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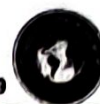


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## MULTINATIONAL COMPANY AND ITS WORLDWIDE SPREAD OF BUSINESS

Dr. Yogesh M. Kulkarni

Head and Assistant Professor, Department of Business Economics,  
Sonopant Dandekar Arts, V.S. Apte Commerce and M.H. Mehta Science College, Palghar

(10)

### Abstract:

The present paper shows that the in our day-to-day life we use different goods of Indian as well as foreign origin. The foreign goods are either imported to our country or these goods are produced in our country by the foreign companies. You must be thinking why foreign companies are coming to our country. Actually they came to India to produce goods and services and/or to sell their products. Similarly, Indian Companies are also extending their business operations across the boundaries of our country. This is called globalization, which means extension of economic activities across the boundaries of a country in search of world wide market.

**Keywords:** Multinational Company (MNC), Worldwide, Better Quality Products, Advanced Technology, Healthy Competition, Generation of Employment, Change in Culture etc.

### Introduction:

The present paper shows that the in our day-to-day life we use different goods of Indian as well as foreign origin. The foreign goods are either imported to our country or these goods are produced in our country by the foreign companies. You must be thinking why foreign companies are coming to our country. Actually they came to India to produce goods and services and/or to sell their products. Similarly, Indian Companies are also extending their business operations across the boundaries of our country. This is called globalization, which means extension of economic activities across the boundaries of a country in search of world wide market.

Simply speaking, a multinational corporation (also termed as multinational companies) is one which is registered as a company in one country but carries on business in number of other countries by setting up factories, branches or subsidiary units. Such accompany may produce goods or arrange services in one or more countries and sell these in the same or other countries. You might have heard about many Multinational Corporations (MNCs) running business in India, Hyundai Motor Company, Coca Cola Company, Sony Corporation, McDonald's Corporation, Citi Bank, etc. All these corporations generally have production, marketing and other facilities in several countries. Their volume of sales, profits earned, and also the value of assets held by them is generally very large. They have set up their branches and subsidiary unit's in our country and also in other countries. They are controlled from the headquarters of these companies in the home country, which lay down broad policies to be pursued

The present paper makes an attempt to probe the Multinational Company and its worldwide spread of business. This can be focused with the help of the following headings:



### Objective of the Study:

The present paper highlights the origin of the Multinational Company and its worldwide spread of business.

### Methodology:

The data for the present study has been collected from existing secondary literature, such as books, journals, published and unpublished annual reports, Govt. Manuals/Orders, websites etc.

### Multinational Company and Its Worldwide Spread of Business:

The main Points of the Multinational Company are as under:

#### 1. Centralized Management:

A multinational company has its headquarter in the home country. It expands its business in other countries by opening branches and subsidiary companies in other countries. The management of the business being carried out in other countries is in the hands of the head office. All the branches and subsidiaries have to work according to the policies laid down by the head office.

#### 2. Worldwide Spread of Business :

The business of the multinational company is spread in many countries. This company fully exploits the local conditions prevailing in the host countries. This includes the availability of cheap labour and the use of raw material.

#### 3. Better Quality Products :

A multinational company has to compete on the world level; it has, therefore, to pay special attention to the quality of its products.

#### 4. Large Size :

A multinational company has huge assets. The value of the assets of IBM is approximately 8 billion dollars. Similarly, another company ITT has 800 branches in 70 countries.

#### 5. Access to International Market :

A multinational company easily establishes its identity in the international market because of its many products, good quality, research on a large scale, good marketing facilities, etc.

#### 6. Special Attention to Advertisement :

A multinational company pays special attention to advertisement. That is the secret of its success.

### Pros of Multinational Corporation:

The Multinational Corporations enjoy several advantages by way of huge earnings due to large-scale production and distribution activities across national borders. Besides, the host countries in which the Multinational Corporations operate also derive a number of advantages. These are:

#### (a) Investment of Foreign Capital :

Direct investment of capital by Multinational Corporation helps under-developed countries to speed up their economic development.

#### (b) Generation of Employment :

Expansion of industrial and trading activities by Multinational Corporation leads to creation of employment opportunities and raising the standard of living in host countries.



**(c) Use of Advanced Technology:**

With substantial resources Multinational Corporation undertake Research and Development activities which contribute to improved methods and processes of production and thus, increase the quality of products. Gradually, other countries also acquire these technologies.

**(d) Growth of Ancillary Units:**

Suppliers of materials and services and ancillary industries often grow in host countries as a result of the operation of Multinational Corporation.

**(e) Increase in Exports and Inflow of Foreign Exchange:**

Goods produced in the host countries are sometimes exported by Multinational Corporation. Foreign exchange thus earned contributes to the foreign exchange reserves of host countries.

**(f) Healthy Competition:**

Efficient production of quality goods by multinational corporations prompt the domestic producers to improve their performance in order to survive in the market.

**Cons of Multinational Corporation:**

The advantages discussed above are no doubt beneficial to host countries. But there are several limitations of Multinational Corporation, which we should take note of:

**(a) Least Concern for Priorities of Host Countries:**

Multinational corporations generally invest capital in the most profitable industries and do not take into account the priorities of developing basic industries and services in backward regions of the host country.

**(b) Adverse Effect on Domestic Enterprises :**

Due to large-scale operation and technological skills, multinational corporations are often able to dominate the markets in host countries and tend to acquire monopoly power. Thus, many local enterprises are compelled to close down.

**(c) Change in Culture :**

Consumer goods, which are introduced by multinational corporations in the host countries, do not generally conform to the local cultural norms. Thus, consumption habits of people as regards food and dress tend to change away from their own cultural heritage.

**Conclusion:**

It is observed that the business of the multinational company is spread in many countries. This company fully exploits the local conditions prevailing in the host countries. This includes the availability of cheap labour and the use of raw material. Consumer goods, which are introduced by multinational corporations in the host countries, do not generally conform to the local cultural norms. Thus, consumption habits of people as regards food and dress tend to change away from their own cultural heritage. Goods produced in the host countries are sometimes exported by Multinational Corporation. Foreign exchange thus earned contributes to the foreign exchange reserves of host countries. Efficient production of quality goods by multinational corporations prompt the domestic producers to improve their performance in order to survive in the market.

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