, with a goal of creating a property enterprise. FDI is taken into account as an debatable issue that is promoted by the globe Bank and international fund (IMF) as an indicator for good investment, it's mirrored as a way of capital inflows for developing countries [Alfaro, 2003]. It directly contributes to capital stocks to attain growth through totally different channels. Additionally, investment in technology is important for any economy and technology transfer will be affected wide by FDI if the developing countries apply incorporate arrangements that drive this transfer the proper context [IRO, 2004]. Within the era that we have a tendency to live, FDI thought-about as an important issue for the economic process of nations, notably of developing countries, that's for several reasons as well as however not restricted to transfer of capital and technology. several studies in economic literature has analyzed the connection between FDI and economic growth [Alfaro, 2003]. In general, FDI cause capital density that it’s a control on labor productivity growth. From total productivity perspective, the study of Demir and Su in 2016 indicated that foreign investors face higher entry barriers and that they respond powerfully to total productivity levels within the past. Moreover, FDI affected negatively in producing sector concerning to labor prices and skills [OECD, 2008]. From the firm perspective the (decision | the choice) to go to form investments or not outside may be a arguable decision. Meanwhile, those companies ought to take in contemplate the risks and edges. Thereby the choice of acceptance or rejecting FDI should be taken on the idea of short and long run economics variables and environmental factors. In the study of Cambazoğlu and Güneş foreign exchange levels was significantly affected by direct investment inflows in long term. within the context of this study FDI contains a sturdy influence on the economic process of the developing country. regarding to ICT it had been studied from totally different views like information technology adoption, use, diffusion, maturity. in several fields like e-government, e-business, e-learning, and e-commerce. within the context of FDI and data technology along, Figini and Görg, 2011 recommend that over the time when unskilled staff become a lot of qualified in using technology, therefore within the end of the day their wages level can increase, thus the financial gain difference are going to be worsen with the flow of FDI, however as time passes it might be improved [Figini, 2011]. Another study composed of 2 countries having sturdy economic relationship one among them industrial and technologically advanced that is that the supply of FDI, the second is that the host country, that is developing and heavily addicted to the supply. However, alternative studies tried to seek out the result of FDI on technology investment or technology transferring. Moreover, in Xu and Sheng, 2012 found that FDI helps technology diffusion that affects productivity growth [Xu X., 2012]. Tahat and Whelan’s study indicated that the contribution level of FDI
in technology diffusion may be a worthy discussion issue. Counting on above mentioned literature, it's found out that FDI has a control on the diffusion of ICT [Tahat, 2014].

Foreign Direct Investment, Social Capital and Information Communication Technologies as Factors for Economic Growth in Developing Countries

In 1957, Solow first mentioned the importance of technology united of the determinants of growth beside traditional determinants drawn parturient and capital [Solow, 1957]. He more explained that labor and capital alone cannot succeed economic progress in any country which the key source of growth is technological progress below the belief of constant come back to scale, decreasing returns to every input. Romer introduced technology as an endogenous variable. In line with his model, human capital plays a key role united of the factors of production, as capital accumulation directly ends up in the buildup of data and theory that are key factors for growth [Romer, 1990]. Not like traditional growth theory, the model assumes increasing returns within the production of recent ideas and a few style of monopoly power to hide the value of inventing new data, conjointly the technology increase investment come back within the long-term.

The analysis shows that there's positive and important impact of ICT on economic development, however minor for many middle and low financial gain countries. In general, the ICT investment will influence economic process through totally different channels; it permits data flow, market growth, a lot of potency, increase productivity and so increase in new capital and foreign direct investment. For the past twenty years, there are growing studies on the impact of ICT investment on FDI particularly in developing countries [Alam, 2013]. Most of the studies that examined the impact of ICT on FDI either take ICT directly as a location determinant for promoting investment or indirectly inside the impact of ICT on different determinants that has impact on investments [Cholami, 2003]. Some studies that suggest that ICT encourages FDI rely upon the increasing use of recent ICT tools which might pull a lot of FDI by reducing the value in search and thru “just in time” managements that cause reduction in cost inside increasing competition that will increase productivity and additional FDI [Choi, 2003]. Through, simply in time the ICT has created positive impact on productivity and on FDI by reducing delay between demand and production and creating direct and continues link between producers and customers. Conjointly the positive impact of net users on FDI may be explained through positive network externalities [Dewan, 2000]; Meaning new net users will add value to the entire value of all users as a results of decrease within the value per user of network that clearly shows in applied studies on developed countries and a few rising countries, at an equivalent time, it will make a case for the insignificant impact of ICT investment on FDI in several developing countries as a results of negative
network externalities, which implies that the increasing range of users ends up in increase pressure on accessible connections, inflicting net congestion [Gani, 2003]. Internet-based technology has become the key player for data within the world, investors depends on ICT for data services to grasp the simplest opportunities and site. The trilateral investment guarantee agency could be renowned on-line services that's specialised in promoting FDI by providing all technical help for investors [Gholami, 2003]. trilateral investment guarantee agency could be a cheaper and faster supply of providing investors with the data they have similar to on-line tool and therefore the many investment especially tiny and medium investments, generally it plays a crucial role of attracting FDI for all countries particularly in developing countries [Heshmati, 2003]. Currently ICT will play a key role in investment promotion worldwide. The revolution of ICT has modified the patterns of world trade that successively, has modified the patterns and trends of FDI within the economy world. Since the Nineties, the development of international fragmentation of production has distended because of data technology revolution and technological innovations in communication that permits the division of the merchandise into 2 or a lot of steps in several locations and has led to the reduction in value of transportation in trade of parts and elements. The key player of trade in parts and elements is transnational enterprises inside foreign direct investment. Indirectly, ICT will have impact on FDI through different determinants of FDI [Jorgenson, 1995]. Increasing ICT infrastructure and supply support with reducing negative externalities of ICT tools can have effects on domestic and export markets, which might be thought of united of the attracting factors to export-oriented FDI. Also, the expansion of net has led to bigger transparency that could be a key permanently governance and reduction in corruption that has become one among the most determinants of FDI. Within the democratic countries, the distribution of power is a lot of clear than protective the rights of property homeowners and lowering FDI risk that will increase the flexibility to draw in FDI particularly in developing countries. The impact of ICT investment on FDI has become a crucial space of study. a great deal of empirical studies have advised the positive and important impact of ICT on FDI in developing and developed countries. Although, a great deal of studies have advised that ICT includes a important causative relationship with FDI, this conclusion isn't shared by Heshmati & Addison, the authors all over that increase in ICT investment ends up in increase within the FDI inflows, however the causal relationship between ICT and FDI isn't clear in developed countries and therefore the direction of the connection goes from FDI to ICT in developing countries. They turned this result into ICT capability within the countries, wherever developed countries already includes a giant ICT capability that causes flow of FDI compared to developing countries which require to make up the capability of ICT to attract additional FDI.

Extensive analysis has been conducted since the start of economic science making an attempt to explain the event of nations and the way to realize economic prosperity. Many determinants are the
main focus of those studies. The classical read on economic process leans towards capital and labor as main factors affecting the amount of development inside a nation as declared by Solow [Solow, 1957]. Since then, abundant attention has been given to the study of however capital affects economic process. At the beginning of the 1970’s economists started observing innovation, analysis and education because the main determinants affecting capital formation and their relationship with the event of a country [Helpman, 2004]. Though there are different variables with the potential to possess an influence in economic process, a brand new line of study tries to elucidate all the opposite hidden factors for why a nation with similar endowments has developed quicker than others. Researchers have unnoticed the social impact of social organizations, establishments, networks, trust and cooperation between people to clarify these variations and it's here wherever the conception of social capital falls under. Social capital promotes economic process by stressing the importance of cooperation and trust inside establishments, corporations and therefore the state, still as between people. The collaboration amongst people is crucial to maximise welfare. Social capital operates as an indoor commitment instrument to resolve the social perplexity for collective action of free-riding and selfinterest. Totally different empirical studies on social capital attribute the variation between regions and countries and therefore the level of economic and social development to the stock of social capital. Direct correlation has been found between the stock of social capital in an exceedingly region or a rustic and its economic performance. The next stock of social capital meant the next level of economic process. These studies suggest that the next collaboration between people not solely encourages achieving a typical goal, however reduces transaction costs and so the next economic process is accomplished by enhanced output.

Conclusion

The theory of knowledge and market signals, and therefore the accessible proof on the connection between market integration and economic development, counsel that bigger access to ICT’s, beginning with basic communications infrastructure, may considerably improve the living standards of the world’s rural poor through enhancing the functioning of relevant markets. It’s vital to emphasise that the best worth of ICT’s derives from data and Communication. ICT’s are the gift that keeps it up giving [Fukuyama, 2000].Once in place, they’ll be used to transmit data for a range of uses, at very little extra value. Recent advances have dramatically lowered the costs of providing access to a range of knowledge technologies. These advances, and the perceived advantages they need delivered to the developed world, have fueled optimism for the potential to assist the worlds poorest. At the side of ICT, the concept of social capital is turning into of a lot of relevance within the economic debate and though its definition may not nonetheless be a universal one, the importance towards finding the proper
parameters so as to quantifying it's very important. It's a reality, that social capital cannot generate economic process by itself, it has to be complimented with different kinds of capital to be relevant for the event of a country. There's still have to be compelled to invest in social capital since it may depreciate. Therefore, it's vital for policy makers to contemplate the positive impact that social capital will have, and build totally different policies that encourage the interaction and integration amongst citizens that successively can promote trust [Oshikoya, 2000]. ICT has also a positive impact on FDI that's helpful for the host country's development. Our analysis shows that a rise in FDI ends up in higher growth rates in financially developed countries compared to those ascertained in financially poorly-developed ones. Policymakers ought to use caution once implementing policies geared toward attracting FDI that's complementary to more economic development.

Bibliography


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Major Fields of Scientific Research: Computer vision, FDI and Social Capital