



DEVELOPMENT OF INVESTMENT ACTIVITY IN THE INFORMATION COMMUNICATION TECHNOLOGY SECTOR IN THE AGE OF SOCIETY INFORMATIZATION

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Abstract

This article describes the global development of ICT in the world and provides an analysis of investment activity in this area. Examples and evaluation of the development level of ICT in the world are provided. The review of investments for 2014 has been considered and the leaders of ICT investment have been identified.

Keywords: *Information and communication technology (ICT), investments, investment activity, an index of information and communication technology, finance, economic development.*

At the present time it is impossible to imagine the world without the use of information and communication technologies. In the age of information technology, they have been widely developed and disseminated. ICTs are in our personal and professional lives. Every year, the ICT are more convenient to use and less overall, but they are also expensive purchases. That's why ICTs are the main recourse of receiving a profit. However, we should remember that it is necessary to invest your money correctly to receive profit. Investment activity in the ICT sector has got a new level of development and it is the main risky activity.

Definition

Technology in Greek (techne) means an art, craftsmanship, ability, and they are nothing more than the processes. A process should be understood as a certain set of actions, directed on achievement of objectives. The process should be defined by the person chosen strategy and be realized with the use of a combination of different means and methods.

Information technology is a process which uses a set of different means and methods of collection, processing and broadcast data (the primary information) for the receiving of a new quality of information about the object, process or phenomenon state (information product).

The aim of information technology is to produce of information for its analysis by a human and the adoption of solutions based on it about the execution of any action.

Recently the definition of information technology has been expanded with edition the word "communication". That is to say for collection, processing and broadcast information we use the means of communications. And in the full definition we can say:

Information and communication technologies (ICT) – set of communication means, methods of collection, processing and broadcast information for the receiving "the professional information".

In Oxford Dictionary investment activity is "the action or process of investing money for profit". [1]

Thus, the main aim of investment activity is a profit.

Investment is defined in accordance with the 1993 System of National Accounts. ICT investment covers the acquisition of equipment and computer software that is used in production for more than one year. ICT has three components: information technology equipment (computers and related hardware); communications equipment; and software. Software includes acquisition of pre-packaged software, customized software and software developed in-house. [2]

The Development ICTs in the World

In order to review the investment activity in ICT sector, at first we should assess development of the ICT sector in the world. There is an Information and communication technology Development Index (ICT Development Index) in the world for this.

Information and communication technology Development Index (ICT Development Index) is a combined index that characterizes the achievements of the countries in the terms of information and communication technologies (ICT) development. It is calculated by the method of the International Telecommunication Union (specialized subdivision of UN, which defines the world standards in the ICT sector).

The index was developed in 2007 on the base of 11 indexes which are used by International Telecommunication Union in its assesses of ICT development. The ICT Development Index reduces these figures to a single criterion, which aims to compare the achievements of different countries in the ICT development and can be used as a tool for the compared analysis providing at the global, regional and national levels. These figures relate to the access to ICTs, using of ICTs, and also abilities, in other words practical knowledge of these technologies by the population of the country, which are used in the researches. The authors of the researches stress that today the level of the ICT development is the one of important index of economical and social well-being of the state. The organization publishes the index on a regular basis, what can help to control for the changes in the time dynamic for the countries. [3]



The last research was in 2014 and the **International Telecommunication Union** included 166 countries of the world.

| International Telecommunication Union. The ICT Development Index 2014 | | |
|---|------------------------------|-------|
| RATING | COUNTRY | INDEX |
| 1 | Denmark | 8.86 |
| 2 | South Korea | 8.85 |
| 3 | Sweden | 8.67 |
| 4 | Iceland | 8.64 |
| 5 | Great Britain | 8.50 |
| 6 | Norway | 8.39 |
| 7 | Netherlands | 8.38 |
| 8 | Finland | 8.31 |
| 9 | Hong Kong | 8.28 |
| 10 | Luxembourg | 8.26 |
| ... | | |
| 166 | The Central African Republic | 0.96 |

Source: <http://www.itu.int/>

This year the first place in the rating of ICT development is Denmark with the index 8.86. The South Korea, Sweden, Iceland, Great Britain, Norway, Netherlands, Finland, Hong Kong and Luxembourg follow it. Composition of the top ten didn't change in comparison to the previous year, but some countries changed their places.

We can notice that from the countries of G7 only Great Britain is the top ten. Despite the widespread diffusion of ICTs in the world, the significant differences between developed and developing countries have place. And the index value in developed countries is higher twice than in the developing countries.

The Central African Republic has the last place in the rating, its index is only **0,96**.

The main figure in the calculation of the Index is access of the population to the Internet and also to the ICTs, their use, practical knowledge of these technologies, in particular: the number of stationary and mobile telephones per 100 inhabitants of the country, the number of households who have computers, the number of the Internet users, the literacy rate and so on.

The Investment Activity in the ICT Sector

Due to the rapid development of the ICT sector around the world, this sphere has become the main object of investment. Investments in ICTs today are a major stimulus of the economy in both developed and developing countries. There is a close link between the so-called ICT-readiness and the level of competitiveness. The countries with the most developed ICT sector have the highest level of competitiveness, as information technology increases the efficiency of the economy in the long term. Under the ICT readiness we can understand the accessibility of broadband, computer services and software of the country. [4]

Thus, an increase of 10% investments in the broadband increases the average annual growth rate of GDP by some estimates at 0.6-0.7 percentage points.

In addition to stimulating economic growth, the ICT sector makes it possible to achieve greater social stability, increasing the efficiency of public services in a variety of areas, including education and health. ICTs change the forms of interaction between people radically, creating positive long-term effects in many areas and spheres of human life. It creates a more comfortable environment of communication and information dissemination. What also attracted investments into the country. Information and communication technologies transform society and contribute to the growth of the world economy. Therefore, their effective use is among the major challenges, currently facing the leadership of the various countries in the world.

The world ICT market is highly competitive and diverse, with a lot of opportunities for new participants. Competition and diversity of ICT are the main reasons why there are so many innovations. They explain why the new IT companies were able to achieve success.

Public financing plays an important role in the economic development of the country. Apart from stimulating of the country intellectual development, it may also help to attract foreign investment and develop future innovations.

Public funding is very important to conduct research. The commercialization of research may also cause the inflow of funds in the research organization and encourage the exchange of information between research institutions, thus creating a mutually beneficial financial and innovative cooperation between government and business.

It also requires that the terms of the financing provide to attract private resources required for their commercialization. Although many developing countries are investing a little money in the conduct of public research, governments can ensure you receive the maximum possible benefits from such investments if it does the following:

- the promotion of cooperation between public and private researchers;
- facilitating of technology transfer and commercialization.

Installed state regulations may have a decisive influence on the use of ICT for socio-economic development. However, the private sector is, probably, always will be a leader in innovation, investments in ICTs and the use of modern technologies. Authorities can take the advantage, improving access to capital, ensuring the transparency of the reporting system and investment, facilitating access to local and global markets and promoting investment in ICT research and development.

The use of ICT for socio-economic development among other things, requires greater access to capital. In order to take full advantage of ICT and encourage the growth of the national ICT industry, developing countries need to facilitate individual citizens and businesses to obtain financing on terms available to them. Competitive and flexible capital markets facilitate the acquisition of ICT in the loan and reduce the cost of start-IT

companies for the procurement of the necessary resources for the development, production and marketing of new products. In order to create a suitable environment for capital on favorable terms, the government should implement the following steps:

- remove barriers to private sources of capital;
- provide support for mechanism of microfinance.

The state should not dictate the direction of private investment in ICT, but it can help them to focus on areas that contribute to economic growth by providing the relevant tax and other such incentives and benefits. In addition, the state may encourage foreign investment by providing an appropriate legal and regulatory framework that improves predictability of economic policies and reduce financial risk.

Thus, in order to create a favorable investment environment for the ICT sector of the country there should be:

- creation of the legal framework of the country for investment in ICTs;
- implementation of state support in carrying out ICT research;
- promotion of the private sector in the field of ICT;
- create a favorable competitive environment;
- provision of innovation cooperation between state and business;
- creation of a suitable environment for capital on favorable terms.

In the world there are special companies that perform the analyst of investment activity in the field of ICT and identify priority areas in this area.

One of these companies is «J'son & Partners Consulting». It provides an annual review of global trends in ICT based on venture capital activity and M & A policy of major ICT companies. «J'son & Partners Consulting» is a leading market research firm, the main specialization of which are investment and strategic consulting and deep market expertise of projects in the field of telecommunications, high technology, media from 1996. We will consider their review for the 2013-2014.

According to the company CB insights (a venture capital database), the total amount of venture capital transactions in 2014 was 209 billion dollars, of which \$ 110 billion attracted start-ups of the ICT industry. The main investments were in the following segments: [5]

- software;
- electronic and mobile commerce;
- Financial Technologies (fintech);
- «e» Medicine (Digital Health);
- hardware, and services;
- Advertising technology;
- online education.

Analysis of venture deals in the years 2013-2014 revealed not only the most promising segments of the ICT, but also some sub-segments. For example, in the segment “mobile software” most committed investments in start-ups working in the field of security and e-health. In the segment of “software (Internet)” the largest amount of investments attracted companies specializing in solutions for Big Data.

The table below shows the ten most successful IPO companies from the ICT sector for the 2012-2014 [6].

| Position | Company | IPO year | Exchange | Debt capital (billion dollars) | Cost of the shares when placing (dollars) | Current cost of the shares (dollars) |
|----------|-------------|----------|----------|--------------------------------|---|--------------------------------------|
| 1 | Alibaba | 2014 | NYSE | 21.8 | 68.0 | 107.33 |
| 2 | Facebook | 2012 | NASDAQ | 16.0 | 38.0 | 76.90 |
| 3 | Twitter | 2013 | NYSE | 1.82 | 26.0 | 37.07 |
| 4 | JD.com | 2014 | NASDAQ | 1.78 | 19.0 | 25.42 |
| 5 | IMS Health | 2014 | NASDAQ | 1.30 | 20.0 | 25.49 |
| 6 | Markit | 2014 | NASDAQ | 1.28 | 24.0 | 26.50 |
| 7 | Mobileye NV | 2014 | NYSE | 0.89 | 25.0 | 45.89 |
| 8 | Workday | 2012 | NYSE | 0.73 | 28.0 | 83.65 |
| 9 | Sabre | 2014 | NASDAQ | 0.62 | 16.0 | 19.04 |
| 10 | Evertec | 2013 | NYSE | 0.50 | 20.0 | 22.45 |

Source: IDC, 2014

As we can see these companies place their shares on the two well-known stock exchanges: NYSE and NASDAQ.

If we consider the most successful investments and most productive IT-companies in the world market over the past ten years, several companies distinguish from the technology sector. Firstly, it is an online retailer Alibaba. It was made in China, in 2014 it has brought its huge profit for developers. Shares, placed on the stock exchange, brought its fame and glory of the best projects from 2000 onwards. It is predicted that over time, profit growth will only increase. The second major company is Twitter. Investments made in its development are 73% more than the cost of its public placing. In the course of trading shares rose three times and attracted investments for 1.82 million dollars. This is quite a serious measure that allows the company to treat the list of the most successful companies in the world. A major representative of this stamp is well-known to us Facebook. During the auction, he has attracted more than \$ 16 million investment, which put it in second place (he just loses Alibaba, who attracted 21.8 million dollars of investment during the trading).

Also successful companies in 2014 are JD.com, IMS Health, Mobileye NV, Markit and Sabre.

Conclusion

In the age of information society Information and communication technologies play an important role in the life of society. Informatization is implemented in all spheres of human activity. ICT development requires investment, which entails the activation of investment activity. The world tendencies are investing in ICT sector. There are some companies make huge profits from investments in ICTs. The main reasons for the dynamic development of ICT investment sphere is the competition and the diversity of ICTs.

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