

## **LINKING GLOBALIZATION AND CORPORATIONS**

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### **Abstract**

*The changes that are occurring in the world are from the different natures which are including every sphere of life, these changes largely are changing the course of economic life. Corporates are known as complex form of activity, which are capital union of different individuals, those who are recognized as capital stock being given shareholder corporate owners of stock. Recognition of the environmental conditions in which these corporations operate is more than necessary, since today their activity is expanding beyond national borders, and the phenomenon of "globalization" is playing an important role in this regard. Hence the essence of this paper was to see in which aspects we managed to change corporate thanks globalization, and elaborated in parallel to their capital structure. The aim of this paper was to analyze globalization in economic terms and influence in the activity of corporates. If the world today has a debate about which opinions and attitudes are many and quite different, this is definitely "the effect of the phenomenon of globalization on national economies and the level of living of the population of each country". The speed of communication, exchange, complexity and number of vehicles involved, increase trade volume, risk, give it strength and strange phenomenon that we call globalization. We can say that the process of globalization is a phenomenon that every day more and more includes almost all areas, and is currently being introduced in all cultures around the environment that surrounds us.*

*Keywords: Multinational corporates, Financing, Capital, Globalization, Open Economy*

### **INTRODUCTION**

*In life we should not limit the challenges, but must challenge the limits.*

If we become part of it intentionally or unintentionally and we are subjected in some way in the phenomenon of globalization, it seems that many has a different concept above it. Difficulties starts right here, in determining of the basic concept.

Neither the scientific debate nor in the broader public has not a single definition of unified, recognized as such by all. There exist many different opinions about the globalization as the definition of "Globalization is a process of overcoming the limits of historically born. He means the same phenomenon like erosion (but not with the disappearance) of national-state sovereignty and economy presented as breaks market from 'bed' of the moral order and institutionalized societies".

"Globalization is the intensification of worldwide social relations, through which remote sites maintain links with each other, in such a way that events in one country are characterized by the same processes, as in a place many kilometers away and vice versa".

"Globalization is a quantitative and qualitative intensification of transactions across borders in the simultaneous expansion of them". But we also have other approaches, such as bringing a joint contribution by two authors who have contributed to this phenomenon, Dirk Messner and Franz Nuscheler: "Globalization is the largest curve economically and socially since the industrial revolution," they say. Or and "globalization is the dependence and integration growing of the various economies around the globe", says on the other hand Meghnad Desai, Indian- British professor of economics.

Obviously this phenomenon has an impact on the development of corporates and their capital structure, so I will try to find those differences and to describe the behavior of a corporates in "planetary market" and the globalization already.

## EXISTING LITERATURE

If the world today has a debate about which opinions and attitudes are many and quite different, this is definitely "the effect of the phenomenon of globalization on national economies and the level of living of the population of each country". Range of opinions starts with the assessment that globalization constitutes "a historic opportunity for development" and ends with conclusion that he is producing "destruction of cultures and products in most countries of the world as a result of international competition and the dominance of a few countries on the others".

As a result of the spread and increasingly presence of this phenomenon in every aspect of life of each, the land is considered more and more as a "planetary village" where interlink and interact ideas, economy, culture of different environments. However, lies a big question mark hung over the minds of all, globalization is a real phenomenon or simply a myth created by man?

Many experts and scholars of the phenomenon of globalization and its scope have provided and continue to provide meaningful definitions regarding the breadth and complexity of this phenomenon.

In the book "Virtual Globalization" the authors see globalization everywhere ... to be convinced of this is enough to turn on a television or a computer, to enter into a MC Donald's or wear to GAP. He delivers ideas, concepts, innovations and symbols that have hard statistics to reflect and by Pierre Calame, author of several books on globalization and global governance, "... the degree of interdependence that connects people, cultural differences and the biosphere has changed rrënjesishtë in the last two centuries.

What happens in one corner of the planet has an impact on all other parts of the world, because information, people, life styles and different population groups circulate and relate between them like never before..

In late of twentieth century nations, countries, culture, business and enterprises, markets and representative democracy they have become virtually universal concepts". Stigliz American economist defines globalization as "a very tight integration of the peoples of countries of the world which has realized, on the one hand a reduction considerable of transportation costs and communication in turn, the destruction of artificial barriers to circulation cross-border goods, services, capital, knowledge and people.

Recent globalization processes are based at increasingly more obvious increase in the flow of goods and services between countries and regions worldwide things, which characterize the process that now effectively is the application of electronic money, which exist and are recorded only in the form of numbers in computer systems. In the current electronic economy, fund managers, banks, corporations, investors and other structures, only with a stamp press can transfer sums of money from one point to other points of the world, even longer distances remote. Today in overall global exchange of goods, services and capital circulate astronomical amounts from several trillion dollars a day.

## **LINKING OF CORPORATES WITH GLOBALIZATIONS**

Globalization already has become a multinational language permeating in every sphere of life with all its diversity, dictating numerous changes, these changes touched on specific companies for the construction forms, corporations, giving them initially new name Multinational Corporation.

Multinational corporations are large enterprises, giant, that their economic activity develop in many countries of the world. Today, when we mention multinational corporations (Badivuku M., 2010, pg.21), most often we think in something big, mysterious.

With multinational corporations we encounter every day through advertising, television, radio or through shops where we buy their products. Multinational corporations follow us at every step, but to this as often we are not aware.

Therefore, it is no wonder that for multinational corporations, transnational companies, global companies, multinational companies or any other expression with which these enterprises designated are known everywhere, in families, in offices, shops, schoolchildren, students, which means they are general subject of interest.

Multinational corporations are large firms or companies that have subsidiaries in many countries. They perform various activities in the field of production and circulation, but often times combined activities. Often in theory and in practice are called international enterprise, which deal with transactions that cross national boundaries.

Three decades ago, a producer for the construction of a new plant would probably have been limited to taking a loan from a local bank, today it has many options to choose thanks to globalization across the world for a loan with a rate of low interest rates and borrow in foreign currency if foreign currency loans represents the most attractive conditions than domestic loans, it can also issue stocks or bonds in either the domestic market or in international capital markets enabling a variety of financial products designed to help, and to master the challenges against potential risks, enabling them to sell their equity to a foreign company.

### **Impact of Globalization in the Financial Markets**

Two recent decades, financial markets are becoming increasingly interconnected. Financial Globalization (Civici A., 2012 fq.82) has considerable benefits to national economies and to investors and savers, it has also changed the structure of markets, creating new risks and challenges for market participants and policymakers. A look at how financial globalization has occurred, offers insights into its benefits, new risks and challenges generated. Factors that have contributed to the globalization of finance, quick information and computer technology have made it easier for market participants and authorities, to collect data, to measure them and exploit them for management financial risk for the new complex financial instruments that have been developed in recent years and to manage transactions books spread at all international financial centers in Asia, Europe and the Western Hemisphere.

The globalization of national economies is significantly advanced and realistic indicator of economic activity, production, consumption, investments etc. Contacts between countries are numerous and widespread worldwide. Today, the ingredients of a particular product can be found within a country but the final product can be sold to customers worldwide. New multinational companies enables the delivery of goods and their services through a global network , multinational companies have expanded internationally by merging or acquiring foreign companies.

Many countries have reduced barriers to international trade and cross-border flows of goods and services have been increased significantly. World exports of goods and services, which average is \$ 2300000000 in year along years until 1983-1992, have tripled, to about \$ 7600000000 in 2001. Changes that have driven the demand for cross-border finance and together with the liberalization of finance promote the creation of a pool of internationally mobile capital and liquidity.

The liberalization of financial markets and the national capital, together with rapid improvements in information technology and the globalization of national economies, has catalyzed financial innovation by promoting increased cross-border capital movements. Globalization of financial intermediation is partly a response to the demand for intermediate mechanisms for cross-border flows and partly a response to falling trade barriers in financial services liberalized rules for the entry of foreign financial institutions in the domestic capital markets. Increased cross-border capital movements also resulted in large flows of neto equity. Competition between providers of mediation services is increasing due to technological advances and financial liberalization.

Regulatory authorities in many countries have changed the rules governing financial intermediation to allow a wide range of institutions to promote financial services, and new classes of nonbank financial institutions, including institutional investors, investment, banks, security companies, asset managers, mutual funds, insurance companies, trade finance even those telecommunications-software and food companies are starting to make available their services.

## **CHANGES IN CAPITAL MARKETS**

These forces brought to dramatic changes in the structure of national markets and international capital. First, banking systems in major countries have gone through a process of change where the bulk of financial intermediation now is taking place through marketable securities (loans and deposits).

Both financial and non-financial entities, as savers and investors have played a key role in the same time taking advantage of this transformation. Banks are increasingly secure against financial risks (especially credit risk) through their balance and securities for example by means of merger and conversion of assets into tradable securities, which may include exchanges of interest rate and other derivatives transactions, in response to both regulatory incentives such as capital requirements and internal incentives to improve returns, as well as protecting the risk to capital to shareholders and to be more competitive.

Corporations and governments rely more on national and international markets of capital to finance their activities. Finally, a growing and diverse group of investors are ready to own a set of credit and other financial risks, thanks to improvements in information technology, that have made these risks easier to monitor, analyze and manage.

Second, cross-border financial activity has increased. Investors, including institutional investors that manage a growing share of global financial assets, are trying to increase their returns, diversification of their international portfolios and are looking for good opportunities for investment in a wide range of industries, countries and currencies. At the wholesale level, national financial markets have become increasingly integrated into a single global financial system. Major financial centers now serve like a borrowers and worldwide investors and sovereign borrowers in various stages of economic development.

Multinational companies can appoint a range of national and international markets of capital to finance their activities, and financial intermediaries can raise funds to manage risks in a flexible manner by accessing capital markets and pools in major international financial centers.

Third, non-banking financial institutions are competing - sometimes aggressively with banks for household savings and corporate finance mandates in national and international markets, on prices of financial instruments. They have assembled a growing share of savings, as households bypass bank deposits to keep their funds, as well as instruments such as mutual funds issued by institutions that are able to diversify risks, to reduce the tax burden and to benefit from economies of scale and these have grown dramatically in size and sophistication.

Deepening and broadening of capital markets has created another new source of business for the signing of corporate bonds and equity related issues of banks as a new source of financing, banks increasingly turns to capital markets to raise funds for its investment activities and relying on decentralized derivatives markets.

Banks have been forced to find additional sources of revenue, including new ways of intermediating funds and fee-based businesses as growing competition from nonbank financial intermediaries reducing traditional profit margins lending business at low cost deposits. This is especially true in continental Europe, where there has been relatively little consolidation of financial institutions, especially in North America and the UK, banks have joined with other banks as well as securities and insurance firms in efforts to exploit economies of scale and scope to remain competitive and increase their market shares.

## **BENEFITS vs. RISKS**

Of all the changes that the capital markets have taken capital gains that often becomes incomprehensible this dynamism in the markets. One of the main benefits of the growing diversity of funding sources is that it reduces the risk of "credit crisis", when banks in the country may strain, borrowers can now raise funds by issuing stocks or bonds in domestic markets securities or seeking other sources of funding in the international capital markets. Providing of prices and effective capital allocation due to changes in financial risks are reflected very quickly in asset prices and in the course of banks.

Another benefit of financial globalization is that there are more choices open to them, borrowers and investors can obtain better conditions for their financing. Corporations can finance physical investment cheaper and investors easier can be diversified internationally. This encourages investment and savings, which facilitate real economic activity, growth and economic welfare. However, asset prices may shoot capital bases causing excessive volatility and distort the allocation of capital.

For example, real estate prices in Asia rose and then declined before the crisis of 1997-1998, leaving many banks with loans thus losing their value. Also, when funding becomes actively among institutions, investors and countries, it becomes more difficult to identify potential weaknesses and to assess the size of the risk. Transparency about the basics of economic and financial markets can help markets to manage better these risks. Finally, reliable banks for loans and firms in developing countries now can reduce their borrowing costs, now that they are able to tap a wider array of capital from a more diversified and competitive provider.

However, as we saw during the Mexican crisis of 1994-1995 and Russian and Asian crises 1997-1998, the risks can be substantial including sharp objections of capital flows, international spread and infestation. Although the rate of infection appears to be declining, for reasons that are still unclear since 1997-1998, the risk of infection can not be ruled out. Developing countries with weak banks or poorly regulated are particularly vulnerable, but such crises can threaten the stability of the international financial system.

### **Safeguard of Financial Stability**

The crisis of 1990 (Xhafa H. 2011) stressed the need for careful management of sovereign debt, capital account liberalization and well-regulated systems and internal financial flexible to ensure national and international financial stability. Private financial institutions and market participants can contribute to financial stability by managing their business and financial risks well and avoid any risk by attending and responding to market incentives and governance mechanisms, such as maximizing shareholder value and maintaining proper relations of the parties in the markets.

In fact, the first lines of defense against financial problems and systemic risks are sound financial institutions, efficient financial markets and effective market discipline.

But, due to financial stability is also a global public good, national supervisors and regulators should play a real role in this, role is becoming increasingly international in scope example, by strengthening coordination and sharing through locations and functional areas (banking, insurance, securities) information to identify financial problems before they become systemic.

### **Can globalization be governed? (Civici A. 2012)**

Does it make sense to ask the question in this form? If yes, then who will be able to govern? How can globalization governed in the absence of a world government?

However, the answers can be different and can affect a wide range of elements, vast majority of them focusing on the role of international institutions that currently govern the global financial system and economy. The historian Frederic Cooper looks these questions about his government noting that "behind the wave of globalization lies the ambition to understand the system of connections between different parts of the world to explain the mechanisms that lead young people in the movement of capital, the people, cultures and above all to invent institutions able to fix them. "

In the view of these reflections and question marks are put especially major international institutions that judged as globalization management responsibilities. Such questions are raised every day more and more worldwide. All are sensing that many issues considered as "national issues" are becoming a matter of "international" and the solution can only be achieved at international level. Resolving and preventing financial and economic crisis, the elimination of phenomenon of global warming, environmental protection and natural resources in their entirety, control and elimination of terrorism, management of migratory flows, poverty and sustainable development, knowledge economy and dissemination Information, development of technology and communication, prevention of conflicts and wars, etc., may not be reviewed and selected as "internal matters of a country" or even a group of countries. All these require a new formatting conception of the role of authority and organization of international regulatory institutions.

The proposals appear to be in the midst of two possible scenarios. Firstly, strengthening and improving the existing international institutions, increasing powers, by adjusting democracy and transparency of decision-making, balancing the level of participation in favor of countries far less represented, etc. Second, by proposing the creation of new international institutions. One of the most interesting proposals considered is Jacques Attali's which consists of "adapting to the international level of the European Union model, with WTO as the equivalent of the European



Commission, the IMF, the issuer of a world of money as the equivalents of the European Central Bank, with a World Bank mission should be equalization of conditions of development funds equivalent social cohesion in the EU, with a World Parliament, similar to the European Parliament and ultimately a world government similar to the model of the Council of Europe.

## **THE EFFECTIVENESS OF GLOBALIZATION?**

### **Pro-Globalization**

Most supporters of 'democratic globalization' are often called pro-globalists. The difference from other globalists is that they do not define preliminarily any ideology that would guide the will, which is left to the free choice of those citizens via a democratic process. Supporters of free trade claim that economic theories of "comparative benefits" suggest that free trade leads to an efficient allocation of resources, which all the countries involved in this trade will benefit. Overall, this leads to lower prices, greater employment and higher yields. National borders will lose their value in terms of economic, geographic and people will be the only ones that will remain within the limits, which would tend more towards their interests, walking away from national loyalty.

### **Some functions that are performed by globalization**

Democracy is added, almost across the globe with the right of vote. The percentage of people living in countries that are emerging with incomes below \$ 1 per day has halved in just twenty years. Income inequality for the world as a whole is shrinking day by day. Life expectancy has almost doubled in developing countries since World War II. Similar trends are observed in the field of electricity, cars, broadcasters, mobiles, income for capita, and the percentage of those that are supplied with drinking water.

### **Anti - globalization**

In general, critics say the results of globalization are those that are not preach when they have begun efforts to increase free trade and that many institutions involved in the globalization system did not take into consideration the interests of poor people, the working class and the environment. Most of some anti-globalization activists who are opposed to the fact that "globalization" globalise current money and corporations, but not people and unions. Such problems caused by globalization may be on the economy, environment, unemployment, transition, migration, human trafficking, drugs, etc. Despite the economic growth that has occurred in developing countries, 20% of the 6 billion inhabitants of the world live on \$ 1 a day, while one in four children in the southern hemisphere suffer from inadequate nutrition. According to the World Bank 600 million people worldwide do not have a permanent address of

residence. Economic arguments of fair trade theorists claim that unrestricted free trade in the interest goes to those with financial strength, then the rich at the expense of the poor. Various aspects of globalization are seen as harmful to public interest activists and powerful nationalists of state. Many global institutions that have international influence are not democratically governed and their leaders are not democratically elected. The professor from the university "Columbia" New York, Stiglic Joseph distinguishes between good globalization and harmful. His controversies with the IMF and WB bound by his own have global governance system without a global government, ie: create ad-hoc system of global governance.

The protests of the global justice movement have forced higher international meetings (summits), and they kept away from big cities where usually held in solitary locations where protests are impossible.

## **Conclusion**

Global transformation is used as a track, short track distribution and connectivity products, communications and technologies across the world. This distribution include almost all the sectors of life especially economic and cultural. "Globalization" is also used to refer to the efforts of the International Monetary Fund IMF, World Bank and other institutions to create a global free market for goods and services.

The speed of communication, exchange, complexity and number of vehicles involved, increase trade volume, risk, give it strength and strange phenomenon that we call globalization. We can say that the process of globalization is a phenomenon that every day more and more includes almost all areas, and is currently being introduced in all cultures around the environment that surrounds us.

Like every other phenomenon that has its advantages and disadvantages, globalization has its advantages and disadvantages, but in general can be described as a positive phenomenon with character development. One of the more positive effects of globalization has been the expansion of local markets to international markets. This has led to major Western companies to move their business in countries that are poor, to provide workers largely with very low cost compared to the cost in their countries. This is actually good for American companies, German, English but is a threat to workers in developed countries because these creates unemployment, yet at the same time is an advantage to reduce unemployment and hunger in these countries that are less economically developed.

It is only logical that new things in the field of technology, particularly in the field of information and communication, have played and continue to play a central role yet, eg, the Internet is in many ways the image of globalization. The globalization of financial markets,

sending within a second of many unimaginable size around the globe would not have been possible without this technology, so integrated manufacturing organization at the international level and many others. Not only goods can be bought and sold without any major obstacles, but also monetary movement is almost entirely exempt from state influence. Capital can found everywhere where you can invest in any enterprise or in the financial markets of other countries which promise huge profit.

In line with this issue is that most of the capital that circulates in the world in 2002 was 90% HDI- Human Development Index of the United Nations, indicator of education, welfare and standard of living in the countries of the world, shows that in recent years, those countries which have accepted globalization, economic development have had an average of 50% greater than the countries which have stood with closed borders.

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