International Journal of Innovative Research and Advanced Studies (IJIRAS)
Volume 6 Issue 5, May 2019

ISSN: 2394-4404

The Effect Of Globalization On Economic Growth In Nigeria: A Review

Tyonande Iorwuese

Centre for Entrepreneurship Studies, Benue State University, Makurdi,
Benue state- Nigeria

***Abstract:** Globalization in a broader sense refers to the widening set of interdependent relationships among people from different parts of the world that happens to be divided into nations in order to facilitate the flow of goods, capital, services and labour. These interdependent relationships that led to a borderless society started long ago during Mercantilists who traversed the whole world looking for precious metals, in the process partitioned and colonized all parts of the world. This study is critically examined the positive and negative effects of globalization on Nigeria's economic growth. The main attribute of the current economic situation is globalization triggers by New Age of Information and Communication Technology (ICT) which is contrary to history of mankind. Countries have continued have continually intensified various efforts towards engaging in business transactions across borders on large scale. Therefore, with these trends of political, economic, social and technological forces, the world is becoming a 'global village'. Based on the above, this study recognizes the existence of a global environment that is deeply embedded in interdependency and the necessity for Nigeria to minimize the negative effects of globalization while exploring its benefits for national development and economic growth. However, if Nigeria is to benefit from the global integration, the country should not rely solely on what the developed foreign countries are handling down to us, but should consider and encourage local production and industry. The country should be proud of her heritage and way of life, instead of accepting all aspects of Western way of life. She should think of diversification to other sources of revenue, instead of depending on crude oil.*

I. INTRODUCTION

It is obvious that, we now lived in a borderless society where the entire world has become a global village. With the advent of globalization, we have been moving away from a world in which national markets were relatively self contained entities, isolated from each other by barriers to cross border trade and investment; by distance, time zones and language, and by national differences in government regulations, culture, and business practices. The national economies are emerging into interdependent and integrated economic system due to the advances in transportation and telecommunications technology.

Globalization is as old as mankind, International contacts and exchanges are not a new phenomenon. It started from the time of the Mercantilists who were popular from the sixteenth to the middle of the eighteenth century. They traversed the whole world looking for precious metals, in the process partitioned and colonized all parts of the world. Even in the Classical era, exchange of goods and services was promoted through the law of comparative advantage. This was made possible by the existence of comparative advantage, that is, a situation in which one country has a comparative cost advantage in the production of one commodity over another country. In addition, in the twentieth century, the Neo classicists also saw the possibility of trade and exchanges among countries. This was made possible because various countries were endowed with different proportions of factors of production. Therefore, countries were encouraged to produce and exports commodities in which they have abundant supply of factors of production. Hence, globalization dates back to human history. This was carried out in the form of trade, exchanges; inter country movements, travels and migration. The world economy has become highly dynamic and has acquired an unprecedented growth potential. Developments in technology, financial, information technology and other fields have created vast opportunities for generating economic growth and benefits (Ime, 2015).

Globalization refers to the increasing integration among nations which has accelerated sharply over the past half a century, driven largely by the remarkable expansion in international trade and extra ordinary advances in information and communication technologies (Ojeka, 2004). It is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. Globalization is the term used to describe the growing worldwide interdependence of people and countries.

The features of globalization include interconnection of sovereign countries through trade and capital flow; harmonization of the economics rules that govern the interaction of relationship between these sovereign nations, creating structures to support and facilitate dependence and inter connection; and creation of a global market place (David 1997 and Ubam and Wicox, 2016). Although globalization has helped increase growth and wealth in recent years, it is not without its shortcomings. It is rather a two sides of a coin as it has both negative and positive effects as regards to economic growth of developing countries and Nigeria is not an exception.

AIMS AND OBJECTIVES OF THE STUDY

The aim of this study is to examine the effect of globalization on economic growth in Nigeria. The specific objectives are;

- ✓ Asses the positive effects of globalization on economic growth in Nigeria
- ✓ Examine the negative effects of globalization on economic growth in Nigeria.
- ✓ To explore ways in which Nigeria could benefit from its participation in the global economy.

RESEARCH METHODOLOGY

This study uses the descriptive and historical method of analysis in drawing information. This means that it made use of secondary sources of information from text books, research journals, articles and information from websites.

II. REVIEW OF RELATED LITERATURE

GLOBALIZATION DEFINED

Hill (2014) views globalization as a shift toward a more integrated and interdependent world economy. Torgler and Piatti (2013) see globalization as a process of establishing networks of connections among actors in different countries, mediated through a variety of flows including people, information, ideas, capital and goods. Ireland et al. (2011) defines globalization as the increasing economic interdependence among countries and their organizations as reflected in the flow of goods and services, financial capital, and knowledge across borders.

Globalization has become an inevitable phenomenon in human history that brings the world closer through the exchange of goods and services, information, knowledge and culture. Globalization is the growing interdependence of countries worldwide, through the increasing volume and variety of cross-border transactions in goods and services, as well as international capital flows (Aregbesola et al, 2011). As the world becomes more connected, people in all nations achieve a greater level of interdependence in activities such as trade, communications, travel, and political policy (Machida, 2012). This fundamental change towards the end of the twentieth century has profoundly affected business, politics, society, citizens and the ways in which various stakeholders interact with each other (Hill, 2014). Nayak (2011) also argues that globalization comprises of the integration of socio-political, economic and cultural dimensions of nations across the world. Globalization has become an inevitable phenomenon in human history that brings the world closer through the exchange of goods and services, information, knowledge and culture (Hill, 2014).

Proponents of globalization believe that it offers the possibility of boundless growth and prosperity, for both developed and the developing countries that accepted the phenomenon of an increasingly borderless world (Ajagbe et al., 2015). Awuah (2012) also opines that through the complementary exchange relationships among interdependent actors, almost all countries, firms, and private individuals have a greater access to products, services, technologies and practices, which may be modern, effective, and superior to some existing ones. Machida (2012) also argues that as the world grows more connected, people in all nations achieve a greater level of interdependence in activities such as trade, communications, travel, and political policy. Equally, globalization has led to noticeable improvement in global communication through radio and satellite television and other innovative technological equipments. For instance, manpower training can be conducted from any place in the world with the aid of information technology tools through internet facilities in today's market (Akor, 2012; Solomon et al., 2014; Bilau et al., 2015). In the same way, the modern banking system through electronic banking (e-banking) and automated teller machine (ATM) facilitates fast and easy movement of cash that enhances cashless operations. Also, rapid advancement in Information and Communication Technology (ICT), such as global telecommunication infrastructure, cross border data flow, the internet, satellite networks and wireless telephones are all credited to globalization which has brought about major transformation in world communication and has made communication across the globe to be easier than before Thus, unprecedented changes in communication, transportation and computer technology have given the process of globalization new impetus and made the world more interdependent than ever (Irani and Noruzi, 2011; Adesina, 2012; Awuah, 2012; Hill, 2014).

Conversely, while the advocates of globalization believe that it has led to substantial economic growth in some part of the world, others refute such believe and claim that the benefits of globalization have not been universal (Nusta, 2013; Alstrom and Bruton, 2010; Czinkota, 2010). Nayak (2011) posits that the dynamics of globalization since the nineties resemble a gradual destabilization process, like that of slow war-like situations in which large firms through a complex web of government and institutional mechanism brought about a gradual disruption of the normal order in the economy of the developing countries. He asserts further that the stability of the industry, the speed of change, the problems and opportunities for producers, and the availability of higher-quality or lower-priced goods and services to consumers have all been changed. Thus, he concludes that what worked well during the late 19th and 20th centuries in economic and commercial terms is less likely to lead to success today, either for firms or countries (Alstrom and Bruton, 2010). In the same way, Czinkota (2010) claims that globalization facilitates the activities of entities that threaten safety and security. He argues further that, the globalization of commerce, travel, and information transfer; increases the salience of economic disparities and facilitates the ability of far-flung but like-minded collaborators to undertake harmful activities. Also, in line with the view of the critics of globalization, Nusta (2013) asserts that even though globalization enhances firm's market opportunities, it also increases the level of competitiveness in the global market. He asserts further that the friendly competition that existed in previous time has been replaced with hyper-competition around the world.

DRIVERS OF GLOBALIZATION

Several factors, such as; the growing decline in trade and investment barriers, the diffusion of information and communication technology, changes in access to information, changes in how people save, spend, and invest, social and cultural convergence, among other factors, have helped drive the expansion of globalization since the collapse of Bretton Woods in 1971 (Ahlstrom and Bruton, 2010; Hill, 2014). For instance, in the 1920s and 30s many of the nation-states of the world erected formidable barriers to international trade and foreign direct investment. These barriers were in form of high tariffs on importation of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. However, this resulted into retaliatory trade policies, whereby countries progressively raise trade barriers against each other, which contributed to the great depression of the 1930s (Ahlstrom and Bruton, 2010). Thus, the Bretton Woods Conference in 1944 after the great depression of 1930's in the industrially advanced economies and the losses incurred due to the Second World War set the tone for the current form of global trade and investment (Nayak, 2011).

Equally, technological innovation and its diffusion have clearly played a significant role in the re-definition and re-organization of commercial and economic space known as globalization (Johnson & Turner, 2006). The emergence of science and technology has enabled man to create devices, tools and machines through which the threats of the society are being subdued and brought under his control. Technology has brought about tremendous speed and the high level of intensity which characterize the modern world. Thus, technology development had led to a high rate of diffusion and transfer of knowledge which is greatly superior to that of the past (Archibugi and Iammarino, 2002).

III. ECONOMIC GROWTH

Economic growth has to do with a quantitative sustained increase in the countries per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade. It also involves not only more output derived from greater amount of inputs but also greater efficiency, that is, an increase in output per unit of input.

Todaro, Smith (2004), defines economic growth in terms of three components. These are: (a) capital accumulation, including all new investments in land, physical equipment, and human resources through improvements in health, education and job skills. It results when some proportion of present income is saved and invested in order to augment future output and income. New factories, machinery, equipment and materials increase the physical capital stock of a nation, the total net real value of all physically productive capital goods and make it possible for expanded output levels to be achieved. (b) Growth in population and hence eventual growth in the labour force. Population growth, and the associated eventual increase in the labour force, has traditionally been considered a positive factor in stimulating economic growth. A larger labour force means more productive workers, when the labour force is employed, and a large overall population increases the potential size of domestic markets. (c) Technological progress. In its simplest form, technological progress results from new and improved ways of accomplishing traditional tasks such as growing crops, making clothing, or building a house. Therefore, the source of economic growth can be traced to a variety of factors, but by and large, investments that improve the quality of existing physical and human resources, that increase the quantity of these same productive resources, and raise the productivity of all or specific resources through invention, innovation, and technological progress have been the primary factors in stimulating economic growth in any society.

From the above, it is clear that globalization and economic growth are related at least theoretically. Globalization is often associated with less restrictive trade regimes resulting in more openness of the economy with the attendant increases in the volume of trade. This higher level of openness or increases in openness suggests better economic performance.

IV. POSITIVE EFFECTS OF GLOBALIZATION ON ECONOMIC GROWTH

Globalization entails integration of industries, markets, economies, policy-making and culture dispersing a wide geographical area (Subhan et al., 2013). Thus, globalization describes the process in which national and regional economies have become integrated and inter-dependent through global network trade, immigration, communication and transportation (Samad, 2007). Globalization has brought about many advantages. For example, globalization encourages producers to benefit from free movement of labor between countries through sharing of skills, ideas and technology (Kohut & Wike, 2008). Through the ICT, globalization allows the access to ideas on new things and best practices in all area of human endeavor. New designs, production technology, new managerial practices, etc are made available to people, thereby helping them to change their old practices. These have lead to acquisition or imitation of foreign products, technologies and cultural practices. It has also created global market places, which, with the development in communication technology, can be accessed by any person from any location. This opens up a world of opportunities for business and also links them to market.

Globalization has brought about competitiveness in markets, which have reduced monopoly profits and incentive by enabling business to find cost reducing innovations. In addition, globalization has opened up capital markets that allow developing countries to borrow money that cover the gap on domestic savings (Ocloo, Akaba, & Worwui-Brown, 2014). Furthermore, globalization increases awareness among consumers of challenges from various phenomenon such as climate change as well as income wealth inequality.

V. NEGATIVE EFFECTS OF GLOBALIZATION ON ECONOMIC GROWTH

Globalization has brought many challenges including inequality in wealth and income with poorest people not benefiting from basic technologies and public goods (Aris, 2007). Globalization has also led to inflation due to strong demand for food and energy causing rise in commodity prices (Abu Bakar et al., 2006). Globalization has led to vulnerability to external economic shocks because of interdependence among economies of the nations (Tarhan, 2007). Globalization can also be linked to loss of diversity in culture and economy as global multinational brands dominate domestic markets in many countries (Kohut & Wike, 2008). This has also led to trade imbalances were by some countries are running big trade surpluses and these imbalances cause pressure and tensions, which lead to some countries introducing protectionist policies (Harvie, 2004). Developing countries are more disadvantaged in this regard, as they fall victim to export dumping by producers in advanced nations which affect their local Small to Medium Enterprises (SMEs). In the area of trade, the share of primary commodities in the world experts of items such as food and raw materials have declined relatively in recent time for the developing countries such as Nigeria. Importing foreign goods, without having its own demanded and purchased by other countries in reciprocal manner, leaves the country at a disadvantage.

In the area of security, the effect of globalization with regards to security as in the case of Boko Haram in Nigeria brings about uncertainty and fear. Industries and professionals are unable to function properly. Nigeria as a developing country has not evolved a mechanism that can absorb the shocks generated by the effects of globalization. According to Kabir Haruna (2012), the determination of petroleum prices by market forces had done Nigeria more harm than good, besides it is absurd to deregulate (as cited by globalization) a scarce commodity. This has made the independent marketers constitute a cartel that dictates terms in market. And like the government, the marketers had created artificial scarcity periodically to influence prices. The Nigeria economy is weak and dependent. The issue of deregulation and market forces has much to do with efficiency. It is vital to be handled by the private enterprise.

VI. CONCLUSION

From the review so far, it is obvious that globalization is a welcome development not minding the problems inherent from it. It has both positive and negative effects on the economic growth of developing countries as discussed in this work but should be an irreversible process in Nigeria in accordance with natural laws.

The advantages of globalization for Nigeria lie in the capacity for wealth creation through export led growth and the gains of expanded international trade of goods, services, and access to new products. Despite the fact that globalization provided opportunities for economic growth and development, there are associated serious problem that can be managed using appropriate fiscal policies. The macro-economic instability that had characterized Nigeria Government is as a result of globalization. The falls in price of crude oil, which is the major source of Nigeria revenue, affects the exchange rate of Naira, and as well affects both federal and states budgets.

VII. RECOMMENDATIONS

In this study, the researcher suggests that globalization is good and should be handled in such way to add value to the life of every inhabitant of global neighbourhood including Nigeria. For globalization to succeed, the inequality between the poor and the rich should be minimized. The global economy should be regulated and should not be dominated by organizations that recognize money as the only way to life. Nigeria government should find the best method to counter the harmful effects of globalization. For better economic growth and development, Nigeria has to participate in the decision making processes of the global institutions whose policies are imposed on her rather that only acting as a facilitator.

Nigeria should not rely solely on what the developed foreign countries are handling down to us, but should consider and encourage local production and industry. The country should be proud of her heritage and way of life, instead of accepting all aspects of Western way of life. She should think of diversification to other sources of revenue, instead of depending on crude oil.

In addition to these, effort should be made to develop human capital and decode the multimedia super-corridor for relevant information. Good governance, transparency and accountability are desirable for a strong and competitive economy.

REFERENCES

[1] Abu Bakar, J., Mad, C., & Abdul Latif, R. (2006). Liberalization and globalization: a case of Naza and a lesson to SME. Proceedings of Persidangan Kebangsaan IKS 2006.

[2] Adesina, S. O. (2012). The negative impact of globalization in Nigeria. International Journal of Humanities and Social Science, 2(15), 193-201.
[3] Ahlstrom, D., & Bruton, G. D. (2010). International management: Strategy & culture in the emerging world. USA: Centage Learning Inc. 2-15.
[4] Ajagbe, M. A., Ogbari, E. I. M., Oke, A. O., & Isiavwe, D. (2015). Review of global marketing environment and entrepreneurship development. International Journal of Commerce & Law, 2(2), 1-14.
[5] Akor, A. A., Yongu, V. M., & Akorga, M. T. (2012). Effects of globalization on the Nigeria economy. Journal of Management and Corporate Governance, 4(1), 1-6.
[6] Archibugi, D., & Iammarino, S. (2002). The globalization of technological innovation: Definition and evidence. Review of International Political Economy, 9(1), 98–122.
[7] Aregbesola, A., John, L., Kalu, O., Theuns, O., Patrick, P. and Peet, V. (2011). Global business environments & strategies. 4th Edition, South Africa. Oxford University Press, 4-18.
[8] Aris, N. M. (2007). SMEs: Building blocks for economic growth. Department of National Statistics, Malaysia.
[9] Bilau, A. A. Ajagbe, M. A. Sholanke, A. B. & Sani, T. A. (2015). Impact of employee turnover in small and medium construction firms: A literature review. International Journal of Engineering Research & Technology, 4(2), 976-984
[10] Czinkota, M. R. (2010). International business and trade in the next decade: Report from a Delphi Study. Journal of International Business Studies, 28(4), 827-844.
[11] David (1997). The Political Economy of Privatization of Public Enterprises in Nigeria. African Review, 15.
[12] Harvie, C. (2004). East Asian SME capacity building, competitiveness and market opportunities in a global economy. Retrieved from http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.666.272&rep=rep1&type=pdf
[13] Hill, C.W. (2014). International business: Competing in the global place. Global Edition. New York:McGraw-Hill Companies, Inc.
[14] Ime, O.U. and Wilcox, R.I. (2015). Globalization and Economic Growth: The Nigerian experience. Journal of Law, Policy and Globalization, 36, 19-28.
[15] Irani, F. N., & Noruzi, M. R. (2011). Globalization and Challenges: What are Globalization's Contemporary Issues? International Journal of Humanities and Social Science, 1(6), 216-218.
[16] Ireland, R. D., Hoskisson, R. E., & Hitt, M. A. (2011). The management of strategy: Concepts Ninth Edition. New York: South-Western Cengage Learning.
[17] Johnson, D., & Turner, C. (2006). International business: Themes and issues in the modern global economy. New York: Routledge Inc.
[18] Kohut, A., & Wike, R. (2008). PEW PRESENTS... Assessing Globalization: Benefits and Drawbacks of Trade and Integration. Harvard International Review, 70-74.
[19] Machida, S. (2012). Does globalization render people more ethnocentric? Globalization and people's views on culture. American Journal of Economics and Sociology, 71(2), 436-469.
[20] Nayak, A. K. (2011). Globalization: A framework of perpetuation of asymmetries. Xavier Institute of Management, Bhubaneswar Journal of Management, 1(1), 1-20.
[21] Nusta, C. (2013). Cementing class differences: Globalization in Peru. Perspectives on Global Development and Technology. 12(1), 411-426.
[22] Ocloo, C. E., Akaba, S., & Worwui-Brown, D. K. (2014). Globalization and competitiveness: Challenges of small and medium enterprises (SMEs) in Accra, Ghana. International Journal of Business and Social Science, 5(4).
[23] Ojeka, J. M. (2004) "Globalization and the Third World Countries". Article in the Sign Magazine, PP 14.http//en.wikipedia.org.wiki/globalization.
[24] Samad, N. (2007). Positioning Malaysian SMEs in the global. Proceedings of Persidangan Kebangsaan IKS.
[25] Solomon, O., Shamsudeen, E. Wahab, Ajagbe A. M. & Wallace E. I. (2014). A study of e-commerce adoption factors in Nigeria. International Journal of Information Systems and Change Management, 6(4), 295-315.
[26] Subhan, Q. A., Mehmood, M. R., & Sattar, A. (2013). Innovation in Small and Medium Enterprises (SME's) and its impact on Economic Development in Pakistan. Paper presented at the Paper was presented in 6th International Business and Social Sciences Research Conference.
[27] Tarhan, V. (2007). Globalization and the Contagion Effects of External Shocks on Emerging Market Economies. The Journal of Economic Asymmetries, 4(1), 41-56.
[28] Todaro, M. P. and Smith, S.C. (2004). Economic Development. Pearson Education. Singapore Pte Ltd; Indian Branch.
[29] Torgler, B., & Piatti, M. (2013). Extraordinary Wealth, Globalization & Corruption: Income and Wealth. Journal of Business and Economic Review, 59(2), 341-359.
[30] Ubam, F.E. and Wilcox, R.I. (2016). A review of the effects of globalization on Nigeria economic development. International Affairs and Strategy, 49, 12-16.
[31] Wafa, S., Noordin, R., & Kim-Man, M. (2005). Strategy and performance of small and medium-size enterprises in Malaysia. Paper presented at the Proceedings of the International Conference in Economics and Finance (ICEF).