

Conference Paper

Trust As a Factor in the Development of the Economy in the Context of Digitalization

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Abstract

In the era of the development of digital technologies, a low level of trust in the digital environment with the spasmodic growth of transactions becomes one of the challenges. In Russia, ensuring the accelerated implementation of digital technologies in the economy and social sphere is one of the national development goals. A high and stable level of trust of citizens and entrepreneurs in basic institutions largely determines the country's ability to achieve socio-economic development. In turn, the confidence indicator also reflects the economic situation and the potential for socio-economic development of the country. The purpose of the study is to assess the level of trust and its dynamics in Russian society for the period 2012–2018, using an indicator of confidence in business. The empirical base is the Edelman PR Worldwide analytical reports — “Edelman Trust Barometer”, the results of the annual Deloitte Millennial Survey, and the Doing Business analytical reports prepared by the World Bank and the International Finance Corporation. Despite the penultimate places of Russia in the ranking of the countries where the survey was conducted, there is a positive trend: an increase in the level of trust from 38% in 2016 to 41% in 2018 and, accordingly, a shift in the rating position from 27th place in 2016 to 25th place in 2018. The change in the level of confidence of Russian citizens was carried out in relation to four basic enlarged groups of institutions: government organizations, the media, business and non-governmental organizations. A long-term trend of the level of trust was built and its features in the Russian Federation revealed.

Keywords: trust, digital economy, institutions, socio-economic development

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1. Introduction

The introduction of digital technologies, which are becoming one of the key drivers of economic growth, is simultaneously accompanied by growing fears of the negative effects of digitalization. In the long run, it is it that can become a significant structural factor in economic growth under various scenarios of the development of the Russian economy.

The digital environment, offering a lot of solutions that simplify the life of the user, at the same time contains risks that still have not been completely eliminated. This forces specialists to work on the task of increasing confidence in technology from

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the mass audience. In addition, the digital environment includes a host of informal institutions. D. Tapscott (1994) [1] draws attention to the fact that many digital objects may not be objects of property rights from the point of view of legislation, but may arise in the framework of agreements between contractors as is the case with domain names. For this reason, specification and protection of property rights in the digital environment cannot always be ensured, and transaction costs without the possibility of formal institutions participating in the redistribution of property rights for market participants increase significantly [2].

The economic turbulence of recent years in most countries of the world is accompanied by a crisis of confidence in the institutions of society. According to the results of a sociological survey conducted annually since 2001 by the American public relations agency Edelman PR Worldwide, the year 2018 was called the stage of the “Battle for Trust” following the situations of “Trust in Crisis” 2017. This clearly reflects the importance of the norm of trust in society and explains the special interest.

Despite the fact that Russia is consistently included in the top 50 of all major international digital development ratings, the country is noticeably behind the leading countries in terms of digitalization of business that has been shown in the study of the problem of trust in recent times. This is evidenced by the Higher School of Economics National Research University’s Business Digitalization Index, which measures the rate of adaptation of companies to digital transformation and characterizes the use of broadband Internet, cloud services, RFID technologies, ERP systems, as well as the involvement of business sector organizations in electronic commerce ((The United Nations E-Government Development Index (EGDI) is determined by the state of online government services, the infrastructure of information and communication technologies, and human capital. The ICT Development Index is compiled by the International Telecommunication Union according to 11 indicators of accessibility and use of ICTs, and practical skills of using ICTs by the population. The Global Cybersecurity Index (GCI) reflects the development of legal, technical and organizational cybersecurity measures, the availability of educational and scientific institutions, partnership mechanisms and information exchange systems that increase the potential for information security. The International Digital Economy and Society Index (I- DESI) measures the development of the EU and several other countries in the field of digitalization.).

The purpose of the study is to assess the level of trust and its dynamics in Russian society for the period 2012–2018, using an indicator of confidence in business. First, we define the concept of “trust” and how to measure it.

2. Methodology and Methods

Despite the fact that interest in the category “trust”, as a special norm of relations in society, arose in the 80s of the twentieth century, there is no consensus in understanding its contents among scientists and economists.

The priority in the study of the category of “trust” belongs to sociologists, who considered it primarily as “confidence in the reliability of the individual or system” [3], as well as “expectation that arises in the community of regular, honest and collective behavior based on generally accepted norms, from other members this community” [4].

In economic theory, the investigation of the concept of “trust” began in the institutional theory, due to which it became widespread among economists in the context of solving the problem of trust within work collectives (workers’ trust in enterprise management, managers, leaders, problems of “passive” sabotage of management orders, “flight of capitals”, etc.).

Considerable attention was given to trust by authors who studied social capital (see, for example, M. Woolcock, J. Coleman, A. Portes, R. D. Putnam [5]) for whom trust is the basis of its formation.

Another direction is the interpretation of trust as a rational type of behavior associated with risk reduction (E. Giddens, B. Notebum and others [6]).

Russian economists use the term institutional trust by which they mean a certain level of expectation of conscientious behavior, which corresponds to the norms, rules and restrictions regulated by formal and informal institutions defined in this society [7].

Finally, more and more works are devoted to the analysis of trust as the basis for the existence of network interaction. This idea was proposed by R.M. Emerson [8], who noted the special role of trust in ensuring contractual relations and partnership obligations. Most authors are of the opinion that trust is the result of the voluntary adoption of norms and certain rules of conduct based on their social significance and expediency. In other words, trust as an institution requires the combined efforts of society and its basic structures (state bodies of government and administration, business, the media, the public) in the formation of values and norms of behavior among citizens, implying their trust in each other. Today, public opinion is dominated by a high assessment of the importance of trusting relationships that affect many key economic and social processes.

It seems that trust as an economic category is a prerequisite for concluding transactions between limited rational entities in conditions of uncertainty due to incompleteness and asymmetry of information, and a tool to reduce transaction costs.

The lack of consensus in the definition of trust creates problems with its measurement. In the vast field of scientific research devoted to the study of trust, several approaches to its measurement have developed.

The first of them is a methodology for assessing the three-component trust model proposed in 1997 by R. Levitsky, M. Stevenson, and B. Bunker [9].

The second approach is the methodology for assessing the three-component model of personal trust in other people, developed and tested by A.L. Zhuravlev and A.B. Kupreychenko [10]. The following approach is represented by a variety of methods for rapid diagnosis of the level of trust in the organization (the most common is the questionnaire proposed by Robert Shaw [11]).

We also note various sociological methods for assessing the level of trust in large social groups (ethnic communities or individual states), used both by international organizations and national research institutes. In particular, such large international organizations as Edelman PR Worldwide, Deloitte, the World Bank (World Bank) and others regularly conduct sociological studies dedicated to assessing the level of public confidence in institutions in general and for certain types of institutions.

Most often, among them, the study of public relations and trust in the state (government), the media, business and non-governmental organizations is used.

3. Results and Discussion

The empirical basis for these purposes is the Edelman PR Worldwide analytical reports — the Edelman Trust Barometer, the results of the annual Deloitte Millennial Survey and the Doing Business analytical reports prepared by the World Bank and the International Finance Corporation in as part of the Doing Business project [12].

Confidence Barometer Edelman PR Worldwide presents a classification of countries by level of trust. The main rating is compiled for two categories of respondents. The first group (the initial one, a survey has been conducted on it for more than 10 years) is the “Informed Public” group, which includes representatives of elites who have high incomes, higher education and regularly use business and political information. The age of respondents in this group is 25–64 years. In a recent survey, this group was represented by 500 respondents in the US and China and 200 respondents from all other countries. The second group is represented by Mass Population respondents. The group survey is conducted for seven years in 25 countries; the age of the respondents in this group is from 18 years old to 1150 respondents in each country.

Together, the first and second groups comprise General Online Population. The rating is compiled and presented for the groups “General Online Population” and “Informed Public”; i.e. separately the opinion of the Mass Population group is not taken into account.

The survey, which has been conducted since 2001, currently involves 28 countries, covering more than 30 thousand respondents. Russia was included in the study in 2007.

In most of the surveys, a key position was taken by studies of trust in business. The names of the annual reports testify to this: “Companies in the USA in Europe suffer from a decline in confidence” (2004), “Business is more reliable than the government and the media” (2007), “The younger generation has more trust in business ” (2008), “Business should cooperate with the government to restore confidence” (2009), “Trust is the real line of business” (2010); “Business to lead the discussion on change” (2014); “Trust is important for innovation” (2015), “Trust in a crisis” (2017), “The battle for trust” (2018).

According to the “whole population” sample, Russia occupies the penultimate places in terms of the population’s confidence in business, but there is a positive trend: growth in the level of trust from 38% in 2016 to 41% in 2018 and, accordingly, a change in the rating position from 27th place in 2016 to 25th place in 2018.

Of interest is a comparison of the dynamics of the level of trust in business in Russian society with the dynamics of trust in other groups of public institutions. Figure 1 shows the change in the level of confidence of Russian citizens in four basic enlarged groups of institutions: government organizations, the media, business and non-governmental organizations (compiled by the authors for 2018 Edelman Trust Barometer).

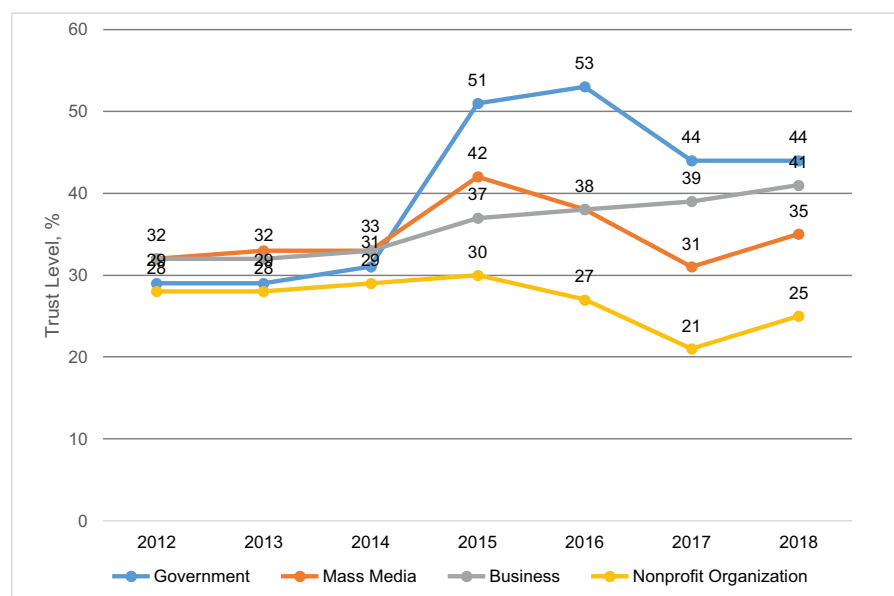


Figure 1: Dynamics of the level of confidence of Russian citizens in the basic groups of institutions (2012–2018)

Building a long-term trend reveals the following trends.

- For the entire analyzed period, the level of confidence of Russian citizens in business has steadily increased by 9%.
- The level of confidence of Russian citizens in non-profit organizations is steadily decreasing (by 3% over the entire period, and the highest value was recorded in 2015).
- The level of confidence of Russian citizens in the government (state) is volatile, demonstrating either periods of growth (2014–2016), or, conversely, a decrease (2016–2018), which is explained by foreign policy and foreign economic events in the country and the complication of the economic situation, responsibility for which many respondents place on government agencies.
- The level of confidence of Russian citizens in the media is also unstable, accompanied by an alternation of periods of growth and decline. Moreover, as a rule, its dynamics coincides with a change in the level of trust in the government.

Thus, the dynamics of the level of trust in business in Russian society, in comparison with the dynamics of trust in other groups of public institutions, allows us to draw the following conclusion. The economic situation in the country, the pace and direction of business development, the behavior of business leaders at all levels generally meet the expectations of Russian citizens and cause less and less negativity on their part.

Note that the findings are quite consistent with the results of a study conducted by P. Kozyreva and A. Smirnov: Russian citizens realize the importance of business, but many continue to distrust it. In 2016, more than 40% of citizens evaluated the activities of entrepreneurs critically, believing that it brings insufficient or little benefit. Moreover, since large business is associated with income from the sale of natural (and, therefore, national) resources received by a narrow circle of people [13].

4. Conclusions

For all the variety of approaches to the definition of trust, the vast majority of authors agree that the institution of trust creates a specific “airbag”. In the event of a crisis in the form of consent between all subjects of society, it also creates opportunities for overcoming negative external impacts on the country, affects the opportunities and pace of development of the country, etc.

The values of trust for the impact on the socio-economic processes in a country are determined by two circumstances: it creates the prerequisites for transactions in

conditions of uncertainty between limited rational actors, as well as the ability to reduce the transaction costs of the functioning of social institutions.

The analysis of a quantitative change in the level of confidence of Russian citizens in the main groups of public institutions, compiled on the basis of sociological surveys of foreign analytical agencies, which have been conducting relevant studies for many years and have accumulated a significant database for comparative analysis, has allowed us to identify the main trends.

For the period 2012–2018, the level of confidence of Russian citizens in business is constantly increasing, which is explained by an increase in the stability of the economic situation in the country, prospects for business development, and an increase in the responsibility of managers of enterprises at all levels with regard to their employees and society as a whole.

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