Multinational Corporations in India

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MNCs - Meaning

- Multi National corporations are huge industrial organizations which extend their industrial and marketing operations in a number of counties through a net work of their branches and subsidiaries.

- MNCs are large industrial or corporate organizations which have industrial and marketing operations in more than one country.

- MNCs are also known as transnational corporations (TNCs).

- MNCs act as the main instrument for the transfer of:
  - capital
  - modern technology
  - skill
  - managerial, organizational and marketing practices to developing countries.

Major MNCs in India

1. IBM
2. Microsoft
3. Nokia Corporation:
4. PepsiCo
5. Ranbaxy Laboratories Limited:
6. Reebok International Limited
7. Sony
8. Tata Consultancy Services
9. Toyota
10. Intel
11. Coca-Cola
12. Sony
13. Puma

1. IBM
2. General Electric
3. Nike
4. Citigroup
5. Vodafone
6. Ford Motors
7. British Petroleum
8. LG
9. Samsung
10. Hyundai
11. Accenture
12. Reebok
13. General Motors

MNC Participation in India

- ➢MNCs participate in Indian industry by entering into collaboration with Indian industrialists.

- ➢This agreement involve sale of technology and use of foreign brand names for the final products.

- Trends of liberalization in the 1990s and the revival of Indian industries in the 1980s gave substantial spurt to foreign collaboration.

- Liberal foreign investment policy was announced in July-August 1991 and as a result, foreign collaborations increased further which led to a huge flow of FDI into India.

- It is estimated that between 1991and 2009, the cumulative foreign direct investment inflows from MNCs to India was Rs.619376 crores.

Arguments in Favour of MNCs

1. Initiating a higher level of investment, and thus higher income and employment.
2. Reducing the technological gap
3. The natural resources are utilized in true sense
4. The foreign exchange gap is getting reduced
5. Boosts up the basic economic structure.
6. Transfer of technology, capital and entrepreneurship
7. Greater availability of product for local consumers
8. Multinationals not only provide financial resources but they also supply a “package” of needed resources including management experience, entrepreneurial abilities, and technological skills.
9. MNCs bring with them the most sophisticated technological knowledge about production processes while transferring modern machinery and equipment to the capital poor LDCs.

Arguments in favour of MNCs (contd.)

10. Fill the resource gap between targeted or desired investment and mobilizing domestic savings

11. Other Beneficial Roles:

- The domestic labour may benefit in the form of higher real wages.
- The consumers benefits by way of lower prices and better quality products.
- Investments by MNCs will also induce more domestic investment. For example, ancillary units can be set up to ‘feed’ the main industries of the MNCs.
- MNCs expenditures on research and development(R&D), although limited is bound to benefit the host country.

Arguments Against MNCs

1. Large sum of money flows out of the country annually in the form of payment as dividends, profits, royalties and interest to foreign investors.

2. MNCs inflict heavy damage on capital importing country in various forms:
   - Suspension of domestic entrepreneurship
   - Extension of oligopolistic practices
   - Supply country with unsuitable technology and unsuitable products
   - Developing a production structure to meet requirements of high income elites

3. In a labor surplus economy like India, much of the technology transferred is of capital intensive nature and it is not useful to the labor surplus economies

4. MNCs like to maintain a semi monopolistic market conditions which are not favorable to the development of LDCs.

5. MNCs have strengths (financial and technical) to influence the decision making process in LDCs. MNCs directly or indirectly interfere in their internal affairs. Thus the autonomy and sovereignty of the host country are in danger.