



GROWTH OF INDIAN ECONOMY WITH SIGNIFICANCE TO EMERGING INDIAN MULTINATIONAL COMPANIES - A CRITICAL STUDY

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ABSTRACT:

Multinational companies (MNCs) are global firms that operate businesses in many countries which provides production units and services in at least two nations. MNCs perform a considerable amount of their business in nations other than their own. As a result, they have an impact on the overall economic climate of other countries. Legal framework for Indian MNCs and its growth directly impact on Gross Domestic Product (GDP) and other economic factors of Country. Indian MNCs get boost up from international finance and from Foreign Direct Investment (FDI) which creates India in a dominating position due to largest market sector in a globe.

Key words: -Multinational Companies (MNCs), Indian Economy, FDI, GDP, Development

INTRODUCTION:

In the present world of global scenario, multinational companies (MNCs) proved that they are the significant element on which countries economical and financial result is depend. MNCs must have a headquarters in their home country and subsidiary operations in at least two other countries.[1]MNCs have created opportunities to strive for their existence and seems to be long run competitor in the tough market condition. MNCs operate and spread its business in many countries in the form of factories, branches, and offices across the globe.[2]MNCs have strong survival techniques and innovative capabilities with scares resources available to them and implementation on unique strategies which attract customer's easily. TheMNCs, International companies, and transnational companies are the businesses that operate on a global scale to fulfill the need worldwide,[3]however there are certain discrepancies in their regulation mechanisms,

business model and legal framework. The history of MNCs itself started from British era and Indian traders in the early 17th century. The Dutch East India Company visited India for trading purposes but they developed into merely a business necessity by ignoring social justice and then take over and conquer all of India. After Post-independence, India emerging as world biggest economy. With the notion of LPG, the Government of India relaxes restrictions and regulations with the establishment of the New Economic Policy in 1991 in order to attract FDI in India to achieve certain goals like jobs creation, poverty reduction, and transfer technology, and some other aspect.[4] However, today's policies for attracting foreign money and multinational firms are instills fear of monopolizing indigenous industries, leading to the acquisition of a monopoly market.[3] Due to increasing in FDI Indian MNCs are able to spread their business all over the world. According to several researches, MNCs reduced their investment between 1996 and

2003; however the situation began to improve after 2003. Many new MNCs have entered the Indian market and perform properly, while established MNCs have been found wanting since they have delayed making commitments in terms of investments and exposure. Due to their vast financial resources, advanced technology, marketing capabilities, and well-known brand and image, MNCs are widening the market for their products in other nations.[5] As a result, MNCs are able to extend their product markets in other nations and helps to improve Indian economy in the global market by utilizing available resources at optimal level.

REVIEW OF LITERATURE

Harrod (2009) defined MNCs as privately held organizations that have as their aim the production of products or services and the development of financial surpluses, and that own assets utilized for such production in more than one national unit in a global complex of nation and states.

Tigari&Chandrashekhar (2019) critically examined role and contribution of Multinational Companies (MNC's) in economic development of India. Indian market is one of the fastest emerging market in the world. MNCs contribute 49.86% in India's export and remaining by MSME's. MNCs not only eligible to generate employment but also it is major source of increasing Foreign Direct Investment (FDI) in India. MNC's also bring transfer of technology from one country to another, so production and related activities can be easy for company. Country like India where consumption is high level due to large population it is like blessed specially for manufacturing companies. Major contribution by MNC's other than employment and FDI are technological know-how, cultural transformation and teach us how to utilize available resources at optimum level.

Grewal, et. al., (2011) analysis that promotional activities in retail pricing can play on important role to influence customers. Retailers target the

audience by the use of mobile application, online shopping assistant to operate shoppers purchase history. Technology enables easy way of doing digital promotion. Retailers attract customers by offering various discounting policies like price discount, quantity discount and by way of gift vouchers etc.

AIM AND OBJECTIVES

1. To know the functioning of MNCs
2. To critical analysis of Development of Indian economy.

RESEARCH METHODOLOGY

The research design based on existing and secondary data found in books, journals, articles, and research papers, as well as on the internet. The researcher's main goals are to look into the development of Indian economy and operation of Indian MNCs.

HYPOTHESIS

1. H1- There issignificant growth in Indian Economy.
2. H1- There is significant correlation between FDI and GDP
3. H0- There is no significant correlation between FDI and Unemployment rate.

SCOPE OF THE STUDY

The multinational companies are one that operates in numerous countries and uses global resources for manufacturing and marketing in more than two countries. It is a firm that employs millions of people throughout the world and helps them better their living standards. In the international business, MNCs are large in terms of scale, operations, investment, and so on in both the host and home countries. Developing nations serve as host countries, whereas rich countries serve as home countries for MNCs. In this study, we will see if MNCs contribute to development and their business climate in emerging economies and we used economic factors like revenue generation, employment, Gross Domestic Product (GDP), Gross National Product (GNP), & FDI to

determine if MNCs are helping to the country's Development or not.

DATA ANALYSIS AND INTERPRETATION

Correlation between Revenue of India and other Economic variables

The Table-1 is indicating that when Revenue is increasing it significantly impact on economic variables such as GDP, GNP, FDI and Unemployment rate. In 2010-11 Revenue is only, 634,472 crore and GDP is 5.40%, GNP is 5.32%, FDI is 2 %and Unemployment rate 5.63%. But in 2018-19 we can see the changes when the Revenue increases then automatically FDI, GDP, GNP increases and Unemployment rate decreases.[6][7]

The Table-2 shows that there is strong positive relationship between FDI and GDP so hypothesis accepted. There is Negative relationship between FDI and Unemployment so null hypothesis is rejected.

Most Popular Indian Multinational Companies in India

Most Popular Indian Multinational Companies in India based on their Net worth are Flipkart Pvt. Ltd., ITC Ltd., Hindustan Unilever Ltd., Marico Ltd., Patanjali Ayurveda Pvt. Ltd.

FINDINGS OF THE STUDY

MNCs and Economic Growth: The current research shows a strong link between foreign direct investment with gross domestic product and no relationship between unemployment rate, the value of the positive and Negative correlation coefficient is substantially showing how multinational companies use FDI to expand their operations and Contribute to the economic growth of the country by the activity that produces desirable results.

CONCLUSION

The multinational companies in India are significantly different from the rest of the globe as it has openness in strategies together with well framed existing liberalism policy having significant contribution to economy's growth in all possible dimensions; Still it has thriving hard

as it seen a lot of challenges for greener secure future in global market.As a result, there is a need to strengthen the multinational companies with their control system to enhance their productive activities in term of some novel strategies and policies.As such novel framework seems to be significant impact on economic variables such as GDP, GNP, FDI and Unemployment rate. At the same time;a contribution of multinational companies to generate employment, advancement in technology, progression in cultural transformation, and the most efficient use of available resources, are some among other things, that provoke a chance for developing nations to gain fruitful positive aspects in a present competitive edge.

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Table 1- Revenue of India and other Economic variables (Source: www.ceicdata.com, www.data.gov.in)

Year	Revenue In Crore (Rs.)	FDI %	GDP %	GNP%	unemployment Rate %
2010-11	7,634,472	2	5.40	5.32	5.63
2011-12	8,736,329,	1.31	5.20	5.13	5.65
2012-13	9,944,013	1.52	6.40	6.31	5.67
2013-14	11,233,522	1.70	7.40	7.49	5.60
2014-15	12,467,959	2.09	8	8.01	5.66
2015-16	13,771,874	1.94	8	7.29	5.51
2016-17	15,391,669	1.51	8.30	7.82	5.41
2017-18	17,090,042	1.56	7	6.54	5.33
2018-19	18,889,957	1.76	7.10	6.70	5.36

Table 2- Correlation between FDI and other Economic variables (Source: Authors Calculations using correlation analysis)

Particulars	GDP	Unemployment Rate
“r” value	0.309284	0.0
Result	Positive	Negative
Hypothesis	Accepted	Rejected

Table 3- Most Popular 5 Indian MNCs in India(sources; www.wikipedia.org)

Sr. No.	Indian MNCs	Net worth in Crore(Rs)
1	Flipkart Pvt. Ltd.	2.9 Lakh
2	ITC Ltd.	77,367
3	Hindustan Unilever Ltd.	20,153
4	Marico Ltd.	5002
5	Patanjali Ayurveda Pvt. Ltd.	4345