

6th Sem BBA International Business

Unit 4 Multi National companies

Meaning- A multinational corporation (MNC) is a corporate organization that owns or controls production of goods or services in at least one country other than its home country. A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. A multinational company generally has offices and/or factories in different countries and a centralized head office where they coordinate global management. These companies, also known as international, stateless, or transnational corporate organizations

Definition- A multinational company has been defined as a business that operates in many different countries at the same time. In other words, it's a company that has business activities in more than one country.

Role of MNC's- Multinational companies play a vital role in the economy of a country in modern world since many years.

These companies promote the growth of trade due to the bulk investment of foreign capital in a country.

The direct foreign investment in the industrial sector reduces the amount of commercial debt of a country.

The knowledge of the latest technologies are transferred with the research wings of these multinational companies, benefiting the small local industries.

Advantages and disadvantages of MNC'S- Advantages of MNC's:

- a. They can increase the inflow of foreign capital.
- b. Increase employment opportunities.
- c. Local companies supplying raw material to MNC's have also prospered.
- d. They bring in latest and new technology.
- e. MNCs play an important role by setting up production jointly with some of the local companies.
Example : MNCs can provide money for additional investments like buying new machines for faster production.

Disadvantages:

- a. Growth of MNC's, increased inflow of foreign goods have posed fierce competition to local industries.
- b. Many small manufacturers, small scale industries had to shut down because of their inability to cope

with foreign brands leading to unemployment.

c. They hire workers on contract basis which becomes a disadvantage to the interests of workers.

d. It has created a new class of people who can afford such expensive brands.

e. Government in an attempt to create SEZ's has acquired the land of poor farmers without reasonably compensating them.