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RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

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APPENDIX/ANNEXURE

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FOREIGN DIRECT INVESTMENT INFLOWS, TECHNOLOGICAL INNOVATION, SUSTAINABLE DEVELOPMENT AND SKILLED HUMAN BEHAVIOR: A MULTIVARIATE GRANGER CAUSALITY STUDY – EVIDENCE FROM FRANCE

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ABSTRACT

The world economies have increasingly come to see FDI as a source of economic and sustainable development, income growth and skillful employment. Countries have liberalized their FDI regimes and pursued other policies of attracting investment. France too has shown remarkable growth and development in terms of International Trade, Globalization, health care services and technology etc. It has addressed the issue of how to best pursue domestic policies to maximize the benefits of foreign presence in the domestic economy. France's economy has undergone profound changes, most notably globalization, the expansion of the European Union and the development of new information and communication technologies. These regions now operate as a network of ever more numerous businesses, science, technology, culture and tourism partnerships which are seeking to increase their attractiveness, improve their competitiveness and play a full part in France's open and globalized economy. Since the onset of the global economic crisis, France has maintained its place among the leading recipients of foreign direct investment ranked ninth for 2011 in the world; the leading FDI recipients were the United States and China. Digital world today is transforming into a digitally empowered society and knowledge economy. The latest technologies for smart phones, smart homes etc need high speed internet to be fully operational. These digital innovations and disruptors are extremely powerful and have both direct and indirect impacts on human behavior and industrial growth levels. The objective of the paper is to examine the relationship between FDI inflows (FDI), Sustainable development (SD), Technological Innovation (TI) and Skilled Human Behavior (HB) over the last decade for France. Unit root tests, vector auto regression (VAR), multivariate granger causality test and impulse-response functions are conducted to analyze the link between variables mentioned above. In order to establish the degree and nature of relationship among all the determinants simple Correlation Coefficients will be calculated. Furthermore, for advanced levels of research more secondary data as per acceleration effect, time series analysis and auto correlation can be studied with various statistical tools like SPSS/ EVIEWS. The period of study will be from early 90's till present. Further FDI inflows are studied in global context and divided as per sectors like Education and Information & Communication Technology (ICT) which show high level of FDI Inflows in France and Human Development Index is taken the basis for sustainable development. This study is very important to macroeconomists, financial analyst, academicians, policy makers and central bankers' officials in understanding the responsiveness of each variable and thus come up with the relevant policies so as to keep up with the changing digital economy and sustained human development that stimulates production. Over the last 10 years France has welcomed more than 320 foreign investment projects in research and development. The economic stakes are high. Foreign companies employ nearly two million people in France, accounting for one-third of exports and 20% of business expenditure on R&D. Safeguarding existing foreign operations in France and drawing in new projects to expand and modernize sites have become major challenges.

KEYWORDS
time series models, foreign direct investment, international business, human capital and skills, sustainable development, technological innovation.

JEL CODES
A12, B23, C32, F18, F23, J24, O33, Q01, Q55.

INTRODUCTION

Developed and developing economies have increasingly come to see FDI as a source of economic and sustainable development, income growth and skillful employment. Countries have liberalized their FDI regimes and pursued other policies of attracting investment. France too has shown remarkable growth and development in terms of International Trade, Globalization, health care services and technology etc. It has addressed the issue of how to best pursue domestic policies to maximize the benefits of foreign presence in the domestic economy. France's economy has undergone profound changes, most notably globalization, the expansion of the European Union and the development of new information and communication technologies. These regions now operate as a network of ever more numerous businesses, science, technology, culture and tourism partnerships which are seeking to increase their attractiveness, improve their competitiveness and play a full part in France's open and globalized economy. Since the onset of the global economic crisis, France has maintained its place among the leading recipients of foreign direct investment ranked ninth for 2011 in the world; the leading FDI recipients were the United States and China.

Digital world today is transforming into a digitally empowered society and knowledge economy. The latest technologies for smart phones, smart homes etc need high speed internet to be fully operational. These digital innovations and disruptors are extremely powerful and have both direct and indirect impacts on human behavior and industrial growth levels.

This technology advancement in business organizations has always grown with steady Human Resource (HR) professionals. They are now able to contribute more time to strategic business decisions as the development of technology has allowed for the automation of many transactional HR processes. A very deep understanding of HR and associated resources is very crucial for an organizational decision making. It becomes the ultimate responsibility of the HRM to manage their resources right from keeping them happy with basic facilities to lifting them to comfort zones. The two main issues that drive to the need are the competitive mentality of the organizations and this competitions resulting in internal external growth of the organization.

Economy, environment and society are the main components of sustainable development (SD). In general, sustainable development (SD) means development that meets the needs of people today without compromising the ability of people in the future to meet their needs. Planning for this type of development and actually achieving it is a complex task. Individuals, communities, governments, and non-governmental organizations around the world have been working on programs associated with the components of sustainable development for many decades.

The objective of the paper is to examine the causal relationship between FDI inflows (FDI), Sustainable development (SD), Technological Innovation (TI) and Skilled Human Behavior (HB) over the last decade for France. Unit root tests, vector auto regression (VAR), multivariate granger causality test and impulse-response functions are conducted to analyze the link between variables mentioned above.

THEORETICAL FRAMEWORK

Economic growth in developing countries depends on many factors, including internal economic conditions, as well as such external factors as FDI, portfolio investment and foreign aid. All of these external factors depend on internal economic policies, such as institutional and macroeconomic reforms designed to stabilize the economy. Since there is a marked trend towards better policy among poor countries, the climate for effective aid is improving (Burnside and Dollar, 2000).

According to (Magdoff, 1976) breaking down obsolete structures and building ' productive forces' denounce the negative effects as the exploitative tendencies of the 'northern capitalists' search for new markets, new sources of cheap labour/inputs, which ultimately leads to a distorted social, political and economic environment. The 'Dependency theorists' in a similar contention saw MNC investment as 'growth hinderants' by draining away the domestically usable surplus, stifling local entrepreneurial capacity and distorting the entire pattern of growth as per (Bhagwati and Brecher, 1980, 1981, Grieco 1986).

By and large, studies have found a positive links between FDI and growth. However, FDI has comparatively lesser positive links in least developed economies, thereby suggesting existence of "threshold level of development" (Blomstrom and Kokka, 2003 and Blomstrom et. al., 1994). Athreye and Kapur (2001) emphasized that since the contribution of FDI to domestic capital is quite small, growth-led FDI is more likely than FDI-led growth.

As per the Technology Report, 2014, Technology advancement in business organizations has always grown with steady Human Resource (HR) professionals. They are now able to contribute more time to strategic business decisions as the development of technology has allowed for the automation of many transactional HR processes. HR professionals need not handle data manually anymore. These data is considered best for decision-making easy in any organization. Amid a worldwide economic slowdown and intensified competition in Europe, France remained attractive to foreign investors in 2011; it attracted 14% of all job-creating foreign investment projects recorded in Europe.

Over the past few years, "Sustainable Development" (SD) has also emerged as the latest development catchphrase. A wide range of nongovernmental as well as governmental organizations have embraced it as the new paradigm of development. A review of the literature that has sprung up around the concept of Sustainable Development indicates, however, a lack of consistency in its interpretation. More important, while the all-encompassing nature of the concept gives it political strength, its current formulation by the mainstream of Sustainable Development thinking contains significant weaknesses. These include an incomplete perception of the problems of poverty and environmental degradation, and confusion about the role of economic growth and about the concepts of sustainability and participation.

As per Defra (2009) Sustainable Development is categorized as consumption and production, climate change and energy, natural resource protection and enhancement and finally creating sustainable communities. The world will take another decade to understand the above and make changes to safeguard our environment for future. The impact has to be studied in both short run and long run time frame. The Human Development is a continuous process but it must be marked with sustainable and safe environment and resources which our future generations will use.

Sadaph (2013) mentions that Human Resource Management (HRM) plays a lead role in determining this competitiveness and effectiveness for better survival. The HRM generally refers to the policies, practices and systems influencing employee behavior, attitude and performance. So it becomes the responsibility of the HRM to mine the best talents at the right time, train them, observe their performance, reward them and ultimately keep them happy in a company. It is simply because of the reason that every strategy of an organization is directly or indirectly related to the talents of the same thus achieving stable HR system and brilliant sustainable business.

The research conducted by Sanchez-Loor and Chang (2013) probes the causal relationship between EG, FDI, remittances (RMTs), human development index (HDI), and EC using annual data from 1981 to 2011 through multivariate Granger causality tests. It also mentions that policy makers should provide incentives for MNEs to transfer advanced green technology for the future development.

Based on vector error correction model (VECM), Bekhet and Othman (2011) ferret out that there is a causal connection between GDP and FDI. They assert that all variables have co-integration showing the existence of a long-run relationship. The long term causality flows from electricity consumption to FDI and the growth in FDI does promote GDP growth. Again, a strong Government policy is needed for implementation to save energy for achieving sustainable development in the future.

This study is very important to macroeconomists, financial analyst, academicians, policy makers and central bankers' officials in understanding the responsiveness of each variable and thus come up with the relevant policies so as to keep up with the changing digital economy and sustained human development that stimulates production.

Over the last 10 years France has welcomed more than 320 foreign investment projects in research and development. The economic stakes are high. Foreign companies employ nearly two million people in France, accounting for one-third of exports and 20% of business expenditure on R&D. Safeguarding existing foreign operations in France and drawing in new projects to expand and modernize sites have become major challenges.

RESEARCH METHODOLOGY

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All of the data needed are searched from the website of the World Bank (WB), British Petroleum (BP), International Labor Organization (LABORSTA Labor Statistics Database), United Nations Development Program (UNDP), International Monetary Fund (IMF), World Data Centre (WDC) and Government official organizations from France. The research is based on secondary data available on the mentioned resources.

Data of GDP, FDI, AW, and SD are linear transformed with natural logarithm to prevent the problems of heteroscedasticity. The methods employed are elaborated as followings:

- Unit root test is used to detect stationarity of time series data. Processes such as Augmented Dickey-Fuller (ADF), Phillips-Perron (PP), and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) are conducted.
- Optimal lag length is selected by building a VAR to check the AR roots, residual autocorrelation using Portmanteau autocorrelation test, and residual normality in the Jarque-Bera test. The optimal lag is chosen considering the minimum Schwartz Information Criterion (SIC). In this research, the optimal lag is 1 for France.
- Granger causality has been broadly applied in econometric studies. The concept of Granger causality argues that X causes Y if the history lagged values of X contribute to the explanation of series Y more accurately than merely by adopting the history lagged values of Y (Granger, 1969). In other words, if X antecedes Y, changes happened in X will lead to changes appeared in Y. Granger causality test is applied evaluating the Wald's statistic results for obtaining the direction of the causalities.

RESEARCH HYPOTHESES

This research developed three hypotheses for France. Taking FDI Inflow as base, these hypotheses are shown as followings:

1. There is a causal relationship between FDI and GDP
2. There is a casual relationship between FDI and SD
3. There is a causal relationship between FDI and AW (HR).

Construct definition

AW is the expected income perceived by the skilled human resource of France from any economic activity in the country. Data of AW are taken from the International Labor Statistics Database (ILSB, 1996-2013)

Real GDP serves as a proxy for sustainable development (SD) and technological innovation (TI) in this research. It indicates the total amount of final goods and services produced in a country's territory during a year. The data come from IMF and the WB (The World Bank, 2013)

FDI are the balance of payment net capital inflows obtaining from the WB. In case of missing data, the time series are completed using the growth rates provided at the source.

INTERPRETATIONS AND RESULTS

TABLE I: ILLUSTRATES THE RESULTS EMPLOYED BY GRANGER CAUSAL RELATIONSHIP:

VARIABLE	CHI SQ	PROB.
FDI ⟶ GDP*	2.3493	0.3089
FDI ⟶ AW*	1.9698	0.3054

Table I ⟶ denotes unidirectional causality, *- rejection of null hypothesis.

TABLE II: SHOWS THE RESULTS OF THE UNIT ROOT TESTS

VARIABLE	SD	t- Stats
FDI	0.28231	-1.06845
GDP	0.20293	0.55928
AW	0.00171	-1.23871

Table II: The causal relationships of all of the variables generated from the empirical analysis for France are as follows-

There is a unidirectional relationship between FDI and GDP leaving with overall positive effect of SD. This clearly means that FDI is causing GDP to grow up to a certain extent wherein we imply that there is a constant positive growth in technological advancement.

There is a unidirectional relationship between FDI and AW leaving with overall positive effect on SD. FDI is causing AW to grow up to a level where skillful employment is taking place and the HR is considerably satisfied with the average wages.

CONCLUSION

To conclude there is a strong unidirectional causality running from FDI to technological advancement and improved wages for skilful labor. As a result, France should strictly screen the qualifications of FDI, and promote the concept of environmental protection devoting to prevent environmental damage through FDI.

Analyzing the dynamic interaction among the variables, it's worth noting that for France, the higher economic growth (GDP growth) does not have a positive impact on AW (skilled labor). One of the possible reasons is that the higher the wages, the more profound knowledge for living may be acquired which goes null as France already being a developed economy. This might stand causal for developing economies. This signals that the authorities may highly promote FDI inflows without sacrificing the sustainability of the environment. However, strictly requiring implementation of advanced technology for investment in France is mandatory in order to ensure the goal of sustainable development in the long term.

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