

The Internet Search Frequency-FDI Inflow Relationship: The Moderating Impact of Cultural Factors

Vusal Mammadrzayev

Tomas Bata University of Zlin, Czechia

Abstract

Contemporary research methods now go beyond traditional approaches to analyze how Foreign Direct Investment (FDI) flows into countries and the key drivers behind it. An innovative approach involves utilizing the Google Search Volume Index (SVI), which considers public interest and sentiment by examining Internet search queries related to specific topics or regions. In addition to conventional factors like market size, labor costs, macroeconomic conditions, and regulatory frameworks, the cultural aspects of both the host and origin countries significantly influence the strength and direction of the relationship between SVI and FDI inflow. The study investigates a sample of 104 countries spanning from 2004 to 2022, incorporating cultural dimensions from Hofstede's framework and the Google Search Volume Index (SVI) which allows a detailed investigation of the role of culture and internet search behavior on FDI inflow. The findings from the pooled OLS regression show that cultural variations between the host and origin countries, as measured by Hofstede dimensions, have a significant moderating effect on the relationship between SVI and FDI inflow. A closer cultural alignment between the host and origin countries leads to more accurate predictions of FDI inflow through SVI, highlighting the importance of cultural similarity in forecasting.

Keywords: Search Volume Index, FDI, Culture, Hofstede