

# Does Good Governance Affect Globalization? A Case of Bangladesh

#### Md. Monirul Islam

Bangladesh Initiative for Policy and Development (BIPD), Dhaka monirdu1981@gmail.com

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Abstract: Development, in part, depends on the institutional quality of a state-administration (good governance) to respond to the external affair (globalization). To corroborate it, the study aims to investigate the effect of good governance on globalization by employing both Auto Regressive Distributive Lag (ARDL) and VAR-based Variance Decomposition (VDC) estimation techniques in the context of Bangladesh over the period 1990-2016. In addition, almost similar result is found in this nexus while using both two techniques—ARDL and VDC. The study finds that there appears a co-integration between good governance and globalization in which 'voice and accountability' has positively significant impact on globalization both in the long and short run. 'Political stability and no violence' has significantly negative impact both in the long and short run. Besides, government effectiveness, rule of law, regulatory quality and control of corruption have no substantial impact on globalization in both long and short run. Therefore, the study suggests taking appropriate policy measures to galvanize the core governance/good governance mechanisms to reach the aspired trajectory of globalization.

**Keywords:** ARDL; Bangladesh; globalization; good governance; nexus.

#### Introduction

In recent times, governance and globalization nexus is obvious as it contributes to the development of a country. Both these two jargons— 'governance and globalization' stimulate the growth of a country from internal and external both wavs respectively. Governance becomes effective in the development process of a country embracing the character of good governance in which governments and many other stakeholders play a vibrant role for the common good. In this way, these forces set a particular state to the advanced level of governance to be attached with globalization. Scholarly annunciations, thus, record that more promotion and performance of the governance mechanisms i.e. voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption etc. closely associated with the notion of good governance (Langbein & Knack, 2010) strengthen the capacity of a state to march on the realm of globalization.

Despite the anti-globalization sentiment at the core of people's mind, Bangladesh has been struggling to bring operational changes in its governance process by gripping the principles of globalization. Sometimes, the failure of policy decisions and inability of political authorities contributed to the political



turmoil in Bangladesh. This situation takes place while people demand more, political authorities of the country fail to respond to the needs of the masses, which is presumed by Huntington (1965) the 'political decay'. A

lthough Bangladesh faced this situation in its rudimentary phase i.e. just after its war of liberation in 1971, now it has triumphed over such odds and predicaments as a result of proper policy initiatives to the promotion governance. And the more promotion of these governance indicators encompasses good governance which in government and other related players are trying to boost up the principles such as voice and accountability, stable politics, violence-free society, efficiency of the government, state-controlled mechanisms, rule of law and corruptionfree society in the context of Bangladesh.

Bangladesh's performance to the promotion of governance mechanisms is not up to the mark compared to the economic boom it has achieved. Now, the country has been one of the fastest growing economies in the world by ensuring trade liberalization, exports growths, increase of remittance flows, FDI growth etc. The country has also put a good sign in maintaining diplomatic dealings with external countries walking on the path of political globalization. In fact, governance performance has, by and large, made it possible to reach the orbit of globalization in which whole world is conceived as the global village by cutting all barriers maintaining the relationship of one country to another freely and interdependently.

The main contribution of this paper is to explore the effect of good

governance on globalization, which very few researchers hitherto conducted any study in the context of Bangladesh. In addition, earlier studies hardly employed both the ARDL and VAR-based Variance Decomposition technique to examine this nexus between good governance and globalization. Notably, both the estimation techniques show almost the same result, which is seldom present in the preceding studies.

The study revolves around the five sections. Section I divulges an introduction to the study. Theoretical underpinnings and empirical evidences lie in the Section II. Data and methodology are discussed in Section III. Section IV reveals the study results obtained from both ARDL and VAR-based Variance Decomposition techniques. And the last section V represents the concluding observations, policy recommendations, and the limitation and the scope of further research.

# Theoretical Underpinnings and Empirical Evidences Governance and Good Governance

The term 'governance' appeared in the development discourse in the early 1980s as a policy document formulated by World Bank. Recently, the governance issue has implied in recent literature, especially with regard to the argument on the Washington Consensus (which gives priority on political governance) versus the Beijing model (that gives emphasis on economic governance) (S. A. Asongu, 2016; S. Asongu & Ssozi, 2016). In broad sense, governance refers to the way that helps to manage the social and economic resources using power for development. Fukuyama (2013) defined the concept of



governance as the ability of a government to formulate and execute rules, and to ensure service delivery, irrespective of either that government is found to be democratic or not.

Rothstein (2011) pointed out that it is difficult to divide governance as implementation from the normative purpose that government is considered to assist. It is ambiguous that a state is governed well, which has ruthlessly effective attention camp guards as against bribable ones (Escaleras, Lin, & Register, 2010). And good governance delineates the performance and quality of the institutions to make and execute the policies in efficient, effective and inclusive manners (Bøås, 1998). Good governance is to emphasize on governance as implementation, which is, the capacity of a state in providing fundamental public goods and services (Fukuyama, 2016). According Kofi Annan, to good governance frames a circumstance that ensures promoting democracy, strengthening transparency and ability in bureaucracy and respect for human rights and the rule of law (Weiss, 2000).

#### Globalization

The term 'globalization' implies homogenization. Products, wealth, wages, profit, rates of interest, prices intend to convert to identical across the world (Waltz, 1999). Generally, the globalization of the state means the governmentalization of the state (Prakash & Hart, 1999). Globalization refers to the process of building networks communications among different actors at multi-continental distances, mediated via various movements such as people,

ideas and information, capital, goods and services (Clark, 2000). It is a procedure geographic that corrodes frontier. integrate the economies of different nationals, technologies, cultures, and governance, and vields critical relationship of reciprocal interdependence (Nye & Donahue, 2000). Keohane and Nve (2000) explained globalization as economic globalization-described as long distance movements of capitals, goods, and services as well as information and ideas, which accompany exchanges of market; political the globalization--expounded by a dispersion of governmental policies; and social globalization--disclosed as the flows of information, ideas, images, and people.

Empirical evidences show that governance impacts globalization in the perspective of a country (Afrimadona, Darmastuti, & Fathun, 2019). But poor governance, to a great extent, hampers arriving at the range of globalization as it entrenches monopolistic situation in which economy of the country becomes the weapon of vested interest groups. Poor governance is most likely to be established in the manifestation monopoly power, which is every so often branded with discretion and low level of accountability (S. A. Asongu, 2017; Klitgaard, 1988). Poor governance and mismanagement are not apparently in different countries in which perfect competition in market and other policy-making process are constrained, and economic incentives are partially employed beyond common good (Elahi, 2009). In this backdrop, poor governance can be diminished while officials of policy domain and economic operators are to be brought within the strict rules of accountability (S. Asongu, 2014).

Against poor governance mechanism, good governance appears in the state-affair to ensure the effective management of a country's social and economic resources in a manner that is open, accountable, transparent equitable (Khan, 2002). This resource management process contributes to the development of economic and social conditions of a state, indicating the enhancement of the institutional capacity of the country to respond to the system of globalization by following its rules and regulations (Hooghe, 2012).

Even within the framework of federalism, poor governance is more unfavorable, when a country's democratic basis or governance is less open, especially to international trade (Klitgaard, 1988). As good governance encompasses open market economy, *vox populi*, accountability and transparency, it leads a country to be highly associated with globalization.

The existing amount of literature is not adequate to set a concrete statement assuming the rationale of the current study. Despite this, the quasirelevant studies are presented below examining the empirical evidences concerning the topic of existing study. (Pelizzo & Omarov, 2019) conducted a study about etichal value, perception and corruption. Llach (2001) conducted a study inspecting the association between economic openness and corruption, and the role of governance in building institutional forces of globalization using analysis. found quantile He the relationship between corruption and quality of government as abridged

components of governance and, then again, trade and financial openness, as the determinants of globalization. Oduwaye (2006) viewed that due to development of infrastructure and institutions, globalization fails to benefit them. Lalountas, Manolas and Vavouras (2011) showed that being affiliated with globalization, higher-income countries pay more attention to the social and political dynamics of globalization and henceforth, they become advantageous from the better corruption-control standard. Equally, lower-income countries focus more on the economic dimension of globalization; therefore the incidence on corruption is less visual to the people's eye.

Utilizing data on institutional quality and the KOF Globalization Index, Bergh, Mirkina and Nilsson (2014) investigated over 100 countries during 1992-2010 to explore the association between economic and social globalization and six measures of institutional quality. Study showed that growing economic flows and globalization social relate with developing institutions in rich countries (Farrington, 2009). While correlations are negative in poor countries. Asongu (2017) investigated the impact of globalization on governance in 51 African countries over the period 1996-2011 using four bundled governance indicators and four globalization (political, economic, social and general) as variables under Instrumental Variable Quantile Regressions. The study found that globalization promotes good governance, the impact of globalization, to a great extent, is higher regarding magnitude in the bottom quantiles of the political,



institutional and general governance distributions and lastly (Iacono, 2019). The globalization's impact is significantly higher in terms of magnitude in the top quantiles of the economic governance distribution.

Asongu, Efobi and Tchamyou (2018)examined the impact globalization on governance in 51 African countries covering the period 1996-2011. The study employed the ten bundled and unbundled governance indicators and four globalization variables based on Generalized Method of Moments. The study found more or less positive relationship among the variables in search of nexus between globalization and governance in the perspective of African countries.

Above literature reviews show that earlier studies hardly examined the effect of governance or good governance on globalization in the context of Bangladesh and beyond. Most of the studies investigated the impact globalization on governance employing both qualitative and quantitative techniques. From this viewpoint, existing study is an attempt exploring the relationship between good governance and globalization, questing mainly for the impact of the indicators of good governance on globalization in the context of Bangladesh.

# Methods Data Specifications

The study employs the Auto Regressive Distributive Lag (ARDL) technique to choose the best possible lag for all of the variables. Besides, the VARbased Variance Decomposition technique is used to check the robustness of the study result. Here dependent variable is globalization and the independent variables are the indicators of good governance set by World Bank for the developing countries of the world. Details of the variables are as follows:

**Globalization (GLO)**—a global integration concerning economic, political, social, cultural issues among countries.

**Voice and Accountability (V&A)**—the situation in which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

Government Effectiveness (GE)—perceptions of the quality of public services, the quality of the civil service and the degree of its independence, the quality of policy formulation and implementation, the credibility of the government's commitment to such policies.

**Political Stability and Absence of Violence (PS&AV)**—perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.

**Regulatory Quality (RQ)**—perceptions of the governmental ability to make and implement sound policies and regulations that allow and stimulate private sector development.

**Rule of Law (RoL)**—perceptions of the extent to which agents have confidence in



and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

**Control of Corruption (CoC)**— perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elite and private interests.

The data of the globalization (dependent variable) is sourced from KOF Swiss Economic Institute and the data of all the independent variables are taken from the World Bank Governance Indicators (WGI).

### **Model Specification**

There exists several indicators of voice and good governance i.e. accountability (V&A), government effectiveness (GE), political stability and absence of violence (PS&AV), regulatory quality (RQ), rule of law (RoL), and control of corruption (CoC) that affect globalization (GLO) in the perspective of a state. Based on the documented evidence and theoretical underpinnings mentioned above, we draw our model as thus:

$$GLO_t = f(V \& A_t, GE_t, PS \& AV_t, RQ_t, RoL_t CoC_t).....(i)$$

From this point of view, the empirical estimation equation of the model is presented as:

$$\begin{split} GLO_t &= \beta_1 + \beta_2 V \& A_t + \beta_3 GE_t + \\ \beta_4 PS \& AV_t + \beta_5 RQ_t + \beta_6 RoL_t + \beta_7 CoC_t \\ + \mu_\tau ......(ii) \end{split}$$

The study will decompose this equation (ii) into seven measurements to provision make for the different combined index for good governance i.e. and accountability voice (V&A). government effectiveness (GE), political stability and absence of violence (PS&AV), regulatory quality (RQ), rule of law (RoL), and control of corruption (CoC), and  $\mu_{\tau}$ is the residual term that is seemed to follow a normal distribution.

We employ absolute value of the variables in the study that may have the effects of transformation variability in the data. The log of the variables may lessen the effects of transformation variability in the data. As the governance indicators are in index form and have negative value i.e. very small value, it will help avoid the transformation variability in data. So, we do not take variables as logarithm form in the study.

#### **Unit Root Test**

For time series analysis, the study variables are to be checked stationarity before running the cointegration test. To this end, we employ the conventional ADF tests and Phillips-Perron test (PP) following Phillips and Perron (1988). The ARDL bounds test is dependent on the hypothesis that the variables lie within I(0) and I(1). So, prior to applying this test, we set the order of integration of all the variables by employing unit root tests to check the null hypothesis  $H_0: \beta = 0$ , meaning  $\beta$  has a unit root, and the another hypothesis is  $H_1: \beta \le$ 0. It is hypothesized so that no variable becomes I(2) in order to avoid any spurious result.

If the presence of the order of integration of variables is I(2), we cannot



explain the values of F statistics coined by Pesaran et al (2001) and it will go boasted. Therefore, the results of these unit root tests are not able to provide leading results due to their low size and power (Shahbaz et al, 2016). Besides, these results are not succeeded in providing any information concerning structural breaks prevailing in the series. So, for ARDL analysis, it is mandatory to be the order of integration within I(1).

# **Co-integration Approach**

For analyzing the long-run and short-run relationships between good governance and globalization, this study employs the autoregressive distributed lag (ARDL) cointegration approach as a general vector autoregression (VAR). Pesaran and Shin (1999) and Pesaran et al. (2001) developed the ARDL cointegration estimation technique. This technique has several merits over the traditional co-integration estimation approach coined by Johansen and Juseline (1990).

Firstly, it needs minor amount of sample in terms of size. This technique provides two different sets of critical value: low and upper value bounds for all kinds of explanatory variables into pure I(1), purely I(0) or conjointly cointegrated. Indeed, different sample sizes generate these critical values.

Secondly, ARDL approach does not necessitate that variables must be integrated in the same order. Thirdly, the long run estimation with concrete t-statistic is generated in the ARDL approach if some of the model regressors are endogenous (Narayan 2005 and Odhiambo, 2008).

Fourthly, this estimation approach also provides a technique of measuring the long-run and short-run effects of one variable on the other and as well single both when a right choice of the order is made in the ARDL model (Bentzen and Engsted, 2001). The ARDL model is shown as follows:

$$\begin{split} \Delta GLO_{t} &= \beta_{0} + \sum_{i=1}^{n} \beta_{1i} \, \Delta GLO_{t-1} + \sum_{i=0}^{n} \beta_{2i} \, \Delta V \& A_{1t-1} + \sum_{i=0}^{n} \beta_{3i} \, \Delta GE_{1t-1} + \\ \sum_{i=0}^{n} \beta_{4i} \, \Delta PS \& AV_{1t-1} + \sum_{i=0}^{n} \beta_{5i} \, \Delta RQ_{1t-1} + \sum_{i=0}^{n} \beta_{6i} \, \Delta RoL_{1t-1} + \\ \sum_{i=0}^{n} \beta_{7i} \, \Delta CoC_{1t-1} + \\ \beta_{8} GLO_{t-1} + \beta_{9} V \& A_{t-1} + \beta_{10} GE_{t-1} + \beta_{11} PS \& AV_{t-1} + \\ \beta_{12} RQ_{t-1} + \beta_{13} RoL_{t-1} + \beta_{14} CoC_{t-1} + \varepsilon_{t} \end{split}$$
 (iii)

Where  $\Delta$  is the difference operator while  $\varepsilon_{\bullet}$  is the white noise or error term. The bounds test is mainly dependent on the joint F-statistic and its asymptotic distribution is non-standard in the null hypothesis of no cointegration. The ordinary least squares (OLS) is estimated in the first step in the ARDL bounds test approach (equations-iii). To check the existence of a long-run association among the variables, this estimation is tested through conducting an F-test for the mutual significance of the coefficients of the lagged levels of the variables. Following table shows the null hypothesis of no co-integration and the alternative hypothesis:

Tabel. 1

Null hypothesis of no co-integration	Alternative hypothesis	Equation
$H_0: \beta_7 = \beta_8 = \beta_9 = \beta_{10} = \beta_{11} = 0$	$H_0: \beta_7 \neq \beta_8 \neq \beta_9 \neq \beta_{10} \neq \beta_{11} \neq 0$	(iii)

# VAR-based Variance Decomposition (VDC) Estimation

In the study, VAR-based variance decomposition technique is used for brining robustness in the study result. Variance decomposition is measured from the Vector Moving Average (VMA) representation of a Vector Autoregression. The equation is written as follows:

$$\begin{bmatrix} y_t \\ z_t \end{bmatrix} = \begin{bmatrix} \overline{y} \\ \overline{z} \end{bmatrix} + \sum_{i=0}^{\infty} \begin{bmatrix} \emptyset_{11} \emptyset_{12} \\ \emptyset_{21} \emptyset_{22} \end{bmatrix} \begin{bmatrix} \varepsilon_{yt-i} \\ \varepsilon_{zt-i} \end{bmatrix} \dots (iv)$$

Here in a bivariate VAR system,  $z_t$  and  $y_t$  are dependent and independent variables respectively for a particular time. The movement of  $z_t$  and  $y_t$  are shown with the passage time i.e. how they are responsive to one another.

# Results and Discussion Unit Root Test Results

In this study, Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) tests are used to avoid non-stationary concern. Following table shows the same:

Tabel. 2 Unit Root Test Results

Varia	ADF test statistics PP test statistics						Order		
bles	I(0)		I(I)		I(0)		I(I)		of Integra
	Constant	Const ant & Trend	Const ant	Const ant & Trend	Const ant	Const ant & Trend	Const ant	Constant & Trend	tion
GLO	1.807472 (0.3687)	2.984 943 (0.15 50)	6.092 312 (0.00 00)	6.288 673 (0.00 01)	3.967 216 (0.00 55)	2.984 422 (0.15 51)	6.697 071 (0.00 00)	7.940345 (0.0000)	I(0)
V&A	1.233881 (0.6439)	1.469 178 (0.81 42)	4.114 134 (0.00 40)	4.045 052 (0.02 03)	1.287 455 (0.61 97)	1.469 178 (0.81 42)	4.077 936 (0.00 44)	4.032929 (0.0208)	I(1)
GE	1.905615 (0.3247)	2.317 766	- 6.179 236	- 6.208 282	1.788 073	2.317 766	- 6.537 796	7.106592 (0.0000)	I(1)



		(0.41 05)	(0.00 00)	(0.00 02)	(0.37 77)	(0.41 05)	(0.00 00)		
PS& AV	- 2.119385 (0.2392)	- 0.656 548 (0.96 57)	8.672 277 (0.00 00)	9.456 811 (0.00 00)	1.947 721 (0.30 66)	1.713 420 (0.71 62)	8.672 277 (0.00 00)	12.66486 (0.0000)	I(1)
RQ	- 2.369179 (0.1597)	2.264 400 (0.43 71)	- 6.126 808 (0.00 00)	- 6.030 798 (0.00 02)	- 2.462 694 (0.13 57)	2.365 876 (0.38 71)	- 6.106 500 (0.00 00)	- 6.012169 (0.0003)	I(1)
RoL	- 0.744251 (0.8180)	1.729 373 (0.70 89)	- 4.783 444 (0.00 08)	- 4.940 345 (0.00 29)	- 0.711 386 (0.82 68)	1.765 986 (0.69 18)	4.783 444 (0.00 08)	- 4.940345 (0.0029)	I(1)
CoC	- 2.038145 (0.2698)	- 1.203 328 (0.88 88)	- 4.656 250 (0.00 11)	5.225 560 (0.00 15)	2.039 333 (0.26 93)	1.203 328 (0.88 88)	- 4.654 716 (0.00 11)	5.225978 (0.0015)	I(1)

Above results delineate that all the variables have been integrated in their level and first difference order.

# ARDL Regression Output for the Long Run with Bounds Test

Table- 3

(Levels Equation)								
Case 4: Unrestricted Constant and Restricted Trend								
Variable	Variable Coefficient Std. Error t-Statistic Prob.							
V&A	3.151980	0.784280	4.018947	0.0030				
GE	2.502603	1.763789	1.418879	0.1896				

PS&AV	-1.988325	0.324411	-6.129027	0.0002
RQ	-2.196911	1.408153	-1.560137	0.1532
RoL	-0.369495	1.097258	-0.336744	0.7440
СоС	0.403337	0.487869	0.826731	0.4298
@TREND	0.641252	0.036251	17.68932	0.0000
Test Statistic	Value	Signif.	I(0)	I(1)
Estatistic	T 0.0	100/	2.22	2.25
F-statistic	5.96	10%	2.33	3.25
K		5%	2.63	3.62
		2.5%	2.9	3.94
		1%	3.27	4.39

The 'Level Equation' output delineates the long-run relationship between the dependent and independent variables. Results show that voice and accountability is statistically significant at 1% level and its coefficient is very high (3.15), indicating that this determinant of good governance is more functional and in well-developed position.

Voice and accountability is closely associated with the periodic election in which *vox populi* i.e. voice of the people is heard or reflected in the electoral process(Brillantes & Fernandez, 2012). In Bangladesh, since 1980s, people got their rights to vote. In addition, as per World Bank Governance Indicators (WGI), freedom of association, assembly, expression, choice, free media are also the

major determinants for the fulfillment of the voice and accountability in a state.

Bangladesh witnesses the major development in all these indicators. Notably, the massive spread of media and free flow of information have accelerated the level of voice and accountability in the context of Bangladesh and it contributes to uphold the image of the country to the global level.

Another indicator of good governance—'political stability and absence of violence' is also statistically significant at 1% level; but its coefficient is highly negative. It shows that political instability and violence motivated by the political forces and other separatist groups is a sheer reality in the context of Bangladesh. Not only this, attack on minorities for the sake of political interest



has also been common scenario in the country.

Amidst the political blame game, the country is not being able to escape from this claustrophobia instead of ruling authorities' remedial measures combating this issue over the years (Rothstein, 2013). This setback is the major constraint to be linked up with the globalization, which calls for the protection of the minorities, human rights and violence free society.

Besides, government effectiveness illustrates the performance of civil service and their freedom from political pressure. In this case, the administration, to the some extent, achieves the desired goals although last decade showed reverse scenario (Bjørnskov & Svendsen, 2013). In spite of this, administration's role is hardly traced out prudently and remains insignificant to take the country into the global standard.

Prudent bureaucracy especially an envoy can play a crucial role dealing with fair diplomatic dealings and it may strengthen the way of a country toward the domain of globalization. In this journey, Bangladesh is hardly succeeded that the ARDL long-run result shows. Here there appears an insignificant effect of government effectiveness on globalization.

The long-run regression results also show the insignificant role of regulatory quality in the globalization process. Regulatory quality delineates the sound policy making and its implementation in which foreign policy making is one of the important parts. Although recent years, Bangladesh has put a good sign in maintaining foreign

relation, previous years shows the reverse scenario.

Besides, encouraging private entrepreneurship and developing private sector have been the major part of the agenda of regulatory quality (Dirlik, 2000). In recent years, the country achieved a lot in promoting private sector. But the flow of private capital abroad is minimal that leads to the insignificant role of regulatory quality to be connected with globalization by developing private sectors.

Rule of law is also insignificant in the long-run regression result. Basically, rule of law brings pacified environment for a country (Sonnenfeld & Mol, 2002). In this case, law enforcement body's role is significant. They, in some cases, are not able to keep the country free from chaotic situation predominantly led by political turmoil(Li, 2016).

Due to security concern, foreign investors are discouraged and feared to employ the foreign direct investment (FDI). Through this way, rule of law hardly copes up with the process of globalization(Heijden, 2006). Control of corruption—the one of the important indicators of good governance affects globalization insignificantly appeared in the ARDL bounds test long-run result.

As Bangladesh is recognized as one of the corrupted countries in the world, foreign investors feel discouraged to invest and foreign governments have had observation whether they will sign any agreement with Bangladesh. Although last decade witnesses the vigorous attempts of the government of the country to recover this bad image, earlier malpractices have remained in the

governance process. For this reason, level of the control of corruption is not playing

significant role to move the country to the globalized system.

# ARDL Regression Output for the Short Run with CointEq(-1)

Table. 4

	Tai	ле. <del>4</del>		
Variable	Coefficient	Std. Error	t-Statistic	Prob.
С	66.64050	7.182168	9.278605	0.0000
D(GLO(-1))	1.402548	0.195897	7.159629	0.0001
D(GLO(-2))	0.842592	0.139664	6.032978	0.0002
D(GLO(-3))	0.722575	0.120234	6.009730	0.0002
D(V&A)	2.994553	1.104872	2.710317	0.0240
D(PS&AV)	-3.125392	0.361568	-8.644003	0.0000
CointEq(-1)*	-2.283230	0.247812	-9.213539	0.0000
R-squared	0.872441	Mean depend	lent var	0.669731
Adjusted R-squared	0.824606	S.D. depender	nt var	0.922516
S.E. of regression	0.386350	Akaike info c	riterion	1.181646
Sum squared resid	2.388266	Schwarz crite	erion	1.527231
Log likelihood	-6.588929	Hannan-Quin	n criter.	1.268560
F-statistic	18.23863	Durbin-Wats	on stat	2.039852
Prob(F-statistic)	0.000002			

The ECM short-run result shows that voice and accountability is

statistically significant at 1% level following ARDL long-run result.



# The result of the VAR-based variance decomposition

Table. 5
Variance Decomposition of Globalization

	variance Decomposition of Globalization									
Peri										
od	S.E.	GLO	V & A	GE	PS & AV	RQ	RL	CC		
1	1.038 840	100.0000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000		
		(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)		
2	1.316 301	79.86737	1.599459	3.178984	7.165498	3.215894	0.046604	4.926194		
		(17.3797)	(10.0668)	(7.70644)	(9.33017)	(6.65495)	(4.06601)	(5.93200)		
3	1.552 754	74.06186	3.314429	2.897517	11.21181	2.314638	2.156724	4.043027		
		(19.8272)	(10.5159)	(10.0166)	(10.5310)	(7.16583)	(6.43260)	(4.17079)		
4	1.853 226	67.14061	10.20855	4.034714	11.77191	1.629660	2.196488	3.018065		
		(19.2006)	(13.2206)	(10.8797)	(10.1431)	(7.29822)	(7.03753)	(3.21180)		
5	2.153 414		18.06685					2.393085		
		(19.6283)	(15.6701)	(13.1368)	(9.34406)	(7.55005)	(6.24954)	(3.10126)		
6	2.414 824	55.86078	22.65529	4.393290	11.39575	1.401753	2.380526	1.912615		

		(19.0608)	(16.2371)	(12.7536)	(9.50660)	(8.47410)	(7.16265)	(3.05405)
7	2.654 492	54.05004	26.29421	4.345827	10.26225	1.314671	2.117637	1.615372
		(18.7016)	(16.4699)	(13.1782)	(10.3069)	(7.99159)	(6.53238)	(3.07492)
8	2.875 230	52.79679	28.72313	4.196497	9.621688	1.296845	1.938746	1.426303
		(18.3816)	(17.1731)	(14.5231)	(10.8627)	(9.47415)	(7.18505)	(3.07286)
9	3.070 133	52.01907	30.30102	4.136727	9.177836	1.281285	1.792237	1.291826
		(17.6256)	(17.1795)	(14.1969)	(11.8905)	(8.89547)	(7.10366)	(3.12255)
10	3.248 638		31.36306					1.212664
		(17.9255)	(17.8868)	(14.6513)	(12.5516)	(10.6888)	(7.89162)	(3.28410)

And likewise, 'political stability and absence of violence' affects globalization negatively at 1% significant level. In this model, CointEq(-1) is very high at 2.28, indicating that the speed of adjustment requires short time to return to equilibrium. Besides, here the values of the R-squared and adjusted R-squared are 87 and 82 percent respectively, probability (F-statistic) is 0.00 and Durbin-Watson stat is 2.03, meaning that the model satisfies the goodness of fit.

The results of the above table consistent with the ARDL result (long-run and short-run) shows that globalization responds itself (own shock or own innovation) very significantly to 1st, 2nd and 3rd lagged years at 100, 79.86 and 74.06 percentages level in the short run

while experiencing variance to globalization.

This same behavior of globalization is mostly reflected in the ARDL ECM regression/short-run results (Table-4). The innovation to 'voice and accountability' explain the fluctuation of globalization at 3.31 percent in the short run (at 3-year period) and its augmented rate reaches 31.36 percent in the long run (at 10-year period), indicating that 'voice and accountability' impacts the change of globalization significantly both in the long run and the short run.

Any innovation or standard error to 'political stability and no violence' has negative trend to cause any difference in globalization process from the short run to the long run although it is positive at



the initial level (short run). Also, any innovation, breakdown or impulse to 'government effectiveness, regulatory quality, rule of law and control of corruption' respond minimally or insignificantly to the variance to globalization.

# Results at a glance obtained from ARDL and VAR-based Variance Decomposition

Following table shows the comparative scenarios of results obtained from both ARDL and VAR-based Variance Decomposition techniques:

Table. 6

Variables ARDL Results			Variance Decomposition Results			
	Long-Run	Short-Run	Long-Run	Short-Run		
V&A	Significant and Positive	Significant and Positive	Positive Effect	Positive Effect		
PS&AV	Significant and Negative	Significant and Negative	Negative Trend	Initially Positive and Static; but Downturn since 6 <sup>th</sup> Year Period.		
GE	Insignificant	Insignificant	Minor Effect	Minor Effect		
RQ	Insignificant	Insignificant	Minor Effect	Minor Effect		
RoL	Insignificant	Insignificant	Minor Effect	Minor Effect		
СоС	Insignificant	Insignificant	Minor Effect	Minor Effect		

Above table shows almost same results obtained from both ARDL and VAR-based Variance Decomposition in examining the

relationship between good governance and globalization in Bangladesh.



# **Diagnostic and Stability Test Results**

Table. 7

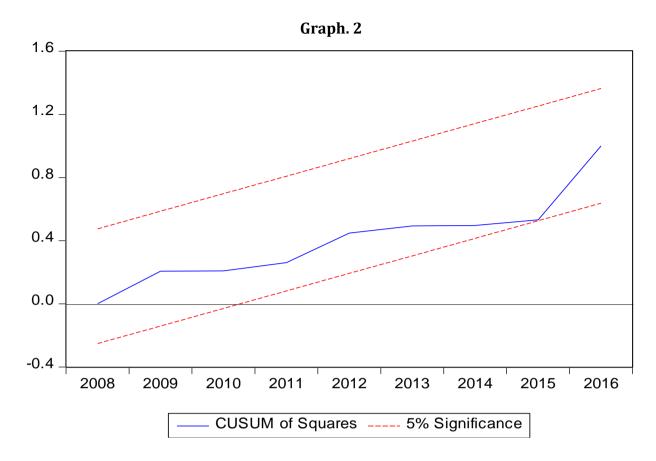
Histogram and Normality Test	
Jarque-Bera	0.65
Probability	0.72
Breusch-Godfrey Serial Correlation LM Test	1
Prob. F(1,8)	0.45
Prob. Chi-Square(1)	0.19
Heteroskedasticity Test: Breusch-Pagan-Godfrey	,
Prob. F(13,9)	0.16
Prob. Chi-Square(13)	0.20
Ramsey RESET Test- Omitted Variables: Squares of fitted values	1
t-statistic -Value- 1.506869	0.1703
F-statistic -Value- 2.270653	0.1703

Above results shown delineate that the model is free from no serial correlation, heteroskedasticity, omitted

variables problem, indicating that the residuals of the model are distributed normal.

## **Recursive Estimates Test**

Graph. 1 10.0 7.5 5.0 2.5 0.0 -2.5 -5.0 -7.5 -10.0 2009 2012 2008 2010 2011 2013 2014 2015 2016 CUSUM ---- 5% Significance



Above two graphs (CUSUM and CUSUM of Squares) show that the marked lines stay within the 5% critical line, making sure the stability of the model.

#### **Conclusion**

The paper aims to investigate the nexus between good governance and globalization in the context of Bangladesh over the period of 1990-2016. The study employs both the ARDL and VAR-based Variance Decomposition techniques to find a robust result. These two methods show almost the same result in explaining the relationship between good governance and globalization in the context of Bangladesh.

Results obtained show that 'voice and accountability' affects globalization positively both in the long run and short run. 'Political stability and no violence' has significantly negative impact both in the long run and short run. And other components of good governance viz. government effectiveness, regulatory quality, rule of law and control of corruption have no significant effect on globalization in both the long run and short run.

The study period of Bangladesh is remarkably important as the country started moving to attain the foreign exposure mostly via trade liberation. In this journey, Bangladesh had to face challenges immense concerning its governance as required bv the international donor agencies and other supranational institutions of the world. To satisfy the requirements of external agencies, the country brought about massive changes in state-policies making governance more functional and dynamic as well. Taking different indicators of good governance into consideration, Bangladesh has been moving forward. But the achievement of the country in governance mechanisms is quite poor to move to the juncture of globalization. The existing study results suit to this statement as the country satisfies the only requirement--'voice and accountability' to attain the good governance and in turn, to closer to the trajectory globalization. All other indicators of good governance cause globalization by and large insignificantly.

In this backdrop, the study may have significant implication to the policy makers and other stakeholders related to the field of governance and good governance. Therefore, government should take appropriate policy measure to galvanize all the indicators of good governance through managing the internal affairs and in turn, accessing to the trajectory of globalization for the development of Bangladesh.

The study is significant regarding the current growth state-affair of Bangladesh. Notably, the study lacks of the requirements of data to apply the ARDL time series regression technique. That means, data used in the study are hardly sufficient in numbers for ARDL estimation. Apart from this, all these data are mainly collected from secondary sources that is another shortcoming of the study. Further study embraced with data from both primary and secondary sources may fulfill the research gap.

#### **About Author**

**Md. Monirul Islam** was born in Jhenidah, one of the districts in Bangladesh. He was a Research Fellow (2016-18) in Bangladesh Initiative for

Policy and Development (BIPD), Dhaka, Bangladesh. At this time, he has been serving as an Assistant Professor (Governance and Public Policy) in Bangladesh Institute of Governance and Management (BIGM), Dhaka, Bangladesh. As a post graduate institute, BIGM is affiliated with the University of Dhaka and funded by the Ministry of Public Administration (MoPA), the Government of the People's Republic of Bangladesh.

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