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1. MNCs:

multinational corporation (MNC), also called transnational corporation, **any corporation that is registered and operates in more than one country at a time**. Generally the corporation has its headquarters in one country and operates wholly or partially owned subsidiaries in other countries.

A multinational corporation (MNC) or transnational corporation (TNC), also called multinational enterprise (MNE), is a corporation or an enterprise that manages production or delivers services in more than one country. It can also be referred as an international corporation

Advantages of Being a Multinational Corporation

There are many benefits of being a multinational corporation including:

1. Efficiency

In terms of efficiency, multinational companies are able to reach their target markets more easily because they manufacture in the countries where the target markets are. Also, they can easily access raw materials and cheaper labor costs.

2. Development

In terms of development, multinational corporations pay better than domestic companies, making them more attractive to the local labor force. They are usually favored by the local government because of the substantial amount of local taxes they pay, which helps boost the country’s economy.

3. Employment

In terms of employment, multinational corporations hire local workers who know the culture of their place and are thus able to give helpful insider feedback on what the locals want.

4. Innovation

As multinational corporations employ both locals and foreign workers, they are able to come up with products that are more creative and innovative.

Disadvantage of Being a Multinational Corporation

Threat to Domestic Industries

MNCs threaten local industries, which are still developing, because of their immense economic strength. Domestic industries are unable to compete with MNCs. MNC threat has forced the closure of several local enterprises. MNCs thereby hamper the economic development of host nations.

Natural Resource Loss

MNCs rely on the natural resources of their home countries to generate enormous profits, yet this causes the resources to be depleted, which harms the economy by reducing the availability of natural resources.

No Advantage for the Poor

MNCs only produce things that rich people use because poor people cannot afford them. Therefore, host countries' poor people do not get any benefit from MNCs generally.

Inadequate technology

Multinational corporations' technology transfer may be improper for host countries. It might be out of date. It may be overly advanced. They may also fail to teach locals on new technology skills. This also increases unemployment.

All international corporations share this as their most prevalent drawback. Economically, multinational corporations are pretty potent. They overlook the needs of the country. They interface with the internal issues of host nations. They exert pressure on decision-makers to further their objectives. Host nations face the risk of losing their independence and sovereignty.

Misapplication of Mighty Status

MNCs are significant economic players. In anticipation of making enormous profits once they have eliminated local competition and attained monopoly, they may afford to suffer losses for a considerable amount of time. There might be an unethical marketing tactic multinational corporations use to eliminate local rivals in the host nation.

Promotion of Foreign Culture Selfishly

Multinational corporations promote their native country's societal values. It can be observed in food, clothing, and lifestyle. For instance, MNCs have cultivated a demand for artificial food, soft drinks, etc. The MNCs' propagation of foreign cultures is harmful to people's health.

Local cultural evil merge.

MNCs widen the gap between affluent and poor people. They have no social duty to the host country.

Pollution of the environment

MNCs typically contribute to pollution and use non-renewable resources to generate more money, putting the environment in danger.

The Conclusion

While global firms provide several advantages, we cannot deny that they may also be the source of significant economic problems. To grow your business internationally, you must understand the benefits and drawbacks of managing a multinational firm.

2. **ROLE OF MNCs IN DEVELOPING COUNTRIES**:

In the present world of globalization **Mnc's play an important role in development of economy**. MNC' contribute through Foreign direct investment in India. FDI directly impacts to GDP, GNP, Foreign trade and Foreign Reserves. Being MNC a company gets many benefits.

MNCs have contributed significantly to the development of world economy at large. They have also served as an engine of growth in many host countries. Their importance in a developing country may be traced as follows:

1. MNCs help a developing host country by increasing investment, income and employment in its economy.

2. They contribute to the rapid process of development of the country through transfer of technology, finance management.

3. MNCs promote professionalization management in the companies of the host countries.

4. MNCs help in promoting exports of the host country.

5. MNCs by producing certain required goods in the host country help in reducing its dependence on imports.

6. MNCs due to their wide network of productive activity equalize the cost of production in the global market.

7. Entry of MNCs in the host country makes its market more competitive and break the domestic monopolies.

8. MNCs accelerate the growth process in the host country through rapid industrialization and allied activities.

9. The growth of MNCs creates a positive impact on the business environment in the host country.

10. MNCs are regarded as agents of modernization and rapid growth.

11. MNCs are the vehicles for peace in the world. They help in developing cordial political relations among the countries of the world.

12. MNCs bring ideas and help in exchange of cultural values.

13. MNCs through their positive attitude and efforts work for the establishment of social welfare institutions and improvement of health facilities in the host countries.

14. Growth of MNCs help in improving the balance of payment status of the host country.

3. STRATAGIES OF GLOBALIZATION IN INDIA:

- **Exporting.**
- **Licensing and Franchising.**
- **Contract Manufacturing.**
- **Management Contracting.**
- **Turnkey Contracts.**
- **Wholly Owned Manufacturing Facilities Companies.**
- **Assembly Operations.**
- **Joint Ventures.**
- **Third Country Location.**
- **Mergers and Acquisition.**
- **Strategic Alliance**
- **Counter Trade.**

Exporting.

Exporting is the most traditional strategy of entering the foreign market. Exporting is the appropriate strategy in following conditions:

- The volume of foreign business is not large enough to justify production in the foreign market.
- Cost of production in the foreign market is high.
- Foreign market is characterized by production bottlenecks like infrastructural problems, problems of raw materials.
- There are political or other risks of investment in the foreign country.
- The company has no permanent interest in the foreign market or there is no guarantee of the market available for a long period.
- Foreign investment is not favored by the foreign country.
- Licensing or contract manufacturing is not a better alternative.

Licensing and Franchising.
Under international licensing, a firm in one country (licensor) permits a firm in another country (licensee) to use its intellectual property (such as patents, trade marks, copy rights etc.). Licensee pays royalty or fees to the licensor. Franchising is a form of licensing in which a parent company (the franchiser) grants another independent entity (the franchisee) the right to do business in a prescribed manner.

International licensing/ franchising have grown substantially. It requires neither capital investment, nor knowledge and marketing strength in the foreign markets. One of the important risks of licensing is that the licensor would be developing a potential competitor the licensee would become a competitor after the expiry of the licensing agreement.

Contract Manufacturing.
Under contract manufacturing, a company doing international marketing contracts with firms in foreign countries to manufacture or assemble the products while retaining the responsibility of marketing the product. Contract manufacturing has a number of advantages the company does not need resources for setting up production facilities. It is less risky way to start with. If the business does not pick up sufficiently, it may be dropped easily. However, contract manufacturing has the risk of developing potential competitors.

Management Contracting.
In a management contract the supplier brings together a package of skills that will provide an integrated. service to the client without incurring the risk and benefits of ownership. According

to Philip Kotler, “Management contracting is a low-risk method of getting into a foreign market and it starts.yielding income right from the beginning.

Turnkey Contracts.

Turnkey contracts are common in international business in the supply, erection and commissioning of plants, as in the case of oil refineries steel mills, cement and fertilizer plants etc. construction projects and franchising agreements.

Wholly Owned Manufacturing Facilities Companies.

Companies with long-term and substantial interest in the foreign market normally establish fully owned manufacturing facilities there. As Drucker points out, It is simply not possible to maintain substantial market standing Man important area unless one has a physical presence as a producer. A number of factors like trade barriers, differences in the production and other costs, government policies etc., encourage the establishment of production facilities in the foreign markets.

Assembly Operations.

A manufacturer who wants many of the advantages that are associated with overseas manufacturing facilities and yet does not want to go that far may find it desirable to establish. Overseas assembly facilities in selected markets. In a sense, the establishment of an assembly operation represents a cross between exporting and overseas manufacturing.

Joint Ventures,

Joint venture is a very common strategy of entering the foreign market. Under joint venture, ownership and management are shared between a foreign firm and a local firm. In countries, where fully foreign owned firms are not allowed or favored, joint venture. is the alternative. Joint venture permits a firm with limited resources to enter more foreign markets.

Further, the local partner would be in a better position to deal with the government and public. A right local partner for a joint venture can have a major impact on a firm’s competitiveness, because such a partner can serve as a cultural, bridge between the manufacturer and the market.

Third Country Location.

Third country location is sometimes used as an entry Strategy, when there are no commercial transactions between two nations because of political reasons on when direct transactions between: two nations are difficult due to political reasons or the like, a firm is one of these nations which wants to enter the other market will have to operate from a third country base. For example, Taiwanese entrepreneurs found it easy to enter People’s Republic of China through bases in Hong Kong.

Third country location may also be helpful to take advantage to the friendly trade relations between the third country and the foreign market concerned. Thus, for example, Rank, Xerox found it convenient to enter the erstwhile USSR through its Indian joint venture Modi Xerox.

Mergers and Acquisition.

Mergers and acquisitions have been a very important market entry strategy as well as expansion strategy. A number of Indian companies have also used this entry strategy. Mergers and acquisitions have certain specific advantages.

Strategic Alliance.

Strategic alliance has been becoming more and more popular in international business. Also known by such names as entente and coalition, this strategy seeks to enhance the long-term competitive advantage of the firm by forming alliance with its competitors, existing or potential in critical areas, instead of competing with each other, The goals are to leverage critical capabilities, increase the flow of innovation and increase flexibility in responding to market and technological changes.

Counter Trade.

Counter trade is a form of international trade in which certain export and import transactions are directly linked with each other and in which import of goods and paid for by export of goods, instead of money payments. In the modern economies, most transactions involve monetary payments and receipts, either immediate or deferred.

4. WORLD BANK:

History:

World Bank, in full World Bank Group, international organization affiliated with the United Nations (UN) and designed to finance projects that enhance the economic development of member states. Headquartered in Washington, D.C., the bank is the largest source of financial assistance to developing countries. It also provides technical assistance and policy advice and supervises—on behalf of international creditors—the implementation of free-market reforms. Together with the International Monetary Fund (IMF) and the World Trade Organization, it plays a central role in overseeing economic policy and reforming public institutions in developing countries and defining the global macroeconomic agenda.

Origins:

Founded in 1944 at the UN Monetary and Financial Conference (commonly known as the Bretton Woods Conference), which was convened to establish a new, post-World War

II international economic system, the World Bank officially began operations in June 1946. Its first loans were geared toward the postwar reconstruction of western Europe. Beginning in the mid-1950s, it played a major role in financing investments in infrastructural projects in developing countries, including roads, hydroelectric dams, water and sewage facilities, maritime ports, and airports.

The World Bank Group comprises five constituent institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). The IBRD provides loans at market rates of interest to middle-income developing countries and creditworthy lower-income countries. The IDA, founded in 1960, provides interest-free long-term loans, technical assistance, and policy advice to low-income developing countries in areas such as health, education, and rural development. Whereas the IBRD raises most of its funds on the world's capital markets, the IDA's lending operations are financed through contributions from developed countries. The IFC, operating in partnership with private investors, provides loans and loan guarantees and equity financing to business undertakings in developing countries. Loan guarantees and insurance to foreign investors against loss caused by noncommercial risks in developing countries are provided by the MIGA. Finally, the ICSID, which operates independently of the IBRD, is responsible for the settlement by conciliation or arbitration of investment disputes between foreign investors and their host developing countries.

From 1968 to 1981 the president of the World Bank was former U.S. secretary of defense Robert S. McNamara. Under his leadership the bank formulated the concept of "sustainable development," which attempted to reconcile economic growth and environmental protection in developing countries. Another feature of the concept was its use of capital flows (in the form of development assistance and foreign investment) to developing countries as a means of narrowing the income gap between rich and poor countries. The bank has expanded its lending activities and, with its numerous research and policy divisions, has developed into a powerful and authoritative intergovernmental body.

Organization and Structure:

The World Bank is related to the UN, though it is not accountable either to the General Assembly or to the Security Council. Each of the bank's more than 180 member states are represented on the board of governors, which meets once a year. The governors are usually their countries' finance ministers or central bank governors. Although the board of governors has some influence on IBRD policies, actual decision-making power is wielded largely by the bank's 25 executive directors. Five major countries—the United States, Japan, Germany, the United Kingdom, and France—appoint their own executive directors. The other countries are grouped into regions, each of which elects one executive director. Throughout the World Bank's history, the bank president, who serves as chairman of the Executive Board, has been an American citizen.

Voting power is based on a country's capital subscription, which is based in turn on its economic resources. The wealthier and more developed countries constitute the bank's major shareholders and thus exercise greater power and influence. For example, in the early 21st century the United States exercised nearly one-sixth of the votes in the IBRD, more than double that of Japan, the second largest contributor. Because developing countries hold only a small number of votes, the system does not provide a significant voice for these countries, which are the primary recipients of World Bank loans and policy advice.

The bank obtains its funds from the capital subscriptions of member countries, bond flotations on the world's capital markets, and net earnings accrued from interest payments on IBRD and IFC loans. Approximately one-tenth of the subscribed capital is paid directly to the bank, with the remainder subject to call if required to meet obligations.

The World Bank is staffed by more than 10,000 people, roughly one-fourth of whom are posted in developing countries. The bank has more than 100 offices in member countries, and in many countries staff members serve directly as policy advisers to the ministry of finance and other ministries. The bank has consultative as well as informal ties with the world's financial markets and institutions and maintains links with nongovernmental organizations in both developed and developing countries.

5. INTERNATIONAL MONETORY FUND (IMF)

History:

The IMF was established in 1944 in the aftermath of the Great Depression of the 1930s. 44 founding member countries sought to build a framework for international economic cooperation. Today, its membership embraces 190 countries, with staff drawn from 150 nations.

The IMF is governed by and accountable to those 190 countries that make up its near-global membership.

Formation of IMF

The breakdown of international monetary cooperation during the Great Depression led to the development of the IMF, which aimed at improving economic growth and reducing poverty around the world. The International Monetary Fund (IMF) was initially formed at the Bretton Woods Conference in 1944. 45 government representatives were present at the Conference to discuss a framework for postwar international economic cooperation.

The IMF became operational on 27th December 1945 with 29 member countries that agreed to bound to this treaty. It began its financial operations on 1st March 1947. Currently, the IMF consists of 189 member countries.

The IMF is regarded as a key organization in the international economic system which focuses on rebuilding the international capital along with maximizing the national economic sovereignty and human welfare.

Organization and Structure:

At the top of its organizational structure is the Board of Governors. The day-to-day work of the IMF is overseen by its 24-member Executive Board, which represents the entire membership and supported by IMF staff. The Managing Director is the head of the IMF staff and Chair of the Executive Board. S/he is assisted by four Deputy Managing Directors.

Managing Director Kristalina Georgieva

Structure of the International Monetary Fund (IMF)

Board of Governors:

- Each governor of the Board of Governors is appointed by his/her respective member country.
- Elects or appoints executive directors to the Executive Board.
- Board of Governors is advised by the International Monetary and Financial Committee (IMFC) and the Development Committee.
- An annual meet up between the Board of Governors and the World Bank Group is conducted during the IMF–World Bank Annual Meetings to discuss the work of their respective institutions.

Ministerial Committees
{International Monetary and Financial Committee (IMFC) and Development Committee}

- It manages the international monetary and financial system.

- .Amendment of the Articles of Agreement.
- To solve the issues in the developing countries that are related to economic development.

Executive Board

- It is a 24-member board that discusses all the aspects of the Funds.
- The Board normally makes decisions based on consensus, but sometimes formal votes are taken.

Objectives of the IMF:

IMF was developed as an initiative to promote international monetary cooperation, enable international trade, achieve financial stability, stimulate high employment, diminish poverty in the world, and sustain economic growth. Initially, there were 29 countries with a goal of redoing the global payment system. Today, the organization has 189 members. The main objectives of the International Monetary Fund (IMF) are mentioned below:

1. To improve and promote global monetary cooperation of the world.
2. To secure financial stability by eliminating or minimizing the exchange rate stability.
3. To facilitate a balanced international trade.
4. To promote high employment through economic assistance and sustainable economic growth.
5. To reduce poverty around the world.

Functions of the IMF:

IMF mainly focuses on supervising the international monetary system along with providing credits to the member countries. The functions of the International Monetary Fund can be categorized into three types:

1. Regulatory functions: IMF functions as a regulatory body and as per the rules of the Articles of Agreement, it also focuses on administering a code of conduct for exchange rate policies and restrictions on payments for current account transactions.
2. Financial functions: IMF provides financial support and resources to the member countries to meet short term and medium term Balance of Payments (BOP) disequilibrium.
3. Consultative functions: IMF is a centre for international cooperation for the member countries. It also acts as a source of counsel and technical assistance.

India & IMF:

India is a founder member of the IMF. India's Union Finance Minister is the Ex Officio Governor on the IMF's Board of Governors. Each member country also has an alternate governor. The alternate governor for India is the Governor of the RBI. There is also an Executive Director for India who represents the country at the IMF.

- India’s quota in the IMF is SDR 13,114.4 million that gives India a shareholding of 2.76%. Read about the Special Drawing Rights – Created in 1969 by International Monetary Fund (IMF) at the linked article.
- This makes India the eight largest quota holding country at the organization.
- In 2000, India completed the repayment of all the loans it had taken from the IMF.
- Now, India is a contributor to the IMF.

The emerging economies have gained more influence in the governance architecture of the International Monetary Fund (IMF).

- The reforms were agreed upon by the then 188 members of the IMF in 2010, in the aftermath of the global financial meltdown.
- More than six percent of the quota shares will shift to emerging and developing countries from the U.S. and European countries.

Which countries gained?

- India’s voting rights increased to 2.63 percent from the current 2.3 percent, and China’s to 6.08 percent from 3.8. Russia and Brazil are the other two countries that gain from the reforms.

Why delay the reforms?

- Among the reasons for the delay has been the time it took the U.S Congress to approve the changes.
- Though the country holds veto power, Republicans have been agitated over “declining U.S power.”

Advantages:

- For the first time, the Executive Board will consist entirely of elected executive directors, ending the category of appointed executive directors. Currently, the members with the five largest quotas appoint an executive director, a position that will cease to exist.
- The significant resource enhancement will fortify the IMF’s ability to respond to crises more effectively.
- These reforms will reinforce the credibility, effectiveness, and legitimacy of the IMF.