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The Issue Of Insufficient Capital Accumulation In Developing Countries

Gelişmekte Olan Ülkelerdeki Yetersiz Sermaye Birikiminin Sorunu

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Abstract: This research aims generally to analyse the issue of insufficient capital accumulation in developing countries. To develop the research and reach its objective, firstly, an analysis on the reason why there is insufficient capital accumulation in developing countries was made and, posteriorly, an efficient alternative to accumulate sufficient capital for economic development in these countries was presented. An analysis was also made of the social and economic situation of the countries taking into account their per capita income and human development index in order to classify economically and socially them at an international level. To understand the research topic, a general literature review was carried out on the concepts and theories that describe capital accumulation in general and particularly in the context of economic growth and development of countries. To collect data, data acquisition methods were used, based up on the secondary data acquisition technique, which consists of acquiring data from publications by public and/or private institutions. Therefore, the data used were obtained from the electronic databases of the World Bank Group and other private institutions. It was concluded that the issue of insufficient capital accumulation in developing countries is related to insufficient savings that arises because most of these countries have low and lower-middle incomes economies. The way to accumulate sufficient capital in developing countries is to consistently make foreign capital investments in these countries.

Keywords: Capital Accumulation, Economic Growth, Development, Developing Countries.

Öz: Bu çalışmada genel olarak gelişmekte olan ülkelerdeki yetersiz sermaye birikiminin sorununu incelemek amaçlanmaktadır. Araştırmayı geliştirmek ve amacına ulaşmak amacıyla öncelikle gelişmekte olan ülkelerdeki sermaye birikiminin neden yetersiz olduğu üzerine bir analiz yapılıp ardından bu ülkelerdeki ekonomik kalkınma için yeterli sermaye birikiminin etkin bir alternatifi sunulmuştur. Uluslararası düzeydeki ekonomik ve sosyal olarak ülkeleri sınıflandırmak amacıyla ülkelerin kişi başına düşen gelirleri ve insani gelişmişlik endeksleri dikkate alınarak sosyal ve ekonomik durumlarının da analizi yapılmıştır. Araştırma konusunu anlamak amacıyla genel olarak ve özel olarak da ülkelerin ekonomik büyüme ve kalkınması bağlamında sermaye birikimini tanımlayan kavram ve teoriler üzerine genel bir literatür taraması yapılmıştır. Veri toplamak amacıyla kamu ve/veya özel kurumların yayınlarından veri elde etmeyi içeren ikincil veri toplama tekniğine dayalı veri toplama yöntemleri kullanılmıştır. Dolayısıyla, incelenen veriler Dünya Bankası Grubu ve diğer özel kuruluşların elektronik veri tabanlarından elde edilmiştir. Gelişmekte olan ülkelerdeki yetersiz sermaye birikiminin sorununun, bu ülkelerin çoğunun düşük ve alt-orta gelirli ekonomilere sahip olması nedeniyle ortaya çıkan yetersiz tasarruflarla ilgili olduğu sonucuna varılmıştır. Gelişmekte olan ülkelerdeki yeterli sermaye biriktirmenin yolu, bu ülkelerdeki sürekli olarak yabancı sermaye yatırımları yapmaktan geçmektedir.

Anahtar Kelimeler: Sermaye Birikimi, Ekonomik Büyüme, Kalkınma, Gelişmekte Olan Ülkeler.

Introduction

In debates on economic growth in developing countries, the importance assigned to the issue of capital accumulation to generate and/or increase national wealth is emphasized. It is observed on a large scale in developing countries the insufficiency of capital accumulation that can lead their economies to growth and sustainable development. In these countries, the process that capital has to go through in order to reproduce itself brings with itself contradictions that make it to be unsuccessful. The accumulation of national capital is not a simple and quick result that can be obtained. It is a long-run process that requires the efficient and continuous application of collective efforts. In order to reproduce itself, capital continuously needs to wade through and restart a process comprised of a successive condition that integrate with each other. If, for whatever reason, one of these conditions is precluded, the entire process of accumulation will be precluded too. Accumulation only occurs, therefore, if all the necessary conditions for the whole process of capital accumulation are in perfect harmony.

It is the responsibility of the national government to create all necessary conditions that promote the national capital accumulation process, since the successful capital accumulation process leads the national economy to the status of financial independence. Therefore, capital accumulation is a necessary condition for effective economic growth in developing countries. By definition, capital accumulation is an act of accumulating assets of value for a group, promoting the increase of wealth through the concentration of capital. Capital accumulation is a process that consists in reuniting valuable assets, investing them in order to generate and/or increase wealth by obtaining the highest profit. Therefore, it stands clear that capital accumulation is fundamental in order to build national wealth for the nation's future, even if it is a long-run ongoing process.

It is intended to carry out this scientific article to show how important the process of capital accumulation is to generate and/or increase the national wealth in a given country, specifically in a given developing country. The research, in this way, aims generally to analyse the issue of insufficient capital accumulation in developing countries. It is desired to establish two main points of analysis based on the general objective of the research. In the first point, the aim is to determine the reason why there is insufficient capital accumulation in developing countries. In the second point, in turn, the aim is to present an efficient alternative to accumulate capital for economic development in developing countries.

Understanding the Concept of Capital Accumulation

In economics, capital is any asset able to generate a flow of income over time through its application in production. This concept is therefore used to refer to both money and other assets, for example, financial investments, stocks and goods that can be applied to generate wealth (Maria, 2022, p.6). In other words, capital is any economic good that can be used to produce other goods and/or services. The concept of capital, according to Yalçıner, Aksoy (2011, p.9) and Eğilmez (2021, p.48), represents assets such as machinery, equipment, installations and buildings that will produce goods and services for more than one year.

Capital accumulation is an act of accumulating valuable assets for a given group, promoting the increase of wealth by means of capital concentration. Capital accumulation also refers to any method of increasing the amount of capital owned or any method of utilizing or mobilizing capital resources for investment purposes. Along with labour and technical progress, capital accumulation is one of the production factors necessary for economic growth and development. It is a very important economic growth factor that contributes to achieving sustained economic growth in a given country.

Being a great factor for economic growth and development of nations, capital accumulation is an important topic on the world agenda due to its positive effects on economic growth. According to Soares (2010, pp.65-66), the process of acquiring capital is called investment. Gross fixed capital formation is a factor that circumvents the limit of production possibilities on the right by provoking positive effects on economic growth. The concept of economic growth translates into the quantitative aspect of an economy, whatever it may be, the company or the country, and which corresponds to the increase in total production during a certain period. Thus, corporate investments have an extremely significant impact on gross domestic product. If companies invest, they grow by buying more tools, machines, equipment, factories, hardware, etc., expanding their operations, hiring more workers and thus positively moving the local economy.

The aforementioned investment that will cause capital accumulation, translates into the application of savings in the gross formation of fixed capital. According to Murteira (2004, p.60), investment, in the so-called fixed capital, is the acquisition or construction of things such as machinery, equipment, transport material, buildings, etc.

The most important factor in ensuring economic growth is capital. In the analysis of economic growth, physical factors like tools, machines, equipment, factories and equipment, etc., which lead to an increase in production, are taken into account as capital factors. In traditional economic growth approaches, it is accepted that investment increases for physical capital accumulation increase labor productivity by increasing capital stock and the amount of capital per workforce, and an environment that facilitates capital accumulation is required to increase the amount of capital gradually in order to increase the production of goods and services. In these approaches, it is stated that the lack of capital is an important factor limiting economic growth and development in developing countries[1].

Within the scope of business economics, capital accumulation is a cyclical and continuous process that aims to accumulate wealth with the aim of maximizing business profit and reducing business costs. This cyclical and continuous process, according to Marx (2009, p.657), consists, in the first place, of converting a sum of money that performs the function of capital into means of production and labour force. This conversion takes place in the market, in the sphere of circulation. Secondly, the production process consists of transforming the means of production into merchandise whose value exceeds the value of its component elements, which therefore contain the capital that has been disbursed, plus a surplus value. Then these commodities in their turn must be thrown into the sphere of circulation. It is important to sell them, realize their value in money and convert that money back into capital, continually repeating the same operations. Each of these stages that make up the capital accumulation process requires that certain specific conditions are met in space and time in adequate quantity and

1 Dikkaya and Özyakışır, 2013, pp.538-539

quality. If, for any reason, one of the conditions that determine the process of capital accumulation is not fulfilled, the whole process of capital accumulation is compromised. In this sense, capitalism is characterized by a permanent effort to overcome barriers, translated into the continuous improvement of the means of production and labour force.

In the macroeconomic scope that encompasses the national economy, capital accumulation in the so-called national capital, consists of accumulating valuable assets with the aim of creating national wealth. In this sense, national wealth is the sum total of all assets with economic value owned by agents, public and private, present in the economy in question. National wealth is a stock variable, that is, it is calculated as the monetary value of goods and resources available to a society in a given period. However, in order to accumulate capital with the aim of generating national wealth, it is necessary to create the necessary conditions that can facilitate and make viable the process of capital accumulation itself. National wealth does not automatically and equally accumulate across countries, regions, sectors and local communities. In order for a country to accumulate as much wealth as possible for its economic growth and development, the local government must create a healthy, favourable and supportive environment for the development of activities in all available economic sectors. The government, being the main author responsible for the creation of national wealth that will be able to provide the social, economic and financial well-being of the nation, must create and adopt strategic macroeconomic policies that are adapted to the local economic system and that meet the needs of the sectors of economic activity. If, for whatever reason, the macroeconomic policies to be adopted do not favour the local economy, the process of national capital accumulation as a whole becomes impossible.

The Reason why there is Insufficient Capital Accumulation in Developing Countries

Countries with low per capita income are called economically developing countries. A developing country is understood to be any country that has macroeconomic indicators that are insufficiently able to provide social, economic and financial well-being to all the citizens equally and that aims to achieve development by using all necessary efforts to grow and/or develop its economy. The aim of all developing countries is to increase the per capita income and to become a developed country. The reason for this is that the higher the per capita income, the more goods and services people can consume and, consequently, the more people's well-being can increase. The more an individual participates in production with natural resources and capital, the more his/her productivity increases and the more he/she produces, the greater his/her income. Since natural resources within the borders of a country can be accepted as a data, the way to increase per capita income is to increase capital per capita. However, saving is necessary to raise capital and per capita income needs to be high to save because individuals cannot find the opportunity to save if they can only maintain their wealth with their income. It means that per capita income in developing countries is low. Per capita income, because it is low, per capita savings is also low, per capita savings, because it is low, the possibility of increasing per capita capital is also low, the possibility of increasing per capita capital, that is, the productivity of the person because it is low, the possibility of increasing per capita income is also low. It is described in this way, the reason why there is not sufficient capital accumulation in developing countries. In certain developing countries, most individuals do not have sufficient income to allow them to purchase goods and/or services and, at the same time, make savings. There is not sufficient employment for all that can allow individuals to participate in production with natural resources and capital so that they can increase their incomes. The way to increase per capita income is to increase capital per capita that is the individual productivity of a person that can be obtained in the act of producing goods and/or services in a given organization. Per capita income corresponds to the average income of the population of a country in a given period and is calculated by dividing the Gross National Product of a country by the number of inhabitants. Per capita income is an economic indicator used to measure the socioeconomic conditions of a given country, giving an idea of the average income level of citizens in the country in question.

The lack of effective and sustainable development in these countries is justified by the fact that there are no viable ways of accumulating capital, that is, accumulating national wealth. There is a lack of capital because there is low saving capacity, there is low saving capacity because there is low income, there is low income because there is low productivity and there is low productivity because there is a lack of capital. This situation precludes a country's capacity for economic development, as stated by Bal (2001, p.7) and Karacan (1965, pp.1-3), the insufficiency of capital accumulation in developing countries hinders them to make capital investments at a significant level to carry out their economic development, because these countries concentrate their total spending on food and similar obligatory needs due to the insufficiency of their per capita income levels and can save at a low pace.

Analysing the Economic Classification and Development of Countries

It is difficult to determine whether a country is developed or not, by the fact that there is not a single internationally recognized definition of a developed country. The economic and social levels of each country that lead to development vary according to the region, natural and technological resources, administrative knowledge and local government public administration policies. This situation differentiates a country from another, causing some to have a high standard of living and others to have a middle or low standard of living.

The economy of a certain country can be classified using macroeconomic indicators such as per capita income. By definition, Gross National Income refers to the total income earned by residents of a given economy in carrying out their economic activities inside and outside the Territory. Residents are understood to be both natural persons and entities. Thus, natural persons are those who remain in a geographic area of an economy, at least for 12 months, or intend to do so in the next 12 months, regardless of their nationality. On the other hand, entities are those that normally operate in an economic space of a certain country. In order to obtain per capita income, it is divided the gross national product by the total number of inhabitants. Per capita income is one of the socioeconomic indicators that assess the degree of economic development of a certain country.

National economies are currently divided into four income groups, namely low-income, lower-middle-income, upper-middle-income and high-income economies. Gross national income estimates are obtained from economists in World Bank country units, and population size is estimated by World Bank demographers from a variety of sources, including the United Nations Biennial World Population Prospects. In order to show national economic divisions according to per capita income, the economic classification of countries is analysed, basing on the classification criteria adopted by the World Bank. Income is measured using per capita income, in U.S. Dollar, converted from local currency using the World Bank Atlas method.

Table 1.1. Economic Classification of Countries by Per Capita Income

US$

Groups	**Per Capita Income**
Low Income Economies	1.085 or less
Lower Middle Income Economies	1.086 – 4.255
Upper Middle Income Economies	4.256 – 13.205
High Income Economies	13.205 or more

Source: The World Bank Group, 2023

According to the per capita income groups in Table 1.1, countries are divided into four groups, from low-income economies to high-income economies. Low-income economies include countries such as Afghanistan, Burkina Faso, Ethiopia, Congo Democratic Republic, Zambia, Liberia, Madagascar, Malawi, Eritrea, Chad, Togo, Mali, Niger, Rwanda, North Korea, Syrian Arab Republic, Republic of Guinea, Burundi, Sierra Leone, Gambia, Guinea-Bissau, Somalia, Sudan, Uganda, Mozambique, etc., with a per capita income of US$1.085 or less. Low-middle income economies include countries such as Angola, Nigeria, Algeria, India, Kenya, Ukraine, Tunisia, Senegal, Republic of the Congo, Cabo Verde, São Tomé and Principe, Côte d'Ivoire, Arab Republic of Egypt, Morocco, Sri Lanka, Tanzania, Cameroon, Bolivia, Islamic Republic of Iran, Ghana, Pakistan, Indonesia, Lebanon, Vietnam, Zimbabwe, etc. with a per capita income between US$1.086 and US$4.255. Upper-middle-income economies with a per capita income between US$4.256 and US$13.205 include countries such as Brazil, Türkiye, China, Russian Federation, South Africa, Colombia, Cuba, Argentina, Botswana, Namibia, Equatorial Guinea, Gabon, Paraguay, Thailand, Malaysia, Mexico, Azerbaijan, Iraq, Bulgaria, Libya, Albania, Moldova, Serbia, Armenia, Georgia, etc. On the other hand, high-income economies with a per capita income of US$13.205 or more include countries such as United States, Germany, France, Portugal, Belgium, Italy, Spain, United Kingdom, United Arab Emirates, Saudi Arabia, Qatar, South Korea, Japan, Canada, Netherlands, Hungary, Romania, Greece, Norway, Poland, Australia, Switzerland, Israel, Uruguay, Chile, etc.

Low-income and lower-middle-income economies are mostly made up of African countries. These countries are in dire need of help to develop their economies due to their weak economic growth resulting from a lot of regional factors. High-income economies, on the other hand, are mostly made up of European countries. These countries have almost their whole economic situation solved. Their efforts are mainly directed towards making maintenance and/or improvement of their economies. Although countries are classified economically according to their per capita income, the per capita income situation does not by itself determine whether a certain country is developed or not, but it provides helpful information to find out the socioeconomic situation of a given country. For example, while Saudi Arabia, which is in the group of high-income economies, is considered a developing country, on the other hand, Bulgaria, which is in the group of upper-middle income economies, is included in the developed countries class. This situation led to the necessity of other criteria besides income level in determining the development level of countries, and in this context, an index called the Human Development Index (HDI) was started to be used by the United Nations in 1990.

The HDI values, which provide information about the socioeconomic development level of the countries, vary between 0 and 1. A certain country is considered far from development insofar as its HDI value approaches zero and, otherwise, it is considered developed to the extent that its HDI value approaches 1. The HDI values of the countries are calculated based on the parameters of life expectancy at birth, expected years of education, average years of education and per capita income in purchasing power parity. It is shown in Table 1.2 below the socioeconomic development level of certain countries according to the human development index.

Table 1.2. Socioeconomic Development Level of the Countries under Analysis

Region	Country	HDI			
		2018	2019	2020	2021
Sub-Saharan Africa	Burkina Faso	0,449	0,452	0,449	0,449
Sub-Saharan Africa	Chad	0,398	0,403	0,397	0,394
South Asia	Afghanistan	0,483	0,488	0,483	0,478
Sub-Saharan Africa	Congo Dem. Republic	0,480	0,482	0,479	0,479
Sub-Saharan Africa	Angola	0,595	0,595	0,590	0,586
Sub-Saharan Africa	Mozambique	0,451	0,456	0,453	0,446
Sub-Saharan Africa	Nigeria	0,531	0,538	0,535	0,535
Europe and Central Asia	Türkiye	0,839	0,842	0,833	0,838
East Asia and Pacific	China	0,755	0,762	0,764	0,768
Latin America and the Caribbean	Cuba	0,783	0,788	0,781	0,764
Europe and Central Asia	Bulgaria	0,809	0,810	0,802	0,795
Sub-Saharan Africa	Burundi	0,428	0,431	0,426	0,426
Sub-Saharan Africa	South Africa	0,726	0,736	0,727	0,713
Europe and Central Asia	Russian Federation	0,841	0,845	0,830	0,822
Latin America and the Caribbean	Brazil	0,764	0,766	0,758	0,754
Middle East and North Africa	Saudi Arabia	0,865	0,873	0,870	0,875
Sub-Saharan Africa	Somalia	0,356	0,361	0,361	0,361
Sub-Saharan Africa	Guinea-Bissau	0,482	0,490	0,483	0,483
Middle East and North Africa	United Arab Emirates	0,909	0,920	0,912	0,911
East Asia and Pacific	Japan	0,923	0,924	0,923	0,925
Europe and Central Asia	Portugal	0,860	0,867	0,863	0,866
North America	United States	0,927	0,930	0,920	0,921
Europe and Central Asia	France	0,901	0,905	0,898	0,903

Source: The Global Data Lab, 2023

Table 1.2 shows the socioeconomic development level of the countries in question according to the human development index. Most countries in the Sub-Saharan Africa region have a human development index far from 1. According to classification criteria based on the human development index that provides information on the socioeconomic development level of a given country, a certain country is considered far from development to the extent that its HDI value approaches zero and, otherwise, it is considered developed insofar as its HDI value approaches 1. Taking into account this classification criterion, it can be said that the countries in the Sub-Saharan Africa region are less developed or developing countries. Not only do a lot of these countries in the Sub-Saharan Africa region have a human development index close to zero, but their economies are also in the group of low-income and lower-middle-income economies.

General Characteristics of Developing Countries

There are structural characteristics that easily identify a developing country within an economic, social and technological context that classifies a country economically and socially at the international level. Developing countries, for the most part, have low economic, social and industrial development. A developing country is each and every country, having bad economic and social indicators, aims, through administrative efforts, to improve them with a view to achieving national development. In order to determine and better understand the classification of developing countries due to the characteristically economic and social differences existing among them, the countries in question are classified into three groups, being low-stage developing countries, lower-middle-stage developing countries and upper-middle-stage developing countries. In order to differentiate them from each other, the per capita income level and the human development index of each developing country is taken as a criterion for differentiation. Low-stage developing countries are countries that are at a low-stage of the development process, having a low-income economy with a per capita income of US$1.085 or less and a human development index less than 50%. Lower-middle-stage developing countries are countries that are at a lower-middle-stage of the development process, having a lower-middle-income economy with a per capita income between US$1.086 and US$4.255 and a human development index equal to or greater than 50%. Upper-middle-stage developing countries, in turn, are countries that are at an upper-middle-stage of the development process, having an upper-middle-income economy with a per capita income between US$4.256 and US$13.205 and a human development index greater than the human development index of lower-middle-stage developing countries.

The general characteristics of developing countries refer mainly to economic, social and technological aspects. According to Berber (2006, pp.246-258), the economic aspects manifest themselves in the way of low income, inequality in income distribution, relative weight of the agricultural sector among sectors, low productivity or hidden unemployment, insufficient savings and investments, low capital accumulation and absolute poverty.

Developing countries are characteristically identified with low-income and lower-middle-income economies. These countries, for the most part, have low-income and lower-middle-income economies with per capita incomes of up to US$4.255. There is a high imbalance in the distribution of national income in developing countries. Looking at the GINI index, which is a statistic index used to measure the fair distribution of national income, it can be seen that most developing countries have a high GINI index. Taking into account the 2018 and 2020 statistics, for example, the GINI index of developing countries such as Türkiye, Mexico and Angola is respectively 0.40, 0.46 and 0.513, and the GINI index of developed countries such as Iceland, Austria and Sweden is respectively 0.26, 0.28 and 0.28. There is absolute poverty in most developing countries. Poverty is a multidimensional concept and it is generally handled with two dimensions as absolute poverty and relative poverty. While absolute poverty is expressed as the inability of people to meet even their most basic needs, relative poverty expresses the poverty of the individual according to the standards of the society in which he/she lives. In order to understand the level of poverty in each society, from 2010 onwards, the United Nations Development Program began using the Multidimensional Poverty Index, as a complementary alternative to monetary measures for measuring poverty. The Multidimensional Poverty Index is calculated including factors such as food, health, education, access to clean water, transport, housing, electricity, etc. This index ranges from 0 (absence of poverty) to 1 (extreme poverty). According to the 2019 Global Multidimensional Poverty Index, 1,2 billion people in 111 developing countries live in multidimensional poverty. According to the 2022 Global Multidimensional Poverty Index, the majority of people in multidimensional poverty, 83%, live in Sub-Saharan Africa and South Asia regions. Another important economic characteristic of developing countries is the low level of capital accumulation. In these countries, instruments such as foreign investments and foreign loans are used due to insufficient national savings. There is also in developing countries the issue of low productivity and clustering in the agricultural sector. As a result of insufficient capital accumulation, the inability to realize investments at a sufficient level leads to unemployment as a structural problem in countries in question and inefficiency, especially with the clustering of employment in the agricultural sector. The population sees agriculture as the main source of survival. In these countries, traditional agriculture predominates, the production, for the most part, is intended for self-consumption, in a subsistence economy regime.

As for the social aspects, developing countries have a young population composition resulting from high fertility and relatively low life expectancy. As a natural consequence of this, there is rapid population growth in these countries. Human Development Index, being the main indicator of a country's social development, compares the development of countries based on criteria such as education, life expectancy and income indicators. This index has a reference that varies from 0 to 1. The closer the index is to 1, the better the living conditions, education and income in the country. Otherwise, the closer the index is to 0, the worse the quality of life in the country. However, most developing countries have a low HDI, being closer to 0 and, thus, becoming countries with social fragility. Life expectancy in these countries is low. The population growth rate is high, as are the birth and death rates. Normally, these countries have difficulties in serving the population that lacks public policies directed to health, education and culture. Another important social aspect is that there is a brain drain from these countries with low quality education to developed countries.

As for the technological aspects, in addition to low productivity, technical production and technical personnel are insufficient in developing countries. The insufficiency of communication tools and the relatively primitiveness of existing technologies are among the technological characteristics of these countries. Another technology-related issue is the dependence of these countries on technologically advanced countries. This dependency imposes additional costs on countries due to issues such as licenses, patents, etc., and also creates an obstacle to a sustainable economy.

Alternatives for Accumulating Capital in Developing Countries

It is known that one of the biggest problems experienced in developing countries is the lack of capital accumulation and financial resources to solve their social, economic and financial needs. This situation hinders the process of economic growth and development in these countries. In order to find a solution to these problems, there is a need to constantly invest foreign capital in these countries. Foreign capital investment plays an extremely important role in the economic growth and development of developing countries. The investments in question are seen as an important tool to achieve sustainable development goals around the world. As stated by the OECD (2002, p.3), foreign capital investment is an integral part of an open and effective international economic system and is the greatest catalyst for development.

Foreign capital investment is the realization of investment projects through the use of capital held by foreign exchange non-residents, this capital, in addition to monetary means, also taking the form of technology and knowledge or equipment goods and others. In other words, foreign capital investment is the transfer of investable resources to another country by foreign persons and organizations. The concept of foreign capital investment is related to the concept of capital movements, which are foreign currency flows between countries, representing both short-term and long-term investments in physical assets, financial securities and lending. In a broad definition, international capital movements are the resources of finance, technology, information and services that a country can provide to those from outside sources and add to its economic strength and subsequently to national assets to pay for them. According to Eğilmez (2021, p.285), capital flows outside national borders are called international capital movements. Capital movements can be in the form of direct investments as well as indirect investments in the form of lending or portfolio investment (investment in stocks).

Foreign capital coming to a country can be short-term or long-term. Foreign capital remaining in a country for less than one year is called short-term, and foreign capital remaining for more than one year is called long-term. Short-term capital movements are generally debts arising during the balancing of the balance sheet or hot money movements seeking a safe environment and do not enter into capital movements that will enable the development of a country as is this understood. Long-term foreign capital that will enable development can enter the developing country in different ways: (1) individuals in other countries lend to individuals in the developing country (private loans or portfolio investments), (2) individuals in other countries make foreign direct investments in the developing country (direct venture investments), (3) individuals, governments or international organizations in other countries make loans to the government of the developing country, and (4) individuals, governments, or international organizations in other countries may donate to the government (or individuals) of the developing country, and may provide gratuitous aid. While the factors that cause capital movements in points (1) and (2) are economic, the reasons that determine points (3) and (4) are generally political – military – human factors. This work, in order to accumulate sufficient capital in developing countries, mainly refers to the ways of carrying out investments aforementioned in points (1) and (2). In carrying out these investments effectively, capital in the general economy or in some sectors of the economy in a country whose capital is relatively scarce becomes abundant and can become more adequate than before.

External financing is an efficient option to solve the issue of insufficient capital accumulation in developing countries, which arises both as a cause and as a result of it. External financing sources for developing countries can be classified as traditional and alternative external financing. Traditional external financing sources include international multilateral financial institution financing, interstate financing and international commercial bank loans, while alternative external financing includes foreign direct investment, foreign portfolio investments and all other privately sourced financing. According to Aydın (1997, pp.6-7), foreign direct investment is defined as the establishment of a production facility in foreign countries alone or with partners, or the acquisition of existing facilities or the merger with existing facilities, by spreading its production outside the borders of the country where its head office is located. Foreign portfolio investments are investments made in capital market instruments such as foreign stocks and bonds and foreign currency market instruments. For Eğilmez (2021, pp.283-284), portfolio investments in the balance of payments include stocks and debt securities in the form of bills and bonds issued by public or private institutions and other money market instruments. In traditional external financing sources, the international official capital flows stand out, which, according to Bayrak and Polat (2020, pp.112-118), mainly consist of loans, although they consist of loans and grants. Grants are aid in the form of donations. The payment terms of official loans are more favourable than international trade loans, and they are a type of loan with longer repayment periods and generally a grace period. International official capital flows can be based on a political reason as well as an economic one. Sometimes such capital flows take place for purely humanitarian reasons.

The reason why it is important to make foreign capital investments in developing countries is related to the benefits that these investments can bring to these countries. While foreign direct investments directly affect the macroeconomic indicators such as production, balance of payments, employment, economic growth, etc. in the host country; portfolio investments affect the foreign exchange market, stock markets, and both meet the financing needs and affect the determination of interest rates and exchange rates in the country. Official capital flows, on the other hand, affect the host country's financial market, as they are predominantly comprised of loans, along with credits and grants. The benefits of foreign capital investments in host countries are real. However, these benefits do not accumulate automatically and evenly across countries, regions, sectors and local communities. In order for the host country to attract foreign capital investment and fully acquire its benefits, local governments have to create a favourable, healthy and supportive climate/environment for foreign capital investment. Also, the aim of local governments is not only to attract foreign capital investment to their countries, but also to work to retain the foreign capital investment they can attract.

Conclusion

This research generally aimed to analyse the issue of insufficient capital accumulation in developing countries. In order to develop the research and reach its objective, firstly, an analysis on the reason why there is insufficient capital accumulation in developing countries was made and, posteriorly, an efficient alternative to accumulate sufficient capital for economic development in these countries was presented. An analysis was also made of the social and economic situation of the countries taking into account their per capita income and human development index in order to classify economically and socially them at an international level. In order to understand the research topic, a general literature review was carried out on the concepts and theories that describe capital accumulation in general and particularly in the context of economic growth and development of countries. In order to collect data, data acquisition methods were used, based up on the secondary data acquisition technique, which consists of acquiring data from publications by public and/or private institutions. Therefore, the data used were obtained from the electronic databases of the World Bank Group and other private institutions.

It is concluded that the main reason why there is insufficient capital accumulation in developing countries is related to the fact that there is insufficient savings in these countries. There is insufficient savings because the economies of these countries are mostly low and lower-middle incomes. There are low and lower-middle incomes because there is insufficient capital accumulation that can increase the level of productivity, improving the level of employment and, consequently, income. Thus, the issue of insufficient capital accumulation in developing countries arises both as a cause and as a result of it. In order to accumulate sufficient capital in developing countries, an efficient option is to obtain alternative external financing by consistently making foreign capital investments in these countries. Foreign capital investments help host countries in the sustainable growth and development of their economies by increasing their social and economic welfare and providing the highest benefits in financing resources. In addition, these investments provide various benefits to the economic growth and development of a host country, such as capital accumulation, employment, new technology, new management techniques, business knowledge, integration with international markets, new access channels to world markets and the creation of a domestic competitive environment. However, the benefits of foreign capital investments do not accumulate automatically in host countries. In order for the host country to attract foreign capital investment and fully acquire its benefits, local governments have to create a favourable, healthy and supportive climate/environment for foreign capital investment. Also, the aim of local governments is not only to attract foreign capital investment to their countries, but also to work to retain the foreign capital investment they can attract. Foreign capital investment, being an efficient alternative to solve the issue related to the capital insufficiency in developing countries, is an important tool for carrying out economic growth and development goals around the world.

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