Multinational Corporation

Definition :—

According to an ILO " The essential nature of the multinational enterprises lies in the fact that its managerial headquarters are located in one country while the enterprise carries out operation in a number of other countries as well. A corporation that controls production facilities in more than one country. Such facilities have been acquired through the process of foreign direct investment. Firms that participate in international business however large they may be solely by exporting or by licensing technology are not multinational enterprises.

Benefits of multinational corporations.

→ create wealth and Job around the world.

→ There size and Scale of operation enable them to benefit from economies of Scale enabling lower average cost and Prices for consumers.

→ Large Profit can be used for Research and development.

→ Ensure minimum standard.

merits of MNCs

(1) MNCs help increase the investment level and thereby the income and employment in host country.

(2) The MNCs enable the host countries to increase their exports and decrease their import requirements.

(3) MNCs work to equalise the cost of factors of Production around the world.

(4) MNCs Provide an efficient means of integrating national economies.

(5) MNCs help increase competition and break domestic monopolies.

(6) The enormous resources of the multinational enterprises enable

them to have very efficient research and development system. This they make a commendable contribution to inventions and innovations.

(7) MNCs also stimulate domestic enterprise because to support their own operations, the MNCs may encourage and assist domestic suppliers.

(8) ~~The~~ MNCs are enable to transfer technology, especially to the developing countries.

(9) MNCs enable to ~~mag~~ help in managerial revolution in the host countries through Professional management and highly sophisticated Management techniques.

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Demerits of MNCs :—

(1) MNCs technology is designed for would wide profit maximisation not the development need of poor countries.

(2) MNCs can undermine national economic autonomy and control and their activities may be inimical to the national interest of the particular countries.

(3) MNCs may destroy competition and acquire monopaly power.

(4) The transfer pricing enable MNCs to avoid taxes by manipulating prices on intracompany transactions.

(5) MNCs retard growth of employment in the home country.

(6) The transnational corporation cause fast depletion of some of the non-renewable natural resources in the host country. They have also been accused of the environmental problems.

(7) The MNCs have been criticized for their business strategies and practices in the host countries. They undermine local culture and traditions changes the consumption habbits etc.