Research Paper

THE IMPACT OF GLOBALIZATION ON ECONOMIC GROWTH: A STUDY ON SELECTED ASIAN COUNTRIES

Hassan Afeez Olatunbosun  
BSc(Hons) Accounting & Finance Student  
Lords Ashcroft Business School  
Anglia Ruskin University, UK  
Afeezhassan90@gmail.com

Abdul Basit  
Lecturer  
School of Accounting and Business Management  
FTMS College, Malaysia  
Abdulbasit9037@gmail.com

ABSTRACT

The purpose of this research is to examine and investigate the impact of globalization on economic growth in selected countries of Asia. This research will investigate the impact of social, political and economic globalization on gross domestic product of the selected Asian countries. This research was done on 18 selected countries of Asia. This research used panel data analysis from 2011 to 2015 using convenience sampling and total observation of 100. Data was selected from KOF Index of Globalization. This research use social, political and economic globalization as independent variables and gross domestic product as dependent variable. E-views software was used to generate the regression result. The results reveal that social globalization has a significant impact on GDP while political and economic globalization has an insignificant impact on GDP. This research will benefit to economist, student, journalist and future researchers to understanding and acknowledge the impact of globalization on Asian’ economy growth. Future researches are recommended to use different sample such as European countries or Middle East country. Also they can use other variables such as FDI, export or import to measure the economic growth of selected countries.

Key Terms: Social globalization, Political globalization, Economic globalization, Gross domestic product (GDP), KOF Index of Globalization, Asia

1. INTRODUCTION

Many researches have been gauging the impact of globalization, especially in developed countries. The purpose of this study is to investigate the impact of globalization on Asia economic growth. Asia is the biggest landmass on the planet and populated with more than 4.3 million individuals (Population Reference Bureau, 2015). South Asia GDP recorded USD 2.6 trillion in 2015 over USD 73.4 trillion of universes GDP (Word bank, 2015). China (USD 10.8 trillion) and Japan (USD 4.1 trillion) second and third on GDP list (Word bank, 2015) which justifies that Asia has a great deal to be pleased with. As indicated by (Asian development Bank, 2016), Asian locale contribute around 60% of worldwide development in
the following 2 years, near to its commitment in the previous 5 years. Therefore, the following research objectives are formulated:

- To investigate the impact of social globalization on Gross domestic product (GDP).
- To investigate the impact of political globalization on Gross domestic product (GDP).
- To investigate the impact of Economic globalization on Gross domestic product (GDP).

Even though globalization is generally considered as a mission to country wide sovereignty, states in Asia have chosen to include the worldwide economic system. For the period of Asia’s increase years, globalization used to be viewed as an instrument for strengthening country wide energy, as a substitute than as a competencies chance (Ba, A.D, 2003). Movements in Indonesia, nonetheless, advocate that globalization can drive political, as well as economic trade. Globalization can exacerbate divisions inside society, with some businesses profiting more from globalization than others, Indonesia’s ethnic Chinese language, for instance. In the face of globalization, ethnic divisions and separatist movements would aggravate, and social brotherly love would undergo as well (Aveling, H. and Kingsbury, D, 2014).

2. LITERATURE REVIEW

According to Albrow 1990 “Globalization” refers to all those processes wherein the peoples of the arena are included right into a single world society or global society (Cuterefa, 2012). Lawrence 1996. Globalization is outlined here as a suite of economic and political constructions and approaches deriving from the altering of the goods and assets that comprise the bottom of the international political financial system in particular, the growing structural differentiation of these goods and belongings (Reich, 1998, 1996). According to (Datko A, 2016) Social globalization is obvious in the similarities of social traits between cultures, from consumerism to arts and humanities. Political globalization is when governmental action takes location on a worldwide stage, where responsibilities, such as the welfare of residents and fiscal development, are acted upon by way of a global political physique (Bridges, 2002). According to (Shangquan, 2000) Economic globalization refers to the growing interdependence of world economies as a result of the growing scale of go-border exchange of commodities and services, waft of international capital and vast and speedy spread of applied sciences. According to (Landefeld & McCulla, 2000) Economic growth is developing in the inflation-adjusted market price of the items and services produced by a financial system over time.

Transnationalism is observed more commonly within the globalization literature as an umbrella concept encompassing a wide type of transformative processes, practices and traits that take position at the same time at a nearby and world level. Transnational tactics and practices are outlined widely as the multiple ties and interactions fiscal, political, social and cultural – those hyperlink men and women, communities and institutions across the borders of nation-states (Robinson, 2007). Some Scholars point out to the unconventional personality of transnational hyperlinks within the generation of globalization (Levitt, 2001., Smith & Guarnizo,1998., Portes, Guarnizo, & Landolt, 1999). Transnational ties among contemporary immigrants are extra excessive than these of their historic counterparts as a result of the pace and moderately cheap personality of journey and communications and that the impact of these ties is extended by way of the worldwide and country wide context wherein they occur (Levitt, 2001., Portes 1995., Portes, Guarnizo & Landolt, 1999). Transnational migration theorists have on this regard questioned seemingly dichotomous and together amazing classes, reminiscent of outside versus inside, country wide versus global, sending versus receiving international locations, sojourner versus settler, citizen versus non-citizen, and to
look for continuities and overlaps between and among them. Scholars working inside the framework of transnationalism mostly see transnational links, hobbies and spaces as result of globalization and as a drive that helps to form, improve and fuel it. The immigrants and non-immigrant’s who create these links and areas are visible not best as objects upon which globalization acts but additionally as topics who aid to form its course. Students have argued that the transnational expertise will have to be conceived as involving a few layers and that transnationality must be understood as a form of expertise that can't be constrained to immigrant agencies (Roudometof, 2005).

According to (Hymer, 1970) Trickle-down theory,” argue for earnings and capital obtain tax breaks or other fiscal benefits to significant companies, buyers and entrepreneurs with a purpose to stimulate monetary progress. The argument hinges on two assumptions: all members of society growth from progress; and growth is without doubt to come from those with the assets and knowledge to broaden productive output. Trickle-down economics is on hand in lots of types. Give-aspect arguments, extra more often than not than not related to tax cuts for high earners, advise the wealthy might be more incentivized to raise output and create higher jobs. Demand-aspect arguments, associated with subsidies and tariffs, argue the wealthy want protections with a purpose to preserve paying their staff or to upward push spending (Gates, 1999). All trickle-down insurance policies, nevertheless, transfer wealth and advantage from all taxpayers towards an already rich few. This interventionism always distorts the economic constitution. In natural free markets, these on the high can most effective increase their wealth after supplying extra helpful items and choices, no longer earlier than(Giddens, 2013). A 2012 study via the Tax Justice group suggests that wealth of the gigantic-rich does not trickle all the method right down to increase the economic climate, however tends to be gathered and sheltered in tax havens with a foul have an effect on the tax bases of the house economic approach(Stewart, 2012)

Furthermore, the Heckscher–Ohlin model (H–O model) is a common equilibrium mathematical model of international trade. Relative endowments of the reasons of production (land, labour, and capital) verify a country's comparative skills. Countries have comparative benefits in those items for which the required causes of creation are fairly ample in the neighborhood. That is given that the profitability of items will depend on entering charges. Goods that require inputs that are locally abundant will probably be cheaper to produce than those items that require inputs that are locally scarce. For example, a country the place capital and land are plentiful however labour is scarce may have comparative knowledge in items that require lots of capital and land, however little labour—grains. If capital and land are considerable, their costs might be low. As they're the most important reasons used in the production of grain, the fee of grain will also be low—and for this reason appealing for both neighborhood consumption and export. Labour-intensive items alternatively can be very steeply-priced used in the production of grain, the price of grain will also be low—and thus Used within the creation of grain, the cost of grain will even be low—and hence attractive for both nearby consumption and export. Labour-intensive items however will be very steeply-priced to supply on the grounds that labour is scarce and its rate is excessive. For that reason, the nation is better off importing these goods (Miberg & William, 1996).

Even though H-O model is frequently notion to be groundwork for global alternate suggestion, there are a lot of elements of criticism closer to the model (Miberg & William, 1996). The typical Heckscher–Ohlin mannequin and improved mannequin such on the grounds that the Vanek mannequin performs poorly, as it's proven inside the section "Econometric checking out of H–O model theorems". Daniel Trefler and Susan Chun Zhu (2000), summarizes their paper that "it can be complex to believe that aspect endowments notion might reward an adequate rationalization of worldwide alternate patterns. From the middle of the 19th century to 1930s, large go with the flow of immigration took vicinity from
Europe to North the United States. It’s estimated that larger than 60 million men and women crossed the Atlantic Ocean. Some politicians worried if these immigrants may cause rather quite a lot of troubles (together with cultural conflicts).

The European social model is a usual imaginative and prescient many European states have for a society that mixes fiscal growth with immoderate residing necessities and excellent working conditions. European states do not all use a single social model, but welfare states in Europe do share a quantity of gigantic traits. These most generally incorporate a commitment to full employment, social protections for all residents, social inclusion, and democracy. Examples lengthy-based amongst European nations incorporate customary wellbeing care, free greater schooling, strong labour protections and principles, and beneficent welfare applications in areas much like unemployment coverage, retirement pensions, and public housing. The Treaty of the European neighborhood set out a few social targets: advertising of employment, multiplied residing and dealing stipulations, correct social safeguard, converse between management and labour, the progress of human assets with a view to lasting high employment and the combating of exclusion (Scharpf, 2002). Due to the fact that one of a variety European states center of attention on pleasant aspects of the model, it has been argued that there are 4 one of a kind social models in Europe the Nordic, British, Mediterranean and the Continental (Sapir & André, 2005).

The designated outlines of a European social model emerged for the duration of the submit-wrestle broadens. Tony Judt lists a variety of reasons: the abandonment of protectionism, the little one increase, low fee power, and a want to meet up with dwelling requisites loved in the USA. The European social model additionally loved a low measure of external competitors because the Soviet bloc, China and India weren't but developed-in into the international financial process (Charlemagne, 2008). In latest years, it has become usual to impeach whether or not or no longer is the ecu social model sustainable in the face of low supply-rates, globalization, Europeanization and a developing older populace (Vlieghere & Vreymans, 2006).

Stuart wall globalization refers globalization to the shift toward a more integrated and interdependent world economy. In 1960, thew accounted for over 40% of world fiscal pastime; with the aid of 2008, it accounted for simply over 20% of world financial exercise (A equivalent pattern happened in different developed nations). The percentage of world output accounted for by means of setting up countries is rising and is expected to account for more than 60% of world financial pastime by means of 2020 (From 1963 to 2008, China's share of world GDP improved to eleven.2%) (Kenneth, 2010). The sector is moving toward a extra global economic process however globalization just isn't inevitable, there are signs of Retreat from liberal financial ideology in Russia. Charles hill argue that companies preclude pricey efforts to adhere to labour and environmental laws by way of moving production to international locations the place such rules do not exist, or aren't enforced. Supporters declare that more difficult environmental and labour necessities are associated with monetary growth, as international locations get richer from free alternate they put into effect more challenging environmental and labour rules. Charles hill think that if globalization was once useful there will have to now not be a divergence between wealthy and negative nations. Consistent with Sidney (1994) Supporters declare that the quality way for bad countries to beef up their main issue is to: cut back boundaries to exchange and investment, implement fiscal policies situated on free market economies, receive debt forgiveness for debts incurred below totalitarian regimes.

As discussed earlier, the key attributes of globalizations are social, economic and political dimensions that could affect directly or indirectly the economic growth of a country.
The social dimension of globalization refers back to the impact of globalization on the existence and work of humans, households and societies (Mehlika, n.d.). There are extra social elements for globalization past the employment, working dimensions, earnings, social safeguard and many others. One other foremost social aspect is that globalization has deeply influenced the social constitution of unique societies (Movius, 2010). Each society used to have its own detailed tradition with appreciate to the language, social norms, morality, civic with the advent of media which has this exact ability to have an effect on millions whilst has challenged the social institutions of the society traditionally family (Jovanovic, 2010). A detailed society following their variety of living without being much influenced via the western culture is now obvious as ‘uncivilized’ which used to be an extraordinarily cunningly designed propaganda of the west to inculcate their tradition into the leisure of the arena and thereby dominating the globe (Kirby, 2006). Ying, Chang & Lee, (2014) discovered that social globalization has a poor impact on financial development.

H1- There is a positive significant impact of social globalization on GDP

(Keohane and Nye, 2000) Create economic, political and social dimension to measure globalization, lengthy distance flows of goods, capital and offerings as well as understanding and perceptions that accompany market exchanges is a part of the economic dimension. Economists had been among the many first to check out to quantify the extraordinary accessories of globalization in their attempt to assess its impact on economic progress (Greenback & Kraay, 2004., Dreher, 2006). Certainly, the measures of globalization often employed were completely monetary, mainly proxies by way of complete imports and exports or overseas direct investment (FDI), expressed as a share in GDP (Goryakin, Lobstein, James & Suhrcke, 2015). But, globalization will not be exclusively a financial method, and although it had been, there may be more to fiscal globalization than the mere float of goods and capital (Goryakin, Lobstein, James & Suhrcke, 2015). Ying, Chang and Lee (2014) located that financial globalization has a greatly optimistic impact on economic growth.

H2: There is a positive significant impact of economic globalization on GDP

Political motives in relation to the formation of regional alternate blocks, or participation in more than a few global treaties, may also have performed a position, via performing as a precursor to greater financial integration through the hole of meals markets to free trade (Goryakin, Lobstein, James & Suhrcke, 2015) On the one hand, greater political integration on a regional degree is prone to result in deeper regional cooperation (e.g. In the type of alternate blocks), at the same time on the other hand it might also create mechanisms, for example, trade limitations, designed to guard collaborating international locations from external fiscal competition (Dreher & Dreher, 2006). Differential effects of political vs. Monetary globalization have, for illustration, been determined in contemporary research examining the have an impact on of globalization on monetary growth (Dreher & Dreher, 2006). Ying, Chang, and Lee (2014) found that political globalization has non-huge negative outcomes.

H3- There is a positive significant impact of political globalization on GDP
3. RESEARCH DESIGN AND METHODOLOGY

Explanatory research design will naturally give an explanation for relationship between social, political and economic globalization with gross domestic product and that is purpose of this paper. This study will engage quantitative methodology for being a proper, objective, systematic method in which quantifiable information is used to acquire information concerning the world (Maxwell, 2012). Furthermore, this research is based on secondary data since it allows for researcher comparison of knowledge or information even it a few years’ worth (Srivastava & Yadav, n.d.) Sample size of this research is 20 Asian Countries (China, Malaysia, Japan, Thailand, Saudi Arabia, Cambodia, Korea, Philippines, Indonesia, India, Nepal, Pakistan, Sri Lanka, Iran, Vietnam, Brunei, Singapore, Bahrain, Kazakhstan and Bangladesh). Data for five (5) years have been collected from KOF Index of Globalization start from 2010 to 2015. This paper will use availability sampling by using the following criteria:

KOF Index of Globalization
Availability of data
Develop and developing countries in Asia and Central Asia

Lastly, for data analysis; descriptive and regression analysis was engaged in order to answer the defined research objectives.

4. RESULT AND DISCUSSION

Descriptive Statistics

<table>
<thead>
<tr>
<th>Table 1: Descriptive Means and Standard Deviation</th>
</tr>
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<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>GDP</td>
</tr>
<tr>
<td>POLITICAL</td>
</tr>
<tr>
<td>ECONOMICAL</td>
</tr>
<tr>
<td>SOCIAL</td>
</tr>
</tbody>
</table>

According to Table 1, the average mean for Gross Domestic Product (GDP) is reported to be 3.08% and the standard deviation is 2.722. The result indicates an average growth of 3.08% in terms of the gross domestic product (GDP) for the selected Asian countries has been reported. The average mean for Political Globalization is reported to be 74.709 and the standard deviation is 13.34. The result signifies that the sample countries for
this study experience a political globalization of 74% during the studied time span. The chosen Asian countries also experienced an average of economic globalization of 57.398 and standard deviation is 13.34. This shown that these countries experience 57.3% of their economic globalization in 2015. Lastly, the selected countries also experience the average of 48.496 in social globalization with the standard deviation of 19.188. It shows that social globalization experience by these countries in 2015 is 48.8%.

Regression Analysis

<table>
<thead>
<tr>
<th>MODEL</th>
<th>R-Squared</th>
<th>Adjusted R-Squared</th>
<th>F-Statistics</th>
<th>Prob(F-Statistics)</th>
<th>Durbin Watson-Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.711</td>
<td>0.608</td>
<td>6.913</td>
<td>0.000</td>
<td>2.097</td>
</tr>
</tbody>
</table>

According to table the model shows that R square is 0.711 which indicates that 71.1% of the dependent variable is explained by the independent variables (Political, Economic and social). The adjusted R square is 0.608 which shows that a model is good fit model as the value is higher than 0.60 (Lemeshow & Hosmer, 1982). The Durbin Watson is 2.097 which show that there is no auto-correlation among the sample countries chosen for this study, which is the value lies in average of 1.5 to 2.5 (Anon, n.d.)

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>Std.Error</th>
<th>T-Statistics</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-10.447</td>
<td>-0.845</td>
<td>0.400</td>
</tr>
<tr>
<td>Political</td>
<td>-0.118</td>
<td>-0.958</td>
<td>0.340</td>
</tr>
<tr>
<td>Economic</td>
<td>0.161</td>
<td>1.476</td>
<td>0.144</td>
</tr>
<tr>
<td>Social</td>
<td>0.267</td>
<td>2.475</td>
<td>0.015</td>
</tr>
</tbody>
</table>

Interpreting to the above mentioned table, political globalization is reported to have a negative insignificant impact on GDP with a beta co-efficient value of -0.118 and significance value of 0.340. Similar result was reported in the study of Dreher (2006). While Kilic (2015); Rafat, Emadzadeh, and Ahmadi (2013) and Samimi and Jenatabadi (2014) has contradictory conclusion from this study. Moreover, Economic globalization is reported to have a positive insignificant impact on GDP with a beta co-efficient value of 0.144 and significance value of 0.144. Similar result was reported in the study of Dreher (2006). While Kilic (2015) and Samimi and Jenatabadi (2014) has concluded their studies with an opposite outcome. Furthermore, Social globalization is reported to have a positive significant impact on GDP with a beta co-efficient value of 0.267 and significance value of 0.015. Similar result was reported in the study by Rafat, Emadzadeh, and Ahmadi (2013) and Samimi and Jenatabadi (2014) while Kilic (2015) has led his study to a different outcome than this research.
Table 4: Hypotheses acceptance and rejection

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Significant level</th>
<th>Decision</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: political globalization has a insignificant impact on GDP</td>
<td>0.340</td>
<td>Rejected</td>
<td>The probability value is 0.340 which is higher than 0.05 significant level. This show that political globalization is insignificant with GDP.</td>
</tr>
<tr>
<td>H2: economic globalization has a insignificant impact on GDP</td>
<td>0.144</td>
<td>Rejected</td>
<td>The probability value is 0.144 which is higher than 0.05 significant level. This show that economic globalization is insignificant with GDP.</td>
</tr>
<tr>
<td>H3: social globalization has a significant impact on GDP</td>
<td>0.015</td>
<td>Accepted</td>
<td>The probability value is 0.015 which is lower than 0.01 significant level. This show that social globalization is significant with GDP.</td>
</tr>
</tbody>
</table>

5. CONCLUSION

The intent of this research is to investigate the impact of globalization on economy growth in 20 Asian selected countries. This research found that social globalization has a significant effect on Asian’s GDP. 20 countries were selected to investigate and the result turn out positively significant social globalization can give major impact on these countries economic growth. This research further found political globalization insignificant impact to GDP. Directly, this political globalization in selected countries is placing an insignificant impact on their economic growth (GDP). Lastly, the economic globalization insignificantly effect to Asian GDP in the selected cluster of the Asian countries in the studied span of this research.

Future Researchers are recommended to investigate the impact of globalization on economic growth on different country or different continent such as Africa, Europe or Australia. Researchers are also recommended to investigate the impact of globalization on economic growth using another variable such as foreign direct investment (FDI), domestic investment or government expenditure (development). Therefore, researchers also are recommended to require the economic and political globalization that founded insignificant effect on economic growth by using more sample size or using 1 year data or 10 years data. Future researchers are suggested to use a larger sample size than this research were using only 20 countries out of 48 counties in Asia continent. Also, future researchers are suggesting using other variables such as foreign direct investment (FDI), import, export, domestic investment or government expenditure (development) as the dependent variable to reveal the new result. Future researcher also suggested using information from World Bank, globalization report and other database. Moreover, future researchers are suggested to conduct the research in another countries or continent such as European and Africa. They also can use Multivariate Analysis of Variance (MANOVA) or analysis of variance (ANOVA) for data analysis methods.

There are numerous limitations entitled to this research, as this research only investigate 20 countries out of 48 countries in Asia and this research using 100% data from KOF Globalization Index data based. Lastly, this research only investigates impact of globalization on economy growth from 2011 to 2015 because of availability of data.

This research will benefit to economist and political journalist or students for further research and investigation about the impact of social, economic and political globalalization on GDP in 20 Asian countries.
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