



## Open economy – Role of MNCs in India

### Description

#### Theme:

- Multinational Corporations (MNC) operate in more than one country.
- In 1991, India faced an economic crisis and to lift the country out of the crisis, the Indian government rolled out economic reforms, and hence openly opted for economic liberalisation. This allowed private investments and thereby MNCs to operate in India.
- Initially, many economists expressed fears over allowing MNCs to India. But with time, everyone is agreeing that MNCs are playing an important role in India and have been helpful for our economy.

#### Role of MNCs in India:

- Governments have many responsibilities such as alleviating poverty, providing social security and to develop the nation financially etc. But with limited funds, it has to prioritise the things to do. In the process, it is very difficult for governments of developing countries to invest in economic development. MNCs help governments in this case and bring a lot of foreign investment which paves the way for the economic development of the country.
- Unemployment is one of the serious problems of India. MNCs provide employment opportunities and helps in solving the unemployment issue to some extent. As the wages will in turn be spent on buying goods and services in India, it'll be helpful for the Indian economy.
- The government will also get revenue in the form of taxes that MNCs pay.
- MNCs are also helpful in knowledge transfer. As MNCs operate in more than one country, they practically test and implement the best strategies. This technological and knowledge transfer helps the host countries.
- As MNCs give tough competition to domestic companies, people will get better quality products at lower prices.
- As many MNCs reinvest their profits in the host countries in general, it will be a plus to the host countries' economy.

- MNCs have better access to foreign markets. Some MNCs in India are tapping export markets and are helpful in improving the overall exports of India and thereby help in reducing trade deficits.
- MNCs helps host countries in maintaining better relations not just with their home countries, but also with the countries that they have trade relations.
- Indian MNCs are improving the status of India in the international community.

**Conclusion:**

In the modern world, globalisation is inevitable. Though there were so many fears when India allowed MNCs into the country, they have been playing an important role in India's economic development. But not all MNCs are helpful for the host country. Some companies establish their businesses in other countries with the only motive of capturing the domestic market. Governments should be cautious in allowing this type of companies.

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