

Course: BBA Part III

Paper: XV

Topic: Advantages and Disadvantages of Globalization

Teacher's Name: Prof. (Dr.) Reyazuddin

School: Commerce and Management

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### **Advantages of Globalisation:**

(i) Globalisation helps to boost the long run average growth rate of the economy of the country through:

(a) Improvement in the allocative efficiency of resources;

(b) Increase in labour productivity; and

(c) Reduction in capital-output ratio.

(ii) Globalisation paves the way for removing inefficiency in production system. Prolonged protective scenario in the absence of globalisation makes the production system careless about cost effectiveness which can be attained by following the policy of globalisation.

(iii) Globalisation attracts entry of foreign capital along with foreign updated technology which improves the quality of production.

(iv) Globalisation usually restructure production and trade pattern favouring labour-intensive goods and labour-intensive techniques as well as expansion of trade in services.

v) In a globalized scenario, domestic industries of developing country become conscious about price reduction and quality improvement to their products so as to face foreign competition.

(vi) Globalisation discourages uneconomic import substitution and favour cheaper imports of capital goods which reduces capital-output ratio in manufacturing industries. Cost effectiveness and price reduction of manufactured commodities will improve the terms of trade in favour of agriculture.

(vii) Globalisation facilitates consumer goods industries to expand faster to meet growing demand for these consumer goods which would result faster expansion of employment opportunities over a period of time. This would result trickle down effect to reduce the proportion of population living below the poverty line

(viii) Globalisation enhances the efficiency of the banking insurance and financial sectors with the opening up to those areas to foreign capital, foreign banks and insurance companies.

### **Disadvantages of Globalisation:**

Globalisation has its disadvantages also.

### **The following are some of these disadvantages:**

(i) Globalisation paves the way for redistribution of economic power at the world level leading to domination by economically powerful nations over the poor nations.

(ii) Globalisation usually results greater increase in imports than increase in exports leading to growing trade deficit and balance of payments problem.

(iii) Although globalisation promote the idea that technological change and increase in productivity would lead to more jobs and higher wages but during the last few years, such technological changes occurring in some developing

countries have resulted more loss of jobs than they have created leading to fall in employment growth rates.

(iv) Globalisation has alerted the village and small scale industries and sounded death-knell to it as they cannot withstand the competition arising from well organized MNCs.

(v) Globalisation has been showing down the process to poverty reduction in some developing and underdeveloped countries of the world and thereby enhances the problem of inequality.

(vi) Globalisation is also posing as a threat to agriculture in developing and underdeveloped countries of the world. As with the WTO trading provisions, agricultural commodities market of poor and developing countries will be flooded farm goods from countries at a rate much lower than that indigenous farm products leading to a death-blow to many farmers.

(vii) Implementation of globalisation principle becoming harder in many industrially developed democratic countries to ask its people to bear the pains and uncertainties of structural adjustment with the hope of getting benefits in future.