CHAPTER 5

MULTINATIONAL CORPORATION ARE KEY TO GLOBAL BUSINESS FLOWS

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ABSTRACT

The rise and spread of multinational companies has also led to internationalization of production and investment, resulting in development of oligopoly and centralization in the markets, although the companies have emerged only in recent years. However, they have expanded to many countries of the world. These types of companies exist in almost all the countries of the world. Their number is highest in the United States. According to the report of Forbes global 2000, in 2000 there were about 60,000 multinational companies operating all over the world. These companies owned 1/3 of the total world capital. The scope of work of these companies has spread outside their own countries in both developed and developing countries.

5.1 MEANING OF MULTINATIONAL COMPANIES

Multinational companies mean a company whose area of operation extends to more than one country and whose production and service facilities are outside that country. These are such companies whose head office is located in one country but after starting their business activities in the parent country, they spread beyond its borders, hence the following things are necessary for a multinational company

- Provides its services in more than one country.
- It carries out research, development and manufacturing work in those countries.
- Which has multinational management, and
- Whose stock ownership is multinational?

Such companies are also called international companies or transnational companies. At present, multinational company is a more prevalent and popular word for this. The important feature of such companies is that their major decisions are taken simultaneously in the context of the entire world. Due to which their decisions often mismatch with the policies of those countries. The countries in which these companies do their business. They do not take into account the reaction to their actions in those countries.

The rise and spread of multinational companies has also led to internationalization of production and investment, resulting in development of oligopoly and centralization in the markets, although the companies have emerged only in recent years. However, they have expanded to many countries of the world. These types of companies exist in almost all the countries of the world. Their number is highest in the United States. According to the report of Forbes global 2000, in 2000 there were about 60,000 multinational companies operating all over the world. These companies owned 1/3 of the total world capital. The scope of work of these companies has spread outside their own countries in both developed and developing countries. Even a socialist country like Soviet Russia could not remain out of their reach, the existence of multinational companies can be seen even in underdeveloped countries, it is estimated that their number in these countries is above one thousand, multinational companies of underdeveloped countries are also involved in other developing countries. But it cannot stand anywhere in front of the competition of multinational companies of developed countries.

5.2 CHARACTERISTICS OF MULTINATIONAL COMPANIES

There are the following Characteristics of Multinational Companies:-

- **Multinational Activities**
  The first characteristic of multinational companies is that their activities are not limited to any one country but extend too many countries. For this, the share of the company is more than 51 percent. In this way the company continues to control these branches and subsidiary companies.

- **Transfer of resources**
  The second characteristic of these companies is that they transfer their resources to subsidiary companies and branches. They easily transfer their technical, managerial, service personnel, raw and finished goods etc. to their subsidiary companies and branches.

- **Huge Size**
  The third characteristic of these companies is that they are of very huge size and their capital and sales run into billions of rupees. For example, the sales of IBM or General Motors run into billions of rupees.

- **Multinational Conglomerate Ownership**
  Many nations have stake in the capital of these companies.

- **Multinational Management**
  The management of these companies is multinational. That means the management board consists of people from many countries. Who are experts from technical, economic and managerial point of view?

- **Marketing Creations**
  The marketing strategies of these corporations are very effective and best. These companies conduct market survey before selling the product or service.

5.3 OBJECTIVES OF MULTINATIONAL COMPANIES

The following objectives of multinational companies are as follows

5.3.1 EXCESSIVE INCREASE IN FOREIGN CAPITAL INVESTMENT

Introduction of the liberalization policy by the Government of India in 1991, the total amount of approved foreign investment Inflow which was Rs 530 crore in 1991, increased to 49.35 Billion Dollar in 2022 as par the Forbes.

Steps were taken to open the Indian capital market to foreign investment and allow better rated companies to approach foreign investors by listing their stocks on foreign stock exchanges. The main reason for this proposal was to at least partially integrate the Indian capital market with the universal capital market and in the process open the way for the benefit of both Indian industry and foreign investors by allowing foreign capital to invest in another industry. While there will be benefit from higher yield, foreign investors will also benefit from better returns because Indian capital market is very attractive among the progressive markets at this time.

5.3.2 LIBERALIZATION OF FOREIGN INVESTMENT

To achieve the target of $120 billion foreign investment in the country, the Government of India has implemented the following policy measures:

- Automatic approval was given for foreign investment up to from 51 to 100 percent equity.
- NRIs have been permitted to invest 100 per cent equity in high priority industries with repatriation of capital and income.
- The condition of the machinery being new for foreign capital investment has also been removed.
- Foreigners of Indian origin have now been allowed to acquire residential property without the permission of the Reserve Bank of India.
- Under portfolio investment, the limit of personal capital investment in a company through secondary market has been reduced.
- Companies whose performance has been good for a period of at least 3 years can raise foreign capital through Euro issue in the international capital market.
- The government has decided in the Union Cabinet meeting on 15 February 2004 to increase the limit of foreign capital investment in private sector banks from 49 percent to 74 percent. This increased limit of investment will include institutional investment.
- Earlier only 26 percent foreign investment was allowed in the field of oil refining, which has been decided to be increased to 100 percent. But this decision will also not be applicable on the refineries of government oil companies.

5.3.3 SIMPLIFY INDUSTRIAL POLICY

After the experiences of five decades of controlled economy, a new beginning of free and market economy has been made in India. After independence, the country adopted a mixed economy and gave preference to enterprises in the public sector to strengthen the economic structure and received more protection than the private sector. To strengthen the roots of the economy, the Industrial Policy of 1956 was announced by the Government of India and after that important changes were made in 1970, 1977, 1980 and the new Industrial Policy was announced in 1991. And efforts were made to speed up the economic development of the country. The importance of global market and competitive economy was accepted by ending government control and measures were taken to make the public sector self-reliant. The objective of the new industrial policy is as follows

- To strengthen the achievements so far.
- To remove the obstacles and ill-effects in the industrial development process.
- Along with increasing productivity and employment opportunities.
- To prepare Indian industries for international competition.
- For this, a revised policy was also announced for the development of large, medium and small industries.
- A revised policy was announced for the development of small and cottage industries in rural areas.

To achieve these basic objectives, the government has made five important changes in the industrial policy:-

- The licensing system necessary for the establishment of new industries and expansion of old industries has been abolished.
- The limit of foreign capital has been increased. In export oriented industries this limit can even be up to 100 percent.
- Restrictions on acquiring foreign technology have been lifted.
- The limit on industrial property under Monopolistic and Restrictive Trade System (MRTP) has been abolished.
- The doors of many industries reserved only for the public sector till now have been opened for the private sector also. The public sector will now be limited

mainly to infrastructure sectors like defence equipment, atomic energy, coal, mineral oil, mining and railway transport.

- Undoubtedly, the announcement of the new industrial policy by the Government of India has brought a new dimension in the areas of economic development. And it is hoped that by following these policies we will be able to strengthen India's economic development. The country's industrial development has also gained momentum in the era of planned development and prominence of public sectors. If we look at the economic development activities after the announcement of the policy of liberalization, we find that the growth rate of the economy has increased, but it is relatively low.

5.3.4 LIBERALIZATION AND INDUSTRIAL GROWTH

A new era of economic liberalization started in 1991. New liberalized policies affecting the performance of the industrial sector were - extensive liberalization in industrial licensing and freedom of most of the industries from licensing, as a result of which positive and negative effects were seen on the performance of the industrial sector.
In the manufacturing sector, the industrial groups that have seen growth rates are Alcohol, Beverages, Tobacco and Products, Jute, Hemp, and Mesta Textile Industry, Chemicals and Chemical Products, Paper and Transportation Equipment, Basic Metals and Allied Products, Leather. And leather products and food products. Since 1991-92, the government reduced customs duty and excise duty on many goods. Due to which goods became cheaper and production and exports increased. The production of consumer durables has also been good and the production of non-durable consumer goods has declined.

The rates of growth have also been reflected in basic industries. Six basic industries including electricity, coal, steel, food petroleum refinery products and cement achieved higher remark, except petroleum refinery and coal industries, other basic industries have also improved. Agriculture, which is the basic industry of India on which 70 percent of India's population depends, has been affected by the new industrial policy. Agricultural production was at its highest level in the year 1992-93, there is considerable improvement in area, today we are not only self-sufficient in food grains, but are also in a position to export. As it is clear that after long experiences of planned industrial development, the government has made all the fundamental and revolutionary changes in the industrial policy, in which an opportunity has been provided to provide regulatory role to the market forces instead of the government and this step has helped the big industrialists of the world. It has been taken up on the basis of the experiences of economic development tested by the countries, but this industrial policy of the government has not achieved the expected results. The government is feeling unsuccessful on various economic fronts and the industrial production has decreased instead of increasing in relative terms.

- Government accommodation of public investment is declining and this has resulted in an inevitable decline in demand for output in many capital goods industries.

- Due to the imposition of tariffs in certain segments of the industry, for the first time these industries had to compete with the industries of foreign countries, due to which the demand for the goods of the local industries is decreasing.

- Free availability of imported inputs and relative ease of credit conditions, resulting in reduced demand for goods and reduced production.

- Due to changes in export promotion system and regulation rate, the balancing effect has shifted towards export industries with low import component, whereas export promotion was given to those industries which had import component.

Keeping the above reasons in mind, it became necessary to bring about constructive changes in Indian industries. It is true that as Indian industries move with time, it will be affected by business cycles, which will also be accompanied by sharp fluctuations in growth rates, but the new industrial policy will be fruitful. To achieve this, it is also necessary to keep pace with the direction of industrial progress from time to time and at the same time, sub-regional disparities in the industrial sector will also have to be removed.

5.3.5 PROVIDING EMPLOYMENT OPPORTUNITIES

Multinational companies provide direct employment to about 73 million people in their own countries and abroad. About one third of the world's production is controlled by multinational companies. According to the survey of Federation of Indian Industries, multinational companies have been successful in creating employment opportunities. The survey also revealed that employment in public sector units declined by 0.89. Private sector employment grew at a much higher average than all industries at an average of 2.89 percent.

The increase in unemployment or decrease in employment has started since the year 1972, but by the year 1978, unemployment started increasing rapidly, for example, according to the Reserve Bank of India annual report, in the year 1972, employment in the agricultural sector increased. The rate remained at 2.32 percent. In 1991-92, it declined in a very worrying manner to only 0.32 percent. Similarly, employment growth in the industries sector in 1972 was 5.1 percent. Which decreased to 3.75 percent in the year 1978. In the year 1987 it came down to 2.10 percent and in 1991-92 it came down to 1.40 percent.
Quoting the 61st cycle survey of SSSO, the Economic Review states that the annual growth rate of employment in the country has been 2.5 percent during 1990-2000. Despite this increase in employment growth rate, the unemployment rate in the country has increased from 2.8 percent to 3.1 percent in the period 1999-2000 to 2004-05. In the review, this was attributed to the laxity in agriculture. According to the review, the share of agriculture sector in employment in the country declined from 61-67 percent in 1993-94 to 54-19 percent in 2004-05.

Nevertheless, India is a developing country and it is the second most populous nation in the world. There is abundance of labour here, yet the number of skilled workers is relatively less, unemployment is seen on a large scale here. The availability of cheap labour persists in India even today. Therefore, if multinational companies can provide employment to Indian workers with a view to earn maximum profit by using this cheap labour, then it will not only increase their income, but also increase per capita and employment opportunities, as well as per capita employment. If people can provide more employment, then it will not only increase their income, but will also increase per capita and employment opportunities. If multinational companies produce using labour-intensive technology, then it can be considered good from the employment point of view.

5.4 FACILITATION IN TECHNOLOGY AND TECHNOLOGY TRANSFER

Transfer of technology has taken place in various countries including India through multinational companies. The technology transferred in this way can also be adapted to the resource demands of different countries. Moreover, the fact that the technology available in the country of transfer is not adapted to the resources available in the country is also responsible for the transfer of unsuitable technology transferred from capital-intensive countries to labour-intensive countries, which is unskilled labour-intensive. The intention behind doing this could also be that by reducing production costs, more profits can be earned. To take advantage of the cheap labour available in underdeveloped countries, multinational enterprises have many times made significant changes in the technology of production of their manufacturing goods. A part from labour-intensive technology, there are some areas of production which cannot develop without capital-intensive technology, such as petroleum, chemicals, minerals etc. Transfer of technology can be beneficial in these areas. The production of such technology, whether local or import-dependent, requires a lot of resources and time. To save time, multinational companies can be used, especially to increase the possibilities of production of essential commodities like crude oil. In India, if a multinational company is able to supply such goods at competitive rates with capital-intensive technology, the production of which requires more capital. So it may be desirable for some time and the pace of development can be accelerated by using the capital spent on it in other areas, but complete dependence on multinational companies for a long time cannot be called desirable.

Multinational companies have been operating in India for a long time, but their operations were subject to many conditions. Earlier they did not have a major share in the equity. Royalties on technology transfer were mostly restricted to fees or lump sum payments. As a result, MNCs were reluctant to transfer technology to indigenous firms unless the indigenous firms had majority control and managerial control. The pace and nature of entry of multinational companies into the Indian economy has become a matter of serious discussion. Its supporters believe that this new process has resulted in transfer of technology to our developing economy. Whereas critics are of the opinion that this is a ploy by advanced countries to enter the developing economies in various ways, through which they want to gain control over important areas of their organized production. Multinational companies have been working with the sole objective of profit maximization and have been using it as a tool to extract profits, royalties, payments, commissions and technical consultancy fees. The growth of multinational companies has been termed as a type of neo-imperialism.

5.5 FOR SIMPLIFIED IMPORT-EXPORT POLICY

In this series of liberalization and globalization, the Government of India announced the Import-Export Policy for the Eighth Five Year Plan. The broad objective of this policy is to ensure minimum restrictions in trade, more freedom and minimum administrative control. Making the import-export policy more liberal, the import-export policy was again revised in April 1993, in which a plan was made to encourage export-oriented units in the agricultural sector, as well as a huge reduction in the prohibited lists of import-export.

5.6 THE LIABILITIES AND BENEFITS OF MULTINATIONAL COMPANIES

Multinational companies have helped in the industrialization of developing countries. Where the developing countries were unable to provide capital and technology, these multinational companies have not only invested huge amounts of capital but also provided technology, which has not only laid the foundation of industrial production in those countries, but also helped in its development. Have made huge contribution. These multinational companies have established such industries in these developing countries, which require huge amounts of capital and modern technology: such as petroleum, chemicals, minerals etc. In India, the fields of Barmah Shell and Karax Petroleum were the contribution of these companies. Multinational companies in India found out about the resources and started exploiting them, which India could not do in those circumstances. When multinational companies found that labour was cheap in India, they made several important changes in the production technology to take advantage of it, so that the production became modern and internationally competitive, which was in the interest of the country. These companies spent substantial amount on research and development and also passed on the benefits of research and development of head office to branch offices and subsidiary companies, which helped in industrialization in underdeveloped countries.

Multinational companies have also promoted exports by doing marketing work efficiently. For this, they have also developed markets, research, advertising, dissemination of marketing facilities, warehouse management, packaging etc., so that the goods can reach the consumers in the right form. Through these, employment opportunities are provided on a large scale, due to which employment facilities have increased in the country.

The scope of work of multinational companies born in developed countries is relatively wider in the countries, their activities include those services which are related to research and development of information for capital technology transfer, distribution of production etc. At the second level come goods and production, the activities related to these are mainly related to areas like minerals and petroleum. Apart from this, these corporations also work in the field of food items including baby food and agricultural products. Not only this, they are also involved in the field of export of manufactured goods to underdeveloped countries. In providing these services and products, they provide both the product and the buyer. Multinational companies in India are engaged in pharmaceutical industries, electrical machinery, chemicals, aluminum metals and products, heavy engineering goods, food items etc. The liabilities and benefits of multinational companies are as follows:-

5.6.1 RESEARCH AND DEVELOPMENT

The question of expenditure on technical research and development is also related to technological progress. A large part of this expenditure is made by multinational companies outside their own country, although this expenditure is very less in other developing countries including India, still some benefits can be derived from this committee expenditure. Generally this expenditure can and should be increased, because the standard of living of people in underdeveloped countries is much lower than that of developed countries. Multinational companies should spend adequate amount of money on research and technological development, so that there can be technological progress in the country and help in accelerating the pace of economic development in the country.

5.6.2 SUPPLY OF FOREIGN CAPITAL AND TECHNOLOGY

Capital is required to start any business. Countries like India lacked adequate amount of capital to give rise to industrialization, making it necessary for us to acquire adequate amount of foreign capital through foreign collaboration, because just as the body needs blood circulation to survive. Similarly, capital is required to revive a business.

The usefulness of foreign capital in removing the economic disparity of backward and developing nations of the world cannot be denied. India receives foreign capital in the following ways.

- Direct investment - Investment by multinational companies
- Indirect investment - shares or debentures of Indian companies by foreigners
- Foreign capital, which is also called foreign aid or external aid.

This capital is received in the form of grants and loans from the International Monetary Fund (IMF) and other United Nations agencies. As a result of openness in the economy, foreign investment has now started coming in every year. As a result of the rapid increase in foreign capital investment in India, many problems arise, such as foreign investors are encouraged to invest only in those sectors in which there is scope for more profit, for example, Coca Cola, Pepsi etc. Under the Industrial Policy 1991, while on one hand reforms were made in the domestic regulatory

system, on the other hand, many regulations related to foreign investment have also been reformed to increase the flow of direct investment into India.
In order to attract more foreign capital investment in India, the government has given permission to foreign institutional investors like pension funds, investment funds, trusts, management companies, nominee companies, corporate and institutional portfolio managers etc. to invest directly in the Indian capital market. These institutional investors now invest in all types of securities, but to do so they have to register under the Securities and Exchange Board of India (SEBI).
Technology was transferred to various countries including India through multinational companies. Not only this, it can and has been capable of enabling the growth of multinational companies. The reason for this is that they have a vast amount of skills and resources available. With their use, labour technology can be developed. Accepting the recommendations of the committee constituted under the chairmanship of Dr. Raja Chelliah to improve taxation, the government announced comprehensive relief in customs duties in the budget for the year 1993-94. The unexpected shortage will not only bring machinery and new technology from abroad into the country, but NRIs returning to India will now be able to bring more goods with them. Due to this, domestic industries got more opportunities to compete in the domestic and international markets. Heavy concessions in excise duty were provided to Indian industries with the aim of providing a level playing field to imported goods among the domestic industries. These concessions were complementary to other programs of liberalization.

5.6.3 BROAD BASE OF INDUSTRIAL PRODUCTION

The necessary business base for industrial production has been created in India and is also capable of technical and management efficiency. The population is increasing at a rapid pace in the entire country due to which this has become necessary. That production should be done on a large scale to meet their needs. Consumer demand can be met by producing on a large scale through multinational companies. The country is rich in natural resources and above all there is a huge domestic market for the consumption of finished goods. In such circumstances, if private sector producers start producing high quality goods at low prices and these goods survive in the market, then along with consumption, exports will also increase.

5.6.4 MARKETING RELATED FACILITIES

Multinational companies exchange goods from one country to another, especially from underdeveloped countries to developed countries, due to which the culture and civilization of the countries develops. Marketing is an activity that includes various types of activities, which a multinational company can do relatively more efficiently in underdeveloped countries. These activities include market research, advertising, dissemination of marketing information, warehousing, transportation, designing of packing, delivery of goods to consumers, etc. These activities are also done in underdeveloped countries. For this, multinational companies do it very efficiently but in underdeveloped countries it has to pay a heavy price.

5.6.5 ACHIEVEMENTS IN SERVICE SECTOR

There is a provision in the GATT agreement and Dunkel proposal called General Agreement of Trade in Services to end the restrictions on trade in services of the member countries. According to this, service sectors like banking, insurance, education, tourism, communication, health, transport, telecommunication, engineering, shipping, air services, consultancy, advertising, media, data, processing, etc. will be freed from restrictions. And giving domestic company status to foreign companies in these areas. Treating these companies as most favoured nation. The entry of many multinational companies in the fields of banking, insurance, mass communication, education, tourism, health, telecommunication, engineering etc. into India will increase competition in these sectors, which will benefit the common consumers. Due to these provisions of the GATT Agreement related to the service sector, it is feared that this will not only lead to the entry of multinational companies in the country in large numbers but due to their huge resources, they will be able to question the existence of Indian companies in developed countries. Banking and insurance companies of India are ahead of Indian companies or institutions in every aspect. Foreign banks provide more services and interest to their customers even in the present times. With this power they will easily be able to siphon off the deposits in the nationalized banks of India. In this way, domestic savings will not be available for our own development work. In such a situation, our government has weakened its condition by taking loans from foreign companies and institutions for various development works of the country. Compared to Indian companies, multinational companies focus on providing a satisfactory environment to their customers, sitting, staying and listening to their problems and attracting their attention, which creates a feeling of competition.

5.6.6 SPIRIT OF MAKING INDIAN INDUSTRIES COMPETITIVE

Through the policies of entry of multinational companies, liberalization and economic reforms, the government has given a clear indication that Indian industry will have to work without government protection in future. For the last 60 years, Indian industries have become accustomed to living on conservation. Taking advantage of the protectionist policies, Indian industries neither improved the quality nor tried to reduce the cost, but now they had to make the finished goods competitive in both quality and price as compared to the rest of the world. The government has made it clear at every level that without gaining a foothold in the international market, India's development cannot be accelerated further and for this it has become necessary that the nature of India's industrial economy should be competitive. With the arrival of multinational companies, domestic companies also try to produce high quality goods due to competition in their production. The reason for survival in business is because of competition and improvement in quality.

In this way, it paves the way for improvement in quality by creating a spirit of competitiveness of Indian industries. For this reason, customers are able to get good quality goods at lower prices. Things we can't produce or decide. It can be achieved through multinational companies. Industrial change occurs rapidly through multinational companies, which makes production possible on a large scale. Thus, we can be successful in adopting import substitution and export promotion policy. By using high technology, the cost can be reduced as well as the high quality of the goods can be maintained.

5.6.7 HARMONY AND COOPERATION

When trade takes place between countries, international harmony and cooperation is established in it, due to which modern technology, payment, balance, regulation rate, and full convertibility of rupee, utilization of manpower, inflation control, capital cooperation, and foreign technology and so on, with this, internal and external relations become sweet. Certain factors have an important contribution in making the role of multinational companies effective in developing countries. In fact, multinational companies feel that the current environment is encouraging for expanding their worldwide activities. Countries like China and Russia, which dominate their economies, are also showing interest in multinational companies due to the change in attitudes related to growth and development.

5.7 DEMERITS OF MULTINATIONAL COMPANIES

- Many America based companies have established their full ownership in many countries. For example, Singapore, Mexico, Brazil and Taiwan. Due to low income tax rates in these countries, American companies are getting huge benefits.

- In a country like India, many multinational companies could have become partners of more than 51 percent, they had many privileges, they could have benefited immensely.

- Multinational companies provide a good amount of salary to all their employees. Due to which not only inequality prevails in the society, but dissatisfaction also spreads.

- Multinational companies establish their companies in big cities, where all types of facilities are available, which increases regional inequality.

- Multinational companies also give bribes to politicians directly or indirectly for general politics and to further their own interests, which increases corruption. These corporations provide attractive opportunities to special class people. And the people who get jobs are generally relatives of politicians.

- To increase the demand for their goods or to establish monopoly, multinational companies sell their goods at a price below their cost at the time of starting their business, due to which the demand for domestic goods reduces in the market and they become competitive with foreign goods. goes out of business due to which the domestic industry comes to the point of destruction. Then these same multinational companies fail to earn huge profits after a few years.

Multinational company promotes exhibition consumption and wasteful expenditure through attractive advertisements. The production style of poor countries becomes uncomfortable for the unfavourable condition of the poor classes. The center of this type of foreign direct investment is the consumers of the Indian economy. From this perspective, a new consumer culture is emerging, in which emphasis is being laid on the production of cola, jam, ice cream, prepared foods and durable consumer goods. As a result, the wage-commodity sector is being completely neglected. Through such products, instead of benefiting public welfare, only the petty needs of the upper classes are being satisfied. The entry of multinational companies into potato chips, bakery production, ready-made food items etc. has become the cause of displacement of workers working in small-scale industries because these Small units cannot survive in competition against companies and they have no other option except closure. Therefore, the consequences of unrestricted entry of multinational companies into soft sectors, both in terms of production and employment, are dire.

Multinational companies want the world to depend on them and their products. They are not concerned if their activities weaken the host countries. It has often been seen that keeping the sick and inactive conditions of these people and countries is very comfortable for them. Increasing profits is the main objective of multinational companies. 80 percent of the chemicals and drugs sold in India and other third world countries are banned in their own countries, yet the production of 103 (or 71 percent) of the 145 banned pesticides has increased.

In India, multinational companies want to enter only in certain sectors (fragrances, cosmetics and soaps, drugs and motor vehicles and other consumer goods) in which the profit potential is high and if they are not allowed to enter into these, then they do not want to come. This is the reason that due to the implementation of the policy of cooperation with the public sector in India, the western industrialists are entering the public sector (Maharashtra's Enran Power Project), but their main objective is to do so exclusively. Liberalization in India since 1997 is not about the interest of consumers but about profit maximization. This is the reason why the activities of these companies of the country always remain suspicious. This applies especially to those areas in which indigenous capabilities are fully developed. The natural consequence of this is unnecessary duplication of technology.

Sometimes the transfer of technology is linked to a chain in which a country has to purchase intermediate and capital goods from the same country from which the know-how was purchased. In such a situation, the parent company takes full advantage of the already exploitable situation by charging more than the normal price, due to which the subsidiary company of the host country often has to pay exorbitant prices for using the specialized process. Apart from this, due to the complex nature of the technology, host countries become dependent on their parent countries for its further implementation and adoption in the future and to obtain information related to its development. Its research and development is obtained from developed countries only. In this way local scientists and technicians reach developed countries. Which results in migration of talents from the countries.

Multinational companies send less profits abroad in the initial stages of their investment. They keep a large part of the profit for themselves and expand rapidly. In such a situation the international influence is positive. There comes a time when foreign companies have made sufficient investments. Now instead of investing their money in India, they start sending it out. Negative effects become visible and a period of decline begins in the country.

If multinational companies produce or manufacture any new item. And if that item is not currently available in any country then the price of that item is charged so high. Which is many times more than the cost. For example, a multinational giant company like Pfizer discovered a drug called Viagra. A medicine which is approved by the American government and is quoted at Rs 400 per pill only in America. Although many pharmaceutical companies of India have claimed that they have prepared a medicine similar to or better than Viagra, but due to social frustrations on human couples, it cannot be used officially and widely, it has the satisfaction of commercial sale. It is not possible to give. These multinational companies charge the price of the goods as per their wish, whose only objective is to earn maximum profit and work with the aim of sending a share of the excessive profit to their country.

5.8 EFFECT OF MULTINATIONAL COMPANIES

Multinational corporations have been adversely affecting the government's ability to provide employment, regulate the money supply everywhere, prevent erosion, and thus meet the essential social needs of the majority of its citizens. While on one hand there are many merits of multinational companies, on the other hand they also have demerits. To benefit from these companies, a balance has to be established between their merits and demerits. Multinational companies adversely affect at least 60 percent of the world's population in three important areas:

- **Less loyal towards producers and consumers**
  Since multinational companies are spread across many countries, their loyalty towards producers and consumers is questionable. Apart from this, their nature is that of an oligarch. Therefore, by using its power it eliminates potential or actual competition. It uses many methods to impose its wishes on producers and consumers, it manipulates the stock market and discriminates against goods through fraudulent advertising. Such conclusions have been drawn from a study of American multinational companies that due to these, consumers have to pay higher prices and farmers' income decreases. The quality of goods deteriorates, while this results in a huge increase in the profits of companies.

- **Disadvantages of pricing process**
  Multinational companies have often adopted many such methods in pricing, so that they can maximize their profits such as market division among different firms, market manipulation, product differentiation etc. The prices of their goods and services are determined by these companies in such a way that all the firms

controlled by the company can get maximum profit. To blame the multinational companies, it is said that through this policy they buy goods at lower prices from the related companies located in the tax countries. This policy increases. Sometimes these companies establish fake or sham business companies in countries with low tax rates.and to maximize its overall profit, it manipulates transactions through fake firms. Moreover, the profits of the companies related to the parent company are reduced, thus the countries where such companies operate have to pay a heavy price.

- **Manipulation regarding currency**
  Multinational companies indulge in manipulation by collecting finance and using it for their purposes without caring about its adverse consequences on other sections. It is no less harmful because since a multinational company is spread across different countries, its transactions take place in the currencies of different countries. This company directs the associated companies to collect loans from scarce currencies at profitable places and repay the old loans before time. In short their policy is to acquire wealth in the form of hard currency and collect debt in the form of easy currency. Thus, this situation makes the crisis situation more serious. Although these activities are outside the specific activities of these companies, they still do so to increase their profits. This behaviour of multinational companies causes losses in underdeveloped countries, because the currencies of these countries become even weaker.

Multinational companies are promoting a model of development and a system of distribution in the world that is further increasing the widening inequalities between the rich and the poor. By resorting to this narrow definition of efficiency and the 'grow or die' philosophy, the MNC is misusing and misallocating resources. The way Congress Narasimha Rao completed his five years with the help of economic reforms and liberalisation, it may have seemed fine in the beginning and during that period, the strong opposition of a few organizations like Swadeshi Vichar Manch could not create any pressure on the public mind. But as its ill effects became apparent, it became so clear that Congress too was forced to change its approach. In the executive meeting of the Congress Parliamentary Party, criticizing the Front government for its failure on the economic front is not as important as taking a view on the policy of economic reforms and liberalization, as is objecting to the entry of foreign multinational companies in important sectors like insurance and aviation. Although many opposition parties had protested against the free entry of multinational companies even in the year 1991, but their opposition appeared to be not straightforward but had a double vision and this was the reason why the then

Narasimha Rao government and its Finance Minister Dr. Manmohan Singh did exactly the same. Nor did he show any hesitation in carrying forward the policy of generosity. As the first Prime Minister of the country, Late Jawahar Lal Nehru had destroyed Mahatma Gandhi's concept of cottage and village industries.

If the ideology of Mahatma Gandhi had been adopted, then undoubtedly the villages of India would not have been so backward today, nor would there have been such migration of people that the cities would have become problematic, not only this, the problem of unemployment is standing as big as Sursa. Perhaps that situation would not have come and due to rural upliftment the Indian economy would not have seen such big sick factories. Despite this, Indian industries tried their best to protect themselves from the negative impact of the arrival of multinational companies in India. Some industries which were far behind in technical management etc. could not survive in front of the multinational companies, some of them were traditional industries and some were There were industries which were the support of survival of the working class in India, came to the verge of closure but some industries survived on the strength of their competitive ability.

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