Multinational Companies In India

Multinational Corporations (MNCs) or Transnational Corporation (TNC), or Multinational Enterprise (MNE) is a business unit which operates simultaneously in different countries of the world. In some cases the manufacturing unit may be in one country, while the marketing and investment may be in other country. In other cases all the business operations are carried out in different countries, with the strategic head quarters in any part the world. The MNCs are huge business organisations which extend their business operations beyond the country of origin through a network of industries and marketing operations.

They are multi-process and multi-product enterprises. The few examples of MNCs, are, Sony of Japan, IBM of USA, Siemens of Germany, Videocon and ITC of India, etc. There are over 40,000 MNCs with over 2, 50,000 overseas affiliates. The top 300 MNCs control over 25 percent of the world economy.

MNCs made its foray in India after the 1991 economic reform. The LPG (Liberalisation, Privatisation, Globalisation) reforms opened the Indian economy to companies across the world. MNCs are also known as 'Transnational Companies'. India hosts the largest number of MNCs from USA and Europe.

These have large industrial footprint and have spread their tentacles through a network of branches in the fields of operation, marketing and human resources. MNCs come to India through FDI route. In Foreign Direct Investment (FDI) there are two routes, Automatic route and Approval route. Under the automatic route no permission is required for foreign investors either by government or RBI. But under the approval route investment approval is given by Foreign Investment Promotion Board (FIPB). Government has reserved certain critical sectors for approval route e.g. banking, civil aviation, atomic energy, defencei industries etc

Some important roles played by MNCs in India are as follows:

- **Transfer of Technology** The most important role that MNCs play in India and across the globe is the transfer of technology. Transfer of state of the art technology to developing countries increases the quality and productivity of the output produced. India has not just received the technology from the MNCs, but has also been the beneficiary of technical know-how which has in turn resulted in the skill enhancement of the workforce.

- **Capital Investment** When MNCs come to India, they are responsible for non-debt creating capital inflows. In the pre-1991 period, the MNCs did not play much role in the Indian economy. The country relied on external commercial borrowing for development of sectors of economy. A whopping balance of payment crisis was created through this unsustainable model. Post the 1991 economic reforms, MNCs contributed towards creating a positive balance of payment. Therefore, when MNCs invest in India it goes into non-debt creating capital receipts. Morever, they contribute towards increasing the GDP of India.
- **The Multiplier Effect** MNCs contribute towards increasing income and increasing employment opportunities. The higher wages that, MNCs like Hindustan Unilever, Goldman Sachs, Toyota, Google etc pay to management and engineering graduates have contributed in increasing the per capita income of India. The Maruti-Suzuki and Hero-Honda collaborations have also contributed towards increasing employment.
- **Increase in Exports** MNCs have greatly contributed towards increasing our exports. As India offers cheap labour and land, it is both economic and profitable for MNCs to invest in India. When the MNCs export their goods to other nations, it benefits us directly.
- **Managerial Practices** MNCs have also brought best managerial practices to India. The human resource management, financial controls, operation and advertising strategies have been emulated by Indian companies to their advantage.
- **Increase in Competition** Entry of MNCs promotes competition in the economy of the host country. This increase in competition results in lowering of prices, which is beneficial to the end user e.g. entry of electronic giants like LG, Sony, Samsung in the Indian market has promoted competition in the electronic segment and led to a decrease in prices of electronic items.