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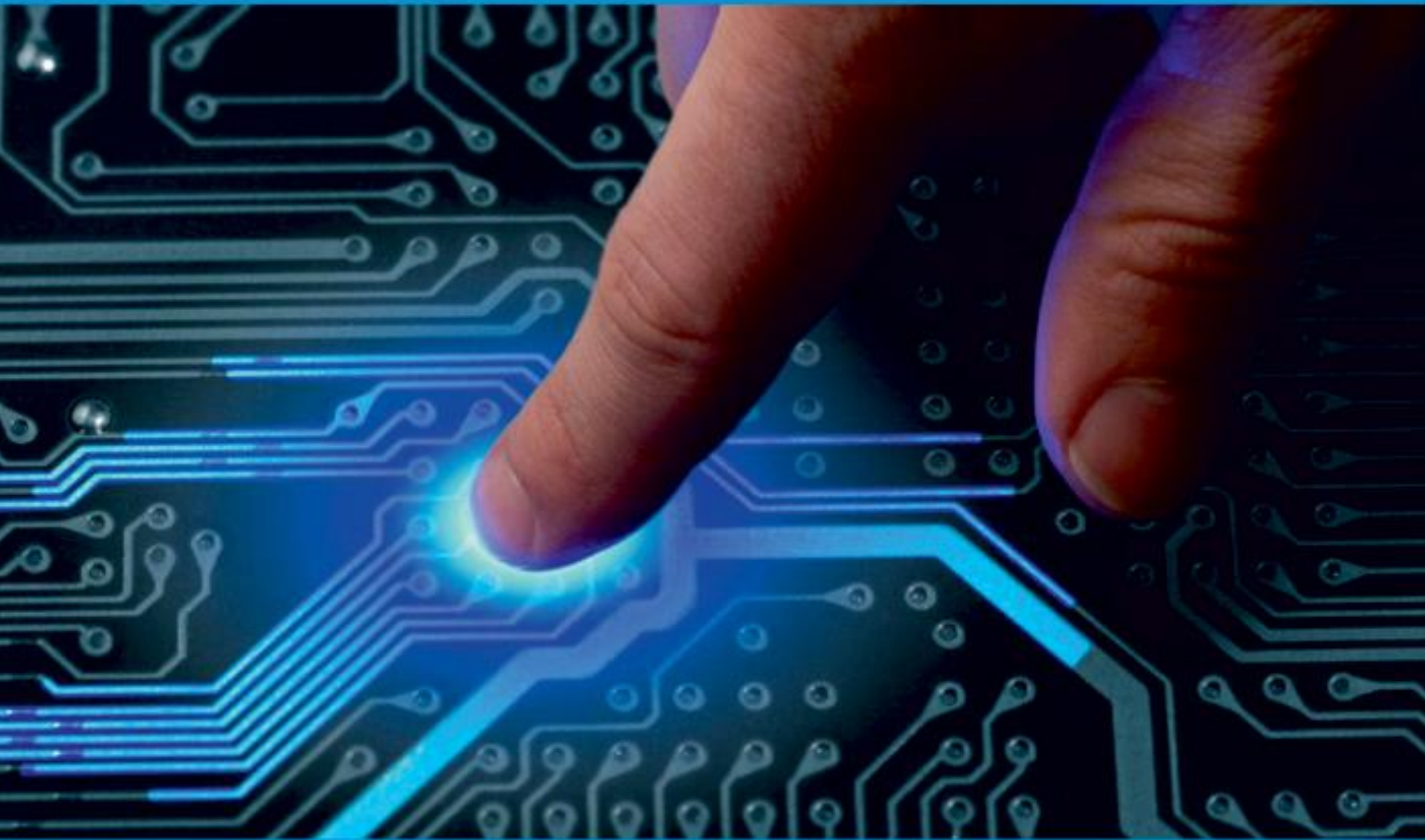

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A Study on the Role Played by MNC's in the Development of Indian Economy

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ABSTRACT: After the New Industrial Order of 1991, **globalization**, progress and privatization transformed the Indian economy. A large number of international companies started coming to India and soon India became a center for business process re-evaluation. The business culture of these MNCs influenced the functional Indian society. The new monetary reform, popularly known as Liberalization, Privatization and Globalization (LPG Model) will enable MNCs to operate in India, improving the financial aspect of the country. . This paper has tried to understand the impact of MNCs on the Indian economy and culture on the operating style.

KEYWORDS: Globalization, MNCs, Make in India, Indian economy

I. INTRODUCTION

Multinational corporations expect a huge part of money-related development during the creation of nations. These are adventures or relationships with organizations that involve more than one country at a general level. India is home to various global associations since the change of country and market in 1991. India has a dominant number of ties from the US. There are similar general associations from various countries. MNCs have a positive impact on the Indian economy but also assume a negative capacity to influence the economy. Regardless of how MNCs provide capital, they can reduce domestic ownership and notional interest by hiding disputes through optional incorporation agreements with host country parliaments. The domestic market is growing with rising living standards. Multinational companies are trying to bring a more modern product at a higher price to the Indian consumer market. The Indian consumer is very price conscious but is still willing to pay for quality products and convenience. Effect of entry of MNCs on Indian market and Indian economic growth is a very important topic because entry of MNCs in India greatly affects Indian manufacturers as they have to survive in this competition. to the environment. To beat this competition, Indian manufacturers need to be more innovative and creative to match the products of international companies. Many countries are opening their borders and reducing trade barriers. Multinational companies take advantage of these cheap trade barriers and move into these developing countries. Although MNCs are ubiquitous in developing countries, they have always been subject to uncertainty, both positive and negative. Most international companies benefit from developing countries. They may be guilty of pollution or human rights violations. Even so, workers are paid low wages because there are few or no unions to protect their rights or negotiate with multinational corporations. Thus, the conflict reflects a theoretical dispute about the impact of MNCs on the Indian economy. Two broad positions can obviously be derived from these differences of opinion - positive and negative. Some proponents have developed arguments emphasizing the positive results of foreign direct investment (FDI) by multinational corporations. They are willing to recognize some of the benefits of FDI. On the contrary, under no circumstances do others want to accept the positive role of international capital.

OBJECTIVES OF THE STUDY:

To address the gap, the current study aims to examine the impact of MNCs on Indian Economy. To achieve the main objective, the study covers the following specific purposes:

- To identify the overall positive impact of MNCs on Indian Economy.
- To analyze the role of foreign capital in the growth of Indian economy
- To suggest measures for the policy makers in the context of MNC

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II.LITERATURE REVIEW

Most of the consumers in India belong to the lower and lower middle class of mass consumption. These are many of the big companies in India that are successfully marketing their products to the Indian masses. Over time, they have to face the challenges of multinational companies. The upper and middle classes also consume expensive goods that are necessary for their comfort and luxury. The international company targets consumers of all categories. India's consumer segment is broadly divided into urban and rural markets and attracts marketers from around the world. The sector consists of a huge middle class, a relatively large wealthy class and a small economically disadvantaged class, with spending expected to more than double by 2025. In the Global Consumer Confidence Index, India ranked highest among all countries with a score of 133. In the quarter ended September 2016.

IV. RESEARCH METHODOLOGY

The present study is based on secondary data which was available in various books, articles, journals, research papers and many other internet sources. The main aim of this study is to find MNCs contribution to the development of economy which will analyze all roles of FDI in Economic development.

Benefits of MNC's:

1) **Export-based Industrialization:**

Building export model is essentialt for developing countries if they wish to benefit nternational trade and investments. Therefore, the government should make sure that it needs to develop some kind of a framework which can help the regional areas in making and implementing policies for building export trades.

2) **Capital Formation:**

Capital is an important economic resource in developing countries. An important advantage of multinational companies is their capital investments in developing countries, bringing financial resources that would otherwise not be available through equity and access to international capital markets. A significant part of the total capital flow to developing countries comes from the investments of international companies. estimates range from 14.9 percent to 51.5 percent of total flows to developing countries. Studies show that foreign MNEs are actually more productive, pay higher wages and are more export-intensive than local firms. MNCs earn significant foreign exchange gains through their export-enhancing trade influence.

3) **Technology/R&D:**

The development of technology and the improvement of work processes varies greatly between developing countries and sometimes even between regions. For example, Bangkok or southern Thailand are more developed than some northern regions. Multinational companies make a great contribution to creating the basis of technological development. As proponents say, a major resource gap that MNCs fill is technology. 13 The desire for modern technology is perhaps the most important attractor of foreign investment for developing countries.

4) **Cleaner Environment:**

Foreign direct investment through MNCs can help boost the overall domestic environment. Multinational companies are more likely to produce a cleaner natural environment than a degraded natural environment. Multinational companies from developed countries that wish to apply one rule to all competitors may therefore prefer that developing countries have environmental standards similar to industrialized countries. In addition, multinational companies try to bring their higher pollution control and energy efficiency standards to other countries when they start operations abroad.

5) **Poverty Alleviation:**

Multinational corporations are the key to poverty reduction. Multinational companies encourage people to produce a certain product and these products improve the lives of workers. For example, the DaimlerChrysler project in Brazil. In 1991, Daimler Benz was looking for ways to use renewable natural fibers in their cars. The life of Brazilians has

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changed dramatically for the better; children could go to school, health services improved and people became more active in local politics. Liberals believe that industrialization through multinational corporations combined with free market economies has allowed many former agricultural nations to rise out of poverty.

7) Job creation:

MNCs play a role in creating new types of jobs and therefore can promote employment and improve the quality of life of workers in developing countries. Those who defend MNCs argue that MNCs create jobs around the world. Of the 73 million jobs created by multinational corporations, only 12 million are in developing countries, which is 2 or 3 percent of the world's workforce. Multinational companies provide one-fifth of all wage jobs in non-agricultural sectors and create many jobs in manufacturing, especially in technology. In addition, multinational companies have a positive effect on employee well-being. Proponents argue that creating jobs, providing new and better products, and programs aimed at improving the health, housing, and education of workers and local communities will improve living standards in developing countries. Moreover, a closer look at the empirical data reveals that foreign and outsourced firms in developing countries tend to pay higher wages than local firms.

NEGATIVE IMPACT OF MNCs:

The positive role of MNCs can be contested by those who argue that the net effect of MNE investment is negative for India. Critics of MNCs have questioned this positive view of the role of MNCs. Discussions about the negative effects of multinational corporations are presented as follows:

1) Avoid autonomous development:

"Dependency is a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another country, which puts the dependent countries in a backward position, which is exploited by the dominant countries." Dependency theorists understand the current underdevelopment of developing countries as a process within the global capitalist system. They understand global capitalism as a process that produces wealth and development in the industrialized world at the expense of creating poverty as a deliberate byproduct of the West and perpetuating underdevelopment in the developing world. According to dependency theorists, multinational corporations prevent true independent development in developing countries. For example, multinational companies prevent local companies and entrepreneurs from participating in the most dynamic economic sectors. they use local capital instead of bringing in new capital from outside; they increase income inequality in the host country; and they use inappropriate capital-intensive techniques that increase unemployment.

2) **Outflow of Capital:**

Some critics believe that FDI in developing countries causes capital flight. Capital flows from south to north through profit, debt service, royalties and fees, and manipulation of import and export prices. Such countercurrents are not in themselves unusual or inappropriate. In fact, the reason for investments is to make money for the company. Some critics, however, argue that such yields are unreasonably high.

3) **Exploit Worker**:

Critics charge that many MNCs enter developing countries to exploit their cheap labour and abundant natural resources. Companies such as Reebok, Nike, and Levi Strauss have exploited the human labour in Indonesia. Workers live in deteriorating, leaky, mosquito – infested apartments and only earn a mere $39 a month for producing thousands of products worth well over $100 each. Indonesia's economy is booming because of massive direct foreign investment while the cheap labour is suffering from inhumane living conditions and illegal wages. MNCs adversely affect their workers, provide incentives to worsen working conditions, pay lower wages than in alternative employment, or repress worker rights. Critics also argue that MNCs do not benefit developing countries labour.

4) **Environment Pollution:**

Regarding the environment, international big business is both the creator of pollution and the only resource available for its clean-up. The MNCs' record on pollution pales in comparison with those of many local businesses and state-owned enterprises: Critics allege that MNCs have – in part due to their sheer size – caused significant environmental damage in developing countries. Because MNCs have operated for a long time and in so many countries, there

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undoubtedly have been cases where these criticisms are accurate. In all parts of the world, mining operations have generated severe environmental degradation and pollution, including the discharge of toxic substances into river systems, large volume waste disposal, the inadequate disposal of hazardous wastes, and the long run impacts of poorly planned mine closure.

5) **Tax Evaders**:

The issue of tax evasion by MNCs continues to generate acrimonious debate, despite guidelines produced by the Organisation for Economic Cooperation and Development (OECD). Multinational 18 corporations protest that they pay their taxes responsibly. For example, the U.S. Chamber of Commerce in Bangkok claimed a few years ago that MNCs paid 70% of Thailand's corporate taxes, implying considerable tax evasion by the locals.

6) **Organized Crime**:

The introduction of famous brands into developing countries by MNCs has provided an irresistible lure to criminal organizations to branch out into this lucrative area of crime. In East Asia - the hotbed of counterfeiting - criminal organizations involved in gambling, prostitution, smuggling, narcotics, and human trafficking have now migrated to counterfeiting because of its highly lucrative rewards and the low-risk nature of the crime. Penalties for trafficking in narcotics are notoriously severe in Asia. Long prison sentences and capital punishment are common for narcotics violations.

7) **Health and Safety Risks:**

Another type of secondary consequences for developing countries is the health and safety risks caused by the spread of low-quality counterfeit medicines. According to some recent media reports, 10 percent of the world's medicines are fake; counterfeit infant formula, cough medicine and other drugs have caused serious illness or death. However, almost all of these harms to human health and safety occur in developing countries with weak border control systems that allow counterfeits, mostly made in China, to go unnoticed. In developed industrialized countries, such as the United States and many European countries, almost no serious health or safety accidents have occurred.

CONCEPTUAL FRAMEWORK OF THE STUDY:

The economic reforms of 1991 changed the entire economic scenario of India. Foreign advertisers saw India as an opportunity to invest their surplus money to grow themselves into a commercial giant. Investments can be of two types: foreign direct investment and portfolio. Foreign direct investment is one of the interesting discussion topics, especially foreign direct investment in the insurance sector. Undoubtedly, the share of foreign promoters has steadily increased over the last decade, but the share of foreign direct investment has been limited to 49%. Now the problem is basically that despite the increase in capital brought in by foreign partners and the continued growth in gross direct insurance premiums, the Indian insurance industry has not been able to make much progress. Fluctuations or fluctuations in profits in the life and non-life insurance industry are very visible. This calls for an analytical study of the impact of FDI on the Indian insurance sector. Basically, this study is conducted to examine the reasons that limit the growth of FDI and how the increase in the limit would affect the Indian financial life and non-life insurance industry in terms of its premiums. capital, its remuneration, profit, number of brokers, number of underwriters, number of offices, paid losses, etc. Before and during independence, the attitude of the Indian government towards foreign capital was one of panic, restlessness and anxiety. But you can't blame the government for that because it was quite natural and included when you think about the past exploitation and the role of foreigners in taking resources from this land. Suspicion and antagonism were found in the articulation of the Industrial Policy of 1948, which recognized the part and role of foreign private investment in the country, but at the same time stressed and emphasized that its regulation was necessary in the interest of the country. This perspective and approach expressed in the resolution (1948) angered foreign capitalists and as a result the importation of capital goods was blocked and crippled. As confirmed and also observed that foreign capital must help in export promotion or import substitution.

V. CONCLISION

If we look at the overall picture of MNCS, the useful role is much more limited in those limited stages of development that help in the area of necessary technology and global marketing. They only care about the needs of the middle class and wealthy classes. It creates a new culture of cola, jam, ice cream and processed foods. Another threat to the Indian

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economy is the manipulation of capital markets to achieve these goals. They increase their holdings in the Indian companies that swallow them up. They are giving attractive and profitable business to these new subsidiaries due to which many Indian shareholders are being cheated. Conclusion Excessive dependence on MNC can be harmful in terms of economic dependence and political interference. MNC capital flow may be allowed, but not at the expense of national interests. The global economy is currently an integrated economy, i.e. a world without borders, a world where all goods and factors can be transported through various regions at low costs. Some industries divide their production processes into several areas and look for the ideal environment for each specific production stage. The scope and scale of human activity is growing rapidly. Concepts like closed economy and protectionist policies were gradually replaced by a market-based global enterprise economy. Thus, the most significant development in the international economic scenario in the last two decades has been the massive growth of the power and influence of the global giant corporation. It can be said that the role of global companies is crucial and their existence is necessary. However, their operation requires appropriate regulation to protect national interests and preserve the nature of the national economy as a separate family from the global economy. However, in the current international environment, it was considered difficult to follow a closed policy, but also an open policy. We must be selective in allowing foreign investment and encourage domestic industry. 45 The finality of this article is not much limited to the conclusion, but from an Indian perspective, MNC is quite different compared to the rest of the world. India's foreign trade is strong and has undergone drastic changes. India and the policy of openness and existential liberalism have a lot to do with the growth of our economy in various dimensions. Therefore, based on the statistics to date, it is necessary to improve the control mechanism related to international companies, which increases the productive activity of the economy. The contribution of an international company to employment, technological know-how, cultural changes, optimal use of existing resources, etc. creates an opportunity to develop the competitive advantage of countries. Multinational companies are like a double-edged sword. The sword can be damaged if handled improperly. International companies also have their advantages and disadvantages. For many companies, the scope of technology and the management of information delivery are strongly dependent on the company's strategy. For example, firms that want long-term relationships with suppliers (rather than using the host country as a marketing/export base) are more likely to use transfer technology. As noted in the World Investment Report of 2000, MNCs can limit subsidiaries and availability of technology to minimize competition between subsidiaries. It should be noted that MNCs are more likely to license older technologies for which they have already received significant rents than newer technologies for which the market leader still exists.

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