Internet-based information and foreign direct investment (FDI) location decision making: An information cost perspective

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Abstract

Information and communication technology (ICT) is considered to play an important role to reduce information cost for potential foreign investors. While a growing body of literature has suggested such connections, conceptual clarity is yet to be achieved. This study introduces a conceptual framework based on the Information-theoretic approach and transaction cost perspective to explore how ICT may reduce information cost. To illustrate our proposed framework, we apply it to examine the role of Internet-based information, published by the Investment Promotion Agencies (IPAs) on the information needs for foreign investors intending to invest in Tanzania. The findings indicated that general information on investment opportunities and regulatory entry procedures is mainly accessible through IPA´s web pages. Nevertheless, the findings revealed that more specific information on industry competitiveness is not found, although it is important for strategic investment location choice. Public information is combined with alternative sources of information to meet the information requirement for potential investors. Our findings indicate that Internet-based sources of information can reduce part of the information cost facing foreign investors, if properly organized. Our proposed framework extends the discourse on how ICT may influence information cost for foreign investors and contributes to our knowledge on the impact of ICT in the business sector focusing on the Government to business domain. Based on our findings we propose insights into studying and developing ICT-based services for IPAs in their efforts to attract Foreign Direct Investment.

Key words: Foreign direct investment (FDI), competitiveness, attraction, investment promotion agency (IPA), liability of foreignness, information and communication technology (ICT).

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