



DIGITIZATION OF THE ECONOMY AND ITS IMPACT ON FOREIGN INVESTMENT IN JORDAN

Amer Abdul-Karim Ibrahim Al-Majali

Economic Researcher/ Ministry of Industry Trade and Supply

ABSTRACT

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The study aimed to identify the components of the digital economy, study the concepts and fundamentals of foreign direct investment and create a relationship between the indicators of the digital economy and foreign direct investment in Jordan. Where research used the analytical descriptive method to reach results, the technological revolution contributed to the world's transformation from the traditional economy to the digital economy based on information technology. The research also showed that there is a correlation between technological advancement, Internet users, social media programs and foreign investment. In addition, there are positive indicators of transformation of Jordan's digital economy by improving its infrastructure and legislative, as recommended by the research: Make changes to education and training programmes, increase spending on research and development, improve infrastructure and create an enabling environment for investment and support private initiatives and innovation. It is also necessary to enact laws and legislation guaranteeing the rights of customers in the digital economy to combat all forms of fraud and piracy in order to create credibility for the digital system. Reduce the costs of using modern technological tools and Internet privacy, and conclude bilateral agreements with developed countries in this area to benefit in the field of qualification and training, as well as attract and encourage foreign investments in modern technologies.

KEYWORDS: *Digital Economic, Investment foreign.*

INTRODUCTION

As mankind has progressed from the Stone Age to the Metal Ages to the Information Age that we are living in today, there has been a continuous train of progress, making life simpler as it went along. However the newest revolution to hit the anthropological progression is digitisation. This phenomenon has transformed all our lives and catapulted us into the Digital Age. Every aspect of our lives, from waking up in the morning to the digital alarm clock, to making calls on our cell phones and even checking blood pressure on the digital sphygmomanometer, all of them have been influenced greatly by digitisation.

Today, the entire economy is running on devices that have made regular day to day activities easier, more convenient as well as efficient. This transformation has given rise to the digital economy. The concept was initiated towards the end of the twentieth century when Nicholas Negroponte used a metaphor of shifting from processing atoms to processing bits. Thus, a digital economy is based on digital technologies.

Digital technologies have been developed in hordes over the past few decades. Ever since the personal computer was developed in the 1970s, it has paved the way for a flood of new technologies to come into existence. The pace with which the digitisation has overtaken the world is phenomenal. From digital

calculators to digital music players to digital cameras, the digital economy has established a firm footing in the world. A digital economy is one where the structural framework of the economy is composed of digital technologies. In this respect there are several sub-economies which can come under the purview of a digital economy. The internet economy is one such example. A great variety of products – be they books, music, healthcare products or retail products – is available through the interlinked digital framework of the internet, creating in itself a compact economy of sorts.

Various aspects of human life such as legal services, medical consultancy, tax returns filings and banking digital economy are now addressed through digital media like the internet, tele-conferencing and ATMs. The advantages of a digital economy are evident and vast in number. This has been identified by organisations all over the world, including governments of many developed and developing countries, who have made conscious efforts to digitize the economy in order to improve the efficiency of tedious governmental processes as well as provide convenience to citizens. E-governance is a fast developing concept which requires initial establishment of an information and communication technology (ICT) framework. After the parameters have been set in place, fast and efficient governance can reach the beneficiaries, as it removes various levels of unnecessary protocol that might have been required earlier. Thus, the digital economy requires an initial investment in order to set up the framework necessary to sustain these technologies after which they can be utilized efficiently.

THE IMPORTANCE OF RESEARCH

To keep pace with global developments in the economy and the trend toward the digital economy in preparation for the dissemination of electronic commerce and electronic financial transactions, the role of the digital economy should have been studied by raising the level of foreign investment in Jordan.

OBJECTIVES OF RESEARCH

1. Identify the components of the digital economy.
2. Study the concepts and fundamentals of foreign direct investment.
3. Creating a relationship between the indicators of the digital economy and foreign direct investment in Jordan.

METHODOLOGY

The analytical descriptive method will be used to reach the results.

Previous studies: Researchers have recently been interested in studying the digital economy and its impact on the variables of the economy, (Mohammed, 2017) studied the impact of the digital economy on economic growth during the period 1999-2016 using a standard model where he learned about the requirements of investment in financial technology. The study found the impact of financial technology and the digital economy on the rate of economic growth in Egypt, and recommended the need to focus on investment in technology.

(Al-Moussawi, 2016) presented a study of the digital developments in the UAE and their impact on attracting investors and unemployment, and the study found that the digital economy represented by electronic commerce contributed to reducing unemployment through increasing domestic and foreign investments.

First, the Theoretical Framework

❖ Components of the Digital Economy:

The digital economy consists of two main components, the first is e-business and the second is e-commerce, from which the sub-components of the digital economy branch out. We start with electronic business and defined as the shift in performance from traditional to electronic, and falls under the electronic business several things, the first of which is electronic management, which is the implementation of the functions of management and the practice of administrative activities using the means of information technology and the use of electronic equipment, especially the computer. The electronic management is divided into internal management and external management, the first relates to the implementation of administrative work and administrative activities within the establishment, and the second section relates to the implementation and management of external services of the establishment, The second component of the digital economy is electronic commerce and is defined as the implementation of economic activity from the sale, purchase and exchange of goods, services and information between the parties to economic activity through the electronic field. Using information and communication technology, media and electronic methods through the creation of effective links between the parties to the activity and falls under electronic commerce several components, the most important of which are buying and selling electronic and is intended to carry out the activity responsible for the purchase or sale and provision of goods and services using

information and communication technology, media and electronic methods E-commerce plays an important role in these processes and can be done through commercial brokerage and electronic banks as well.

❖ **Indicators of the Digital Economy**

The indicators to be adopted in order to measure the digital economy include the information and communication technology infrastructure (ICT infrastructure) must be measured the physical side (equipment and tools) and the digital side (software) of the infrastructure of the digital economy in terms of availability and coverage of all regions as well as the quality of Internet services and prices compared to the global market. E-commerce (e-commerce) is also an important indicator for measuring e-commerce through the volume and pattern of electronic transactions between institutions (B2B), and between enterprise and consumer (B2C).

❖ **The difference between the digital economy and the traditional economy**

The question always posed to the service recipient and the consumer; What is the difference between a traditional economy and a digital economy?

1. **Market stability:** The continuous movement is a feature of the digital economy, while the traditional economy; It is characterized by the stability of markets unlike the digital economy.
2. **Competition limits:** Competition is often limited within a specific geographic context when relying on a traditional economy, unlike a digital economy where competition is global.
3. **The core of services:** The digital economy provides information or service services at its core, while the traditional economy provides manufacturing services at its core.
4. **Source of value:** The source of value for the traditional economy depends on natural capital as well as raw materials, or the digital economy; The source of its value is human and social capital.
5. **Source of competitive advantage:** Cost reduction through budgeting is a source of competitive advantage in the situations of the traditional economy, or a source of competitive advantage in the digital economy; It relies on innovation, quality and adaptability, which are the hallmarks of the digital economy.

❖ **Advantages of a digital economy**

The features of a digital economy make it an inherently useful and advantageous system, Digitisation has provided the solution for storage requirements of articles like books, music, film and newspaper. Libraries filled with archives of newspapers, books and music cassettes would occupy vast amounts of space and labor for maintenance and recovery. However, digital libraries have been a godsend in such situations. With prints of old film and newspapers being digitized, they can be stored in compact forms. In addition to the savings in terms of storage space, there is also the advantage of having ease in recovery of such items as they can be looked up on a central database and obtained within seconds. Also, resources which would otherwise have been used in maintaining these records can now be employed elsewhere. This discussion leads us to the very first and most obvious advantage of a digital economy – minimal space requirements. The vast infrastructure that goes into setting up a digital economy (like the internet) is actually very small in physical terms.

Another example mentioned above is ATMs or Automated Teller Machines. These machines require simple commands and absolutely no human resources at the other end in order to facilitate cash withdrawal or balance enquiries. Further, wire transfers of money across the globe and digital cash media like credit cards and debit cards make the requirement of physical presence at a cash source, obsolete. Instant availability of cash and credit has eased transactions for customers across the world. There are no transportation requirements as far as a digital economy is concerned due to instant global movement and immediate availability of services. The virtual nature of these transactions makes them highly convenient. Online medical consults and mailing of diagnostic results make it easier for patients to get second opinions and consults, since their physical presence is not required. Though such services as medical and legal advice require personal interaction, digitisation does provide some degree of convenience and ease to both parties.

As technologies continue to develop rapidly, so does their user-friendliness. Gadgets these days such as mp3 players, tablets and mobile phones, are easy to handle and use superior technologies and software's at lower costs. Thus a digital economy is efficient, cost effective as well as convenient.

❖ **Disadvantages of a digital economy**

It is natural to look at both sides of the metaphoric coin when forming opinions about it. One of the few

drawbacks of a digital economy is that it requires a substantial initial capital investment when establishing the necessary framework for any system. Although digital technologies get cheaper with each innovative development, they require some seed money for research and development as well as implementation. However, it is natural for any new economic framework to have teething problems. Such shortcomings can be resolved by making available the monetary resources required for such a setup.

- ❖ **The Future of Digital economy:** Although it has been sufficiently stated that digital economy is a well-established concept in our minds and world, it is also a phenomenon of the future. In other words, there is still a lot of scope for digital technologies to evolve and break their own records. Although some parts of the world are heavily ensconced in their digital lives, there are still others who are struggling to see the light as far as digital technologies are concerned. The ascent of this digital economy has not been evenly spread across the globe. Such large dissensions in the outreach of a digital economy need to be addressed. Efforts are being made to make digital technologies and gadgets more accessible to the multitudes still unaware of this technological revolution

- ❖ **Foreign direct investment concepts:** There are many definitions and theories of foreign investment, as the International Monetary Fund (Rakha, 2012:218) defines foreign direct investment: The investment of a company or an entity in projects abroad, so that the investor's share of not less than 10% or more of the capital of the project, provided that this ownership is linked to the impact on its management, as defined by the United Nations Conference on Trade and Development: Foreign investment is an investment that leads to a long-term relationship and reflects the permanent benefit and control of the foreign investor or the parent company in a foreign branch located in a host country other than those of which they belong (Mansour, 2014:106).

Importance of Foreign Investment:

1. Provide a renewed source of foreign currency or foreign capital on favorable terms to finance development programs.
2. Foreign direct investment creates complementary relations between the economic aspects of the host countries,

through which local investors are encouraged to develop complementary projects with foreign companies, which leads to an increase in the number of new national projects and of course this has a positive impact on domestic output and employment opportunities (Abdul Latif, 2016: 99).

3. Improve the efficiency of the labor component and raise its productivity through the development and training of human cadres and qualify them to deal with modern production, management and marketing systems.
4. It leads to the transfer of modern technology to the host countries.
5. Improve the balance of payments position of the host country for investments by increasing the quality of domestic products and increasing the volume of production, thus increasing exports and reducing imports).
6. To pay attention to research and development and increase the state's revenues from taxes due on profits and customs duties, thus increasing the capacity of the state to expand the establishment of investment projects

Second: The impact of the development of indicators of the digital economy on foreign investment in Jordan

The Jordanian government has adopted several initiatives and executive programs that will raise the level of dependence on the digital economy and the trend toward e-commerce and e-marketing, so it has sought to develop the infrastructure system for information systems and develop the management of networks and communications to keep pace with the increasing technological developments in the world. During 2018-2022, Jordan succeeded in developing the highly competitive ICT sector, a leading sector in the Middle East and North Africa, where the total revenue of the it sector for the year (2022) amounted to 2.3 billion US dollars. 5% increase compared to 2020 and the ICT sector jobs provided for the same year 22,413, 67% for males and 33% for females and the growth of the it sector for the year (2022) at a compound annual rate of 11.64% for 4 years, where revenues increased by about 300 million US dollars between 2019-2022. In addition, mobile phone usage increased by 85% in 2022 compared to 79% in the previous year and the Internet spread by 88.8% in 2022, compared to 74% in 2021.

Jordan has provided incentives to encourage the it sector to spread, expand and increase investment in it, reducing sales tax on it services and customs duties to

0%, in addition to making export income tax 0%, and provided facilities for the it sector to obtain loans from commercial banks at easy interest rates. Intellectual property law has also been enacted as safeguards for this sector.

The report of the Jordan Strategy Forum noted that Jordan ranked 64th out of 158 countries in the ICT Index and ranked 7th in the Arab world. Obtained a degree (0.50 out of 1); With regard to Jordan’s performance on the five main axes, it ranked 72/158 countries in the field of technology and communications employment, and ranked 77/158 countries in the field of skills, while in the field of research and development, Jordan ranked 52/158 countries. It also ranked 55/158 countries in the axis of industrial activity, while in the last axis of access to finance, Jordan ranked 41/158 countries.

Based on Jordan’s advanced steps in the telecommunications and information technology sector, this affected the flow of foreign investments to benefit from the infrastructure of this sector, where the balance of foreign investments in Jordan reached \$ 34 billion at the end of 2020, where the share of investment in the information technology sector was 55.7%. The progress

in this sector has also improved the geographical distribution of investment to all regions of the Kingdom of Jordan, which has contributed to increasing the level of employment in this sector and reducing unemployment, which in turn has led to the advancement of economic growth.

The reliance on information technology has also facilitated the procedures for obtaining licenses related to foreign investors and assisting in the transfer of funds and dealing with them through commercial banking agreements including the banking sector to ensure the safe transfer of money.

In terms of marketing, the investor communications sector has contributed to the ease of identifying marketing methods within Jordan and reaching the consumer throughout the country.

Finally, we can say that society is the one who asks the state to intervene to transform into the digital economy through governance and thus raise the competitiveness of the economy and increase the volume of investment, which moves the wheel of economic growth forward, the following figure shows this:



RESULTS

1. The technological revolution has contributed to the transformation of the world from the traditional economy to the digital economy based on information technology, and with this transformation geographical borders became unnecessary and knowledge became a means of attracting foreign investment.
2. The research showed that there is a direct relationship between technological progress, Internet users, social media programs, and foreign investment.
3. There are positive signs of the transformation of Jordan’s digital economy by improving its own infrastructure and legislation.

RECOMMENDATIONS

1. Introducing changes in education and training programs, and developing appropriate curricula for required skills and jobs.

2. Increase spending on research and development, improve infrastructure, create an enabling environment for investment and support for private initiatives and innovation.
3. The need to enact laws and legislations that guarantee the rights of customers in the digital economy, in order to combat all forms of fraud and piracy in order to create credibility for the digital system.
4. Reduce the cost of using modern technological tools, especially the Internet, in addition to reducing taxes and import duties on telecommunications equipment and services.
5. To conclude bilateral agreements with the developed countries in this field to benefit in the field of rehabilitation and training, in addition to attracting and encouraging foreign investments in modern technologies.

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