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EFFECT ON MNCs OF GLOBALISATION

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ABSTRACT

An integrated world economy that would function ideally could only exist if individual public economies worked like well-oiled cogwheels. For that, there needs to exist a deeper and broader level of profitable integration. The broadening is observed when the likes of developing countries from Latin America or one of the socialist countries in Central and Eastern Europe are added to the global economic system. This research sample shall concentrate on the aspect of aforementioned deepening, where developed countries are actively involved. It is through various channels like overseas trade, foreign direct investment, and international technology flows that globalisation has been integrated into individual economies as stated above. The following research aims to investigate the top part of MNCs' role in magnifying the colourful networks of economic globalisation. It is a matter of fact that MNCs are able to exercise a great deal of control on making opportunities out of mere chances, capitalizing on the market to create what is known as a 'global village.' As businesses, culture, ethics and the society overall continue to be affected by globalisation, the debate arises whether MNCs are fuelling the fire in a positive or negative way. This paper adopts the inverted triangle structure, first analysing MNCs as the driving force and oil to the engine that world economy is, and then proceeds to study the Indian economy as an affected tool. A thorough study of data and statistics precedes and runs imparallel to existing concepts of an ideally impacted system. The conclusion finds its foundation in this overall study.

I. INTRODUCTION

Globalization is the term used to describe the connectivity and expansion of technology, production, and communication across countries and continents. According to research, the global environment in which multinational corporations operate has altered considerably during the last few decades. International commerce, according to historical trends and growth rates, has faced rising problems as a result of economic uncertainty and escalating trade tensions. According to the World Trade Organization (WTO), trade volume will increase by 7.2 percent in 2021. (i.e., as a result of acquisitions, mergers, joint ventures, and strategic alliances). As a result of globalization, several multinational firms (such as Amazon and Alphabet) have increased their efficiency and productivity to the point that they now outperform smaller countries in terms of power and control. Technology-based firms have amassed tremendous revenues, influence, and communication control, most notably during the COVID-19 outbreak. For competitors, the objective is to increase pricing and cost-effectiveness while maintaining industry leadership.

To protect their country's quality and reputation on local and international markets, governments worldwide regularly patent information on the firms that operate within their borders. Conglomerates frequently fear the disclosure of unfair business practices and valuable trade secrets by competitors. Economic globalization has been credited with improving interactions between developers from around the world. Multinational firms are urged to maintain and improve their competitive efficiency, effectiveness, predictability, and market share in order to maximize market growth. Additionally, top-tier multinational corporations confront additional barriers as a result of market competitiveness, including environmental concerns and social backlash. The phenomenon of globalisation is not new. Concerns about job losses and operational process dehumanisation in social institutions have been raised in opposition to it. In spite of this, it has generated important issues that influence how multinational corporations operate around the world, such as widening economic disparities, dependence on foreign countries for their products, weakened environmental integrity, increased likelihood of a trade war between major economic players on the global market, and possible currency rate fluctuations.

Because of the growing interdependence of the world's economies, businesses, governments, citizens, and scholars alike are looking for more information and understanding about the globalization's effects. This information is becoming increasingly important, so sharing it will help with enterprise transparency, the application of appropriate strategies and tactics to accelerate business growth and improve market competitiveness, as well as the expansion of stakeholder awareness outside of the sector. Aiming to answer how globalisation affects multinational corporations was the goal of this study. The study looked at the impact of globalisation on multinationals' operations, looking at both the negative and positive aspects.

II. GLOBALIZATION AND MNCs: THE LINK

The phrase “global village” is gaining increasing currency among multinational organizations. These global enterprises' expansion and development have impacted every part of the planet. On the other side, those who oppose market connectedness assert that it will result in the demise of Neocolonial and Regressionist economics, which place a premium on caution and anxiety. Since the WTO's 1999 conference in Seattle, the major concern has been economic globalization. Due to the fact that demonstrators representing a diverse variety of interest groups clogged the streets, it was impossible to gain a clear image of what was happening. This wave of anti-globalization protests is frequently regarded to be the movement's inception. People opposed WTO policies ranging from free trade to globalization-related human rights issues. On the other hand, many proponents of globalization argue that this is because globalization has not advanced quickly enough. Alternatively, some have suggested that globalization just reveals problems rather than resolving them. International business has adopted the term “globalization” as a maxim in recognition of globalization's objectives, which have resulted in the gradual destruction of national borders, customs, and trade barriers. One may argue that globalization affects all facets of global life, including economics, culture, business, and ethics. This is true for multinational enterprises as well as non-profit organizations.

Multinational firms can now leverage research that has addressed the challenges and provided solutions associated with rising globalization in order to capitalize on new market opportunities. Rugman and Li compiled a massive body of literature in order to better understand globalization and the interconnections between production, marketing, and consumption, which they identified as some of the major state-of-the-art topics that have largely remained the subject of academic discussion. According to the authors, multinational firms must improve their operational effectiveness and become more socially responsible players. The extent to which a firm engages in international business or multinationalism is determined by its global scope. Many people now believe that globalization is detrimental to local economies as a result of findings. Confederates assert that growing product and market diversification increases costs and makes regulation of conglomerates more difficult, resulting in inferior results downstream. For example, Liou and Rao-Nicholson note that there exist development gaps between a host country's strategy, identity, and practices and its performance. In other words, this is because the interests of local stakeholders and the parent multinational are in direct conflict.

III. IMPACT OF GLOBALIZATION ON MNCs: AN INDIAN PERSPECTIVE

Globalization developed multinational corporations (MNCs) into economic behemoths with the potential to rival several governments. To capitalize on these enterprises' economic domination and divert their income to their home countries, a number of third-world countries have enacted a variety of laws. Countries with a lack of capital and technology and underdeveloped economies use these regulations to entice foreign investment into their countries: they deactivate protective labour laws for private capital, prohibit unions and collective labourstruggle struggles, protect private investors through a variety of privileges, tax exemptions, and tax reductions, and exempt industrial zones from environmental protection costs.

Due to decreased manufacturing costs and increasing capital in third world countries as a result of cheap labour, many multinational corporations (MNCs) prefer to shift a significant percentage of their assets to these regions. Multinational firms evaluate a country's financial structure and risk profile before deciding whether or not to invest. There are various benefits to investing in a foreign country, but the primary one is that it is more profitable for these businesses. However, before making an investment decision, the country's political and financial risks are examined as well. Apart from that, certain multinational corporations (MNCs) whose operations once included mining and plantations but are now dominated by manufacturing have recently invested in finance, tourism, and other service sector sectors. MNCs have a worldwide perspective and tight contacts throughout the world as a result of their rapid expansion, decision-making, and administration methods.

MNCs control a sizable portion of the global market. According to a February 2013 UNCTAD report, MNC-created supply chains account for 80% of the $20 trillion in annual international trade expenses. According to the same report, approximately half of all foreign investments are made through these companies. Between 1990 and 2013, FDI into India rose tenfold. Multinational firms, which account for a sizable share of international trade and direct foreign investment, have evolved over time into magnets for other countries, providing their home country with a competitive edge when it comes to attracting foreign capital.

South Asia, commonly acknowledged as one of the world's poorest areas, opened its economy to the rest of the globe and multinational firms in the 1990s (MNCs). Globalization has been expedited by the direct investment of multinational corporations (MNCs) in South Asian countries. However, when looking back, multinational corporations (MNCs) have come under fire for their role as exploitation instruments in Third World countries and former Soviet Union governments. With the exception of the industrialized northern states, multinational companies (MNCs) ties with host countries have rarely been amicable. In the 1950s and 1960s, newly independent Afro-Asian and Latin American republics adopted national entrepreneurship, worsening the situation. Notably, near the end of the 1980s, the major political, technological, regulatory, and financial authorities significantly transformed global competitive environments in favour of multinational corporations (MNCs). In the ensuing decades, the British Raj used this colonial realm to expand its own territory and bolster its financial position. South Asian countries initially pursued “inward-looking defensive economic strategies” following decolonization in the 1940s in order to protect their independence. They kept prices high and barred foreign investment to prevent opening their economies to the rest of the world. Multinational corporations (MNCs) played a negligible role in any country throughout this period. India trailed behind other South Asian countries in terms of growth and development till the 1990s. As a result, the government adopted an outward-looking strategy and opened its doors to international investment. These countries were able to attract international investment due to their low-cost raw materials and labour, but the investments were limited to natural resources such as mining and agricultural trade centred only on exports.

India's first foray into the global market came with the acquisition of Jaguar and Land Rover from Ford through a multinational enterprise. However, it has been referred to solely as the India Company since the 1990s. The most well-known of these Indian-based businesses is Kilsta Corporation, which was founded in 2005 in Switzerland by Bharat Forge. MNCs and international investors began operating at a frenzied speed in India during the end of the 1990s, while other projects began earlier. For instance, in the 1940s, the entire administrative staffs of Unilever were employed by the India-based Hindustan Lever. By the 1950s, that figure had dropped to fifty. Additionally, this organization, which was formerly one of the largest in India, has only six administrators out of a total of 360. Hindustan Lever acquired 10% of Unilever's shares in 1956, aided by government incentives in India, and appointed a Hindu director to the company's board of directors in 1961.

The number of Indian-owned firms on the Boston Consulting Group's Global Challenger list has decreased from twenty in 2008 to just seven presently. Indian businesses are mostly engaged in the service sector. It is true that the world's most profitable corporations are oil companies, two out of every five pharmaceutical companies, one of the largest food processing companies, and two information technology companies (information and communication technology). One method to explain this is to examine the organizational structure of global corporations with Indian origins. Due to the fact that these firms are not considered portfolio investments but rather reel sector investments, they contribute to national economic growth and development. This company's structure reveals that they are market leaders in main industries like service, oil, and pharmaceuticals. They are also the largest. As an example, consider Tata in automobiles or Dr. Reddy's in pharmaceuticals, both of which have historically relied heavily on research and development (R&D). As a result, a crucial question is “are Indian multinationals representing a new breed of multinational that draw their competitive edge from service rather than technological innovations?”

IV. CONCLUSION

Countries triggered globalization by pursuing their greatest potential in ways that were previously unattainable. Multinational firms are one of the most powerful economic forces on the planet. We're examining the impact of multinational corporations on economies, particularly emerging countries, using India as a case study. Accepting multinational corporations within their borders has been a critical component of recent growth and development for countries such as India. By expanding the amount of capital in developing countries' markets, FDI gives them a competitive edge. These inflows can be achieved by enabling multinational firms to establish operations within countries, as India has done successfully for many years. In economic terms, the data corroborate the idea. FDIs and the use of high-tech to contribute to the Indian economy were determined to be beneficial to the expansion of the Indian economy by multinational enterprises in India by increasing their market, attracting and bringing in new customers, and maximizing corporate profit.

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