

# Chapter XXI

## Social Institutional Explanations of Global Internet Diffusion: A Cross-Country Analysis

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### ABSTRACT

This study attempts to examine empirically how social institutional factors relate to Internet diffusion in 39 countries. Based on nine-year cross-country data, the analytical results show that the rule of law, educational systems, and industrialization significantly influenced the global Internet diffusion, while the economic system did not exert significant impact. Uncertainty avoidance as a national cultural phenomenon significantly inhibited the Internet diffusion. This significant and negative effect is particularly true with less developed countries (LDCs).

### INTRODUCTION

One of the most significant technological developments in the last century is the emergence of the Internet. According to the World Bank, between 1995 and 1998, worldwide communication markets connected 200 million telephone lines, 263 million mobile subscribers, and 10 million leased lines. Internet connections increased nearly 65 fold, exploding from 15 million in 1994 to 972.5 million by November, 2005. The adoption of the Internet also grew at a fast rate. It took the World Wide Web (WWW) only four years to reach 50 million users, while it took the telephone close

*Table 1. A summary list of related literature*

<b>Panel 1</b>				
<b>Author</b>	<b>Research Focus</b>	<b>Study Setting</b>	<b>Significant Variables</b>	<b>Insignificant Variables</b>
1 Dutta & Roy, 2005	Application of system dynamics model to the mechanics of diffusion	India	The significant influences of feedback loops	
2 Forma, 2005	Examine inter-firm variation of internet adoption decisions	Finance and services sector in US	LAN intensity, system communication; NetWare applications, internet clients; pc's per employee; geographic dispersion	
3 Shih, Dedrick, and Kraemer, 2005	Country level determinants of e-commerce activity	30 countries	Number of secure servers; total IT investment; rule of law; internet access cost	Financial resources; direct marketing, revenues; credit card penetration
4 Clarke, 2004	Effects of Ownership and foreign competition	21 East European and Central Asian countries	Positive effects	
5 Dholakia and Kshetri, 2004	Explore factors impacting adoption of internet among SMEs	New England region of the US	Prior technology use, perceived competitive pressure	Past media use
6 Xu, Zhu, and Gibbs, 2004	Explore internet adoption by US and Chinese firms.	262 US firms and 175 Chinese firms.	Technology competence, enterprise integration, competition intensity, and regulatory environment	

*continued on following page*

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