



# Magadh Mahila College

Patna University, Patna

CC – 05

Indian Economy- Issues and policy – 01

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## **ROLE OF MNCs IN INDIA**



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# MNC

- *An enterprise operating in several (host) countries but managed from one (home) country.*



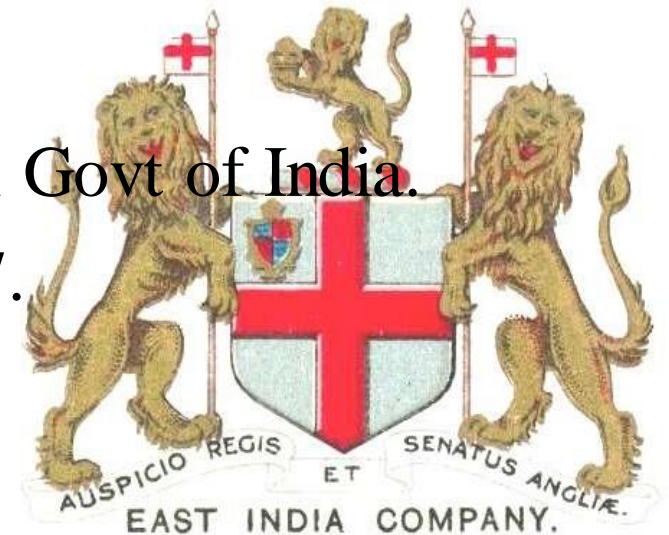
# HISTORY OF MNC

- First MNC in world - East India company
- First MNC in India – IBM
- Indian MNC - Infosys

## HISTORY OF MNC conti..

# EAST INDIA COMPANY(English east India co)

- ❑ Established by Royal charter on 31 dec 1600.
- ❑ Established as GVT CO, of Merchants of London trading into east indies ).
- ❑ Formed for the exploitation of east and south east Asia and India.
- ❑ Company settled down to trade cotton and silk from south India.
- ❑ They extended trade activities into Persian Gulf, south east Asia, eastAsia.
- ❑ It's commercial monopoly was broken in 1813.
- ❑ From 1834 it was merely managing agency for British Govt of India.
- ❑ It was abolished after the after the Indian mutiny 1857.
- ❑ It is ceased to EXIT as a legal entity in 1873.



## HISTORY OF MNC conti..

### IBM (Industrial Business Machine )

- It is a multinational computer technology and IT consulting corporation.
- It is the largest & most profitable IT Employers in the world.
- Established in the year 1880s.
- It have a nick name as “ BIG BLUE”
- It is Head quatwd in New York (US)
- Ginni Rometty is the President, chairman and CEO of IBM
- It has 4,33,363 employees in the year 2012.
- IBM hold more patents than any other US based IT company .
- Today's share value of IBM in NYSE is US \$ **162.860.52** (^ **0.32%**)



# Infosys

- Infosys is a NYSE listed global consulting and IT services company with more than 1,65,000 employees.
- Established in 1981 by 7 engineers.
- 1<sup>st</sup> headquartered in Pune and in 1983 The company headquarter relocated in to Bangalore.
- became the first IT company from India to be listed on NASDAQ
- From a capital of US\$ 250, grown to become a US\$ 8.64 billion.
- Today's market price of Infosys in NSE is **2,228.75** (^ 0.62%)



# FEATURES OF MNC

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- Big size
- Huge intellectual capital
- Operates in many countries
- Large number of customer
- Large number of competitors
- Structured way of decision making



## MNCs vs. The Country's GDP Size



Wal-Mart Stores  
Revenues \$287,989 mn.



Royal Dutch/Shell Group  
Revenues \$268,690 mn.



General Motors  
Revenues \$193,517 mn.

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Norway  
GDP \$250,805 mn.



South Africa  
GDP \$213,100 mn.



Nigeria  
GDP \$71,318 mn.

- Wal-Mart is bigger than Norway, Royal Dutch/Shell Group is bigger than South Africa and General Motors is over twice as big as Nigeria.
- The largest 100 economic actors in the World today are 51 are corporations and 49 are countries.

# WHY MNC's IN INDIA..??

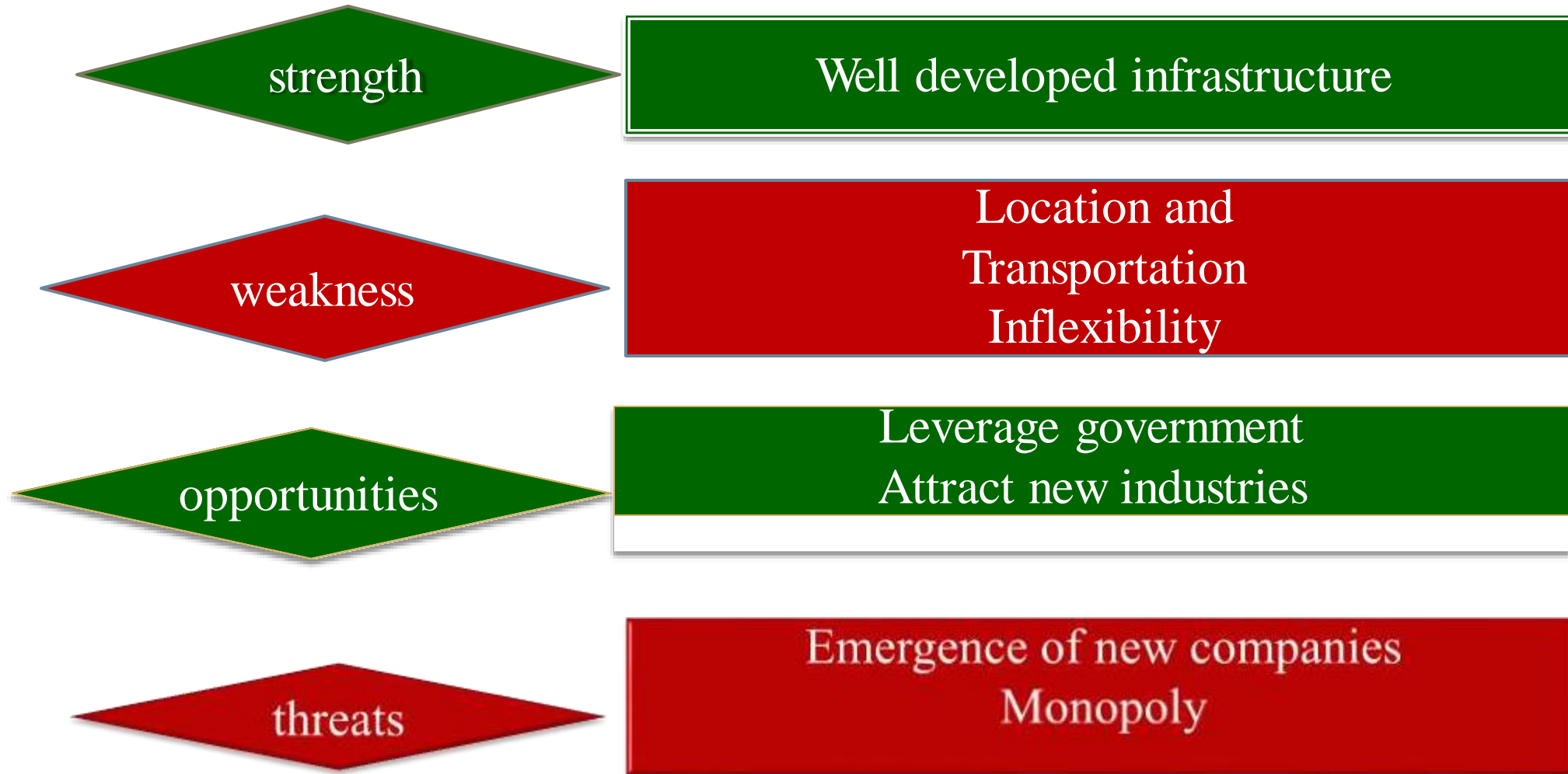
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- Huge market potential of the country
- FDI attractiveness
- Labor competitiveness
- Macro-economic stability
- One billion plus population

# IMPACT ON INDIA

- Large amount of tax collections through MNC's
- Increased revenue
- Economic health improved
- Employment increased
- Foreign relation increased

# SWOT ANALYSIS



# MERITS AND DEMERITS

## MERITS

- It increase host company export than import
- Integrating national economy
- Implementing new innovations
- Initiating a higher level of investment.
- Reducing the technological gap
- The natural resources are utilized in true sense.
- The foreign exchange gap is reduced
- Boosts up the basic economic structure.

# MERITS AND DEMERITS CONT...

## DEMIRITS

*Roses does not come without thrones.*

- Competition to SMSI
- Pollution and Environmental hazards
- Some MNCs come only for tax benefits only
- Exploitation of natural resources
- Diffusion of profits and Forex Imbalance
- Working environment and conditions
- Slows down decision

# MERITS AND DEMERITS CONT

- Making Economical distress
- May acquire monopoly power
- Think about profit rather than the host country interest
- Inflexibility in terms and conditions
- Underestimate local culture

# ROLES OF MNC IN INDIA

- Profit maximization.
- International network of marketing.
- Diversification policy.
- Concentration in consumer goods.
- MNC's & Process of planned economic development in india.
- Cultural explosion .



# Top MNCs in India

- ❑ **IBM -International Business Machines (U.S)**
- ❑ **Microsoft (U. S)**
- ❑ **Nokia Corporation ( Finland )**
- ❑ **PepsiCo ( U.S )**
- ❑ **Ranbaxy Laboratories Limited ( India)**
- ❑ **Reebok International Limited ( U. S. A.)**
- ❑ **Sony (Japan)**
- ❑ **Tata Consultancy Services (India)**
- ❑ **Vodafone (UK)**
- ❑ **Tata Motors Limited ( India)**

# CONCLUSION

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- Global marketing is enhanced year by year
- Competition increased and more employment opportunity are available in India as well as in the world
- Gives advantages to domestic companies by purchasing of raw materials
- Influenced on customer behavior and culture.

# Hot news

- **Leading MNC brands get tax relief from HC (March 17, 2015)**
- **Indian markets in bull run since 2009; auto, pharma companies to surprise in Q4: SMC Investments (ECONOMICTIMES.COM 8 Apr, 2015 )**
- **Samsung India expects growth to pick in FY2016, aims to be No 1 MNC (Mar 16, 2015)**
- **Gionee Aims TO be A Billion Dollar company by FY 16 (April 4, 2015)**



**THANK YOU!**