CHAPTER - 11

Research Design and Methodology.

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RESEARCH DESIGN AND METHODOLOGY

Introduction

In the foregoing chapter a background study with regard to history, origin and operation of Multinational Corporations (MNCs) was dealt with at length. This chapter has been devoted to problem areas followed by an extensive and analytical review of literature on the Multinational Corporations. Cogent and logical description of the scope, objectives of the study, the research hypotheses and research methodology have been presented.

With the advent of new economic policy, July 1991, India accepted the concept of liberalization with an emphasis on smooth transition from controlled economy to the global economy. Against this backdrop, several necessary structural changes have been brought about in the economy since 1991, for example, deregulation of the activities of financial institutions, full convertibility on current accept, privatization of public sector enterprises in the form of disinvestment of share, and drastic policy changes for attracting foreign investors, i.e. FDI, Foreign
Institutional Investors (FIIs) etc. The conclusion of Uruguay Round, GATT talk, consequent upon creation of WTO and outline of the Dunkel plan have created the concept of global economy.

The Multinational Corporations (MNCs) have evinced keen interest in India right from the inception of the introduction of the new economic policy. A large number of high level trade delegations have started visiting India on account of several socio-economic advantages. India is now considered to be the single largest emerging commodity market in the world.

**Problem Areas:**

In the first instance, the problem associated with the MNCs is the choice regarding place and product. Most of the MNCs want to operate only in those areas where infrastructure facilities are well-developed. They also choose those products, which are more profitable. The host country, therefore, faces problem of unbalanced development.

Host country undertakes research and development programme for the overall development of the area. Whereas MNCs take R&D programmes mainly for
capitalizing innovations in profit and in establishing supremacy of technology and product innovations.

Third problem linked with the MNCs is productivity. MNCs want to produce goods at a mass scale by using latest technology, which is a sort of capital intensive giving a less room for employment generation.

Fourth problem created by MNCs is the degree of strength in the economy. MNCs make utmost endeavour to keep the aim of strengthening themselves. MNCs also make and attempt to integrate their activities internationally in order to achieve domination.

MNCs do their best to maximize profit through unbalanced growth. In the era of globalization, MNCs have a significant control over the pricing. They enjoy the inter-subsidiary movements of goods and services and their pricing.

Many modern MNCs are playing a significant control over local administration. They even try to lure bureaucrats to fulfil their unsociable acts.

MNCs are mainly promoting consumerism by producing consumer goods at a mass scale. This results in an unequal and unfair societal environment.
In Indian context, it is unique to notice that the globalization has led to liberalization creating all sorts of socio-politico and economic chaos in the economy. Domestic industries are comparatively week to the competitive prowess of MNCs. MNCs' gigantic size is also posing serious problems. Two top level MNCs' gross total products' value account more than the five developing country's GDP (Mexico, Brazil, India, Iran, and China).

A huge amount of money flows out of the host country in terms of payment of dividends, profit, royalties, technical fees, know-how fees and interest to the foreign investors.

Most of the MNCs collaborate with the private companies of the host-country but only in those industries where prospects of profit are bright.

Weak and sick domestic industrial unit can not reap the fruit of merger, acquisition and take over which has become a new vehicle of globalization process. Because MNCs and foreign investors take interest only in profit making industries.

MNCs from advanced countries generally bring obsolete technology, which is no better in comparison to host country's own technology.
MNCs are inflicting imponderable damage on the host country in various ways such as suppression of domestic entrepreneurship, extension of oligopolistic practices such as unnecessary product differentiation, heavy advertising etc. Sometime, they even supply unsuitable products, worsening of income distribution by distorting the production structure to meet the requirements of high-income elite.

Past experience shows, that many MNCs do not follow required environmental safety norms, namely proper drainage of industrial chemical effluents, smog etc. By acquiring domestic industrial establishments, they practice full control in the management activities.

MNCs do not take R&D programme in developing countries. Their R&D programmes are concentrated in laboratories in the home country or in other industrial countries. Through R&D activities continue to be centralized in the parent country, the host countries have to bear the bulk of their costs since the affiliates of the MNCs in these countries remit payments on this account generally in relation to their sales volume.
Observations have revealed that gains perceived in regard to technology transfer are more hypothetical than real. Various studies conducted in developing countries have concluded that the sphere of technology transfer in practice has been far too restricted. Generally MNCs do not give much importance to train the local technicians. So host countries are not able to reap the intended advantage of transfer of technology. Production methods of MNCs are actually they have made foreign exchange intensive and no real effort for enhancing and promoting indigenous techniques of production.

**Review of Literature:**

In the following paragraphs an extensive review of literature on the role of MNCs is presented to streamline the scope and objectives of the present study. M. Wilkins¹, in his book entitled “The Emergence of the Multinational Enterprise”, has presented a wide ranging views on the developmental historical background of US based Multinational Corporations.

Brooke, Michael Z. and Remmers, H. Lee, eds.² 1970, in the book titled “The Strategy of Multinational Enterprises: Organization and Finance”, have dealt with the
organizational structure of MNCs and policies related to finance.

Dymeza, William, A.³ in his book gives a clear-cut view of the multinational corporation. In this study an emphasis has been given on how to develop integrated set of strategies.

Backman, Jules and Block⁴ have critically evaluated the performance and accountability of Multinational Corporations and the role of foreign firms in their investment in United States.

M.Wilkins⁵ (1974), in his book entitled “The Maturing of Multinational Enterprise” has presented a detailed account as regards the different phases of growth of multinational enterprises in United States.

Fatemi, Nasrollah Sailpor,⁶ (1975) in his book “Multinational Corporations”, has made an analysis regarding domestic employment, technology, trade, tax, equity and balance of payments. The book also deals with the impact of these corporations on the host country’s economy.

R.J. Barnett and R.E. Muller⁷ (1975), in his book on “Global Reach”, has given an overview of different aspects
related to Multinational Corporations.

W. Vaupel and J.P. Curhan,8 (1974) in his book entitled "The World's Multinational Enterprises" have enlisted the leading multinational corporation of the world. The book has also highlighted their operational activities their significant strategies and issues.

Barnet, Richard J. and Ronald E. Muller,9 (1975), in their treatise on "Global Reach: The Power of Multinational Corporations", have described as to how a handful of MNCs are controlling and dominating the world economy. The book also throws light on the different economic crises developed by MNCs in the host country.


1. Conflict between governments and firms.

2. Interaction between business and government in multinational operations.

3. Trade policies of the national and multinational business operations.

4. Developing countries and MNCs.


Hershfield, David C.\textsuperscript{12} (1975) In the book entitled "The Multinational Union Challenges The Multinational Company" has advocated creation of multinational unions to challenge and influence MNCs in issues related with labour activities.

Turner, Lovis,\textsuperscript{13} (1970) in "Invisible Empires: Multinational Companies and the Modern World", deals with the problems raised by the multinational corporations in the host countries.

Weston, J. Fred,\textsuperscript{14} in edited book titled "Large Corporations in a Changing Society", focuses on the various aspects of MNCs, such as, internal organization controlling mechanism, policies, regarding finance and economic policy of the government.
Kapoor, Ashok and J.J. Boddewyn, (1973) in a treatise entitled “International Business-Government Relations: US Corporate Experience in Asia and Western Europe”, throw light on the interactions developed between enterprises and host country governments. It also deals with the nature, relations and negotiations with government and control of such relations.

Sethi, S. Prakash and Holton, Richard H. In edited book on “Managements of the Multinational: Policies, Operations and Research”, present a theoretical outline of multinational business operations and their policies. General management marketing, financial policies and accounting techniques have also been discussed in detail.

Radiance, Hugo, in an edited book in “International Firms and Modern Imperialism: Select Readings”, deals with the role of MNCs in world economy. The study also focuses on international flow of capital and host country and evaluating conflicting issues related with technological dependence of the underdeveloped and developing nations.

growth and activities of Indian Multinational Corporations Operating in ASEAN Regions.

Agrawal, J. 1985) In his book on “Pros and Cons of Third World Multinations : A Case Study of India”, outlines advantages and disadvantages of multinationals from third world with particular focus on India.

John Martinussen 1988) in his thought provoking treatise entitled “Transnational Corporations in a Developing Country - The Indian Experience”, examines various aspects of multinationals operating in a developing country. Effects of these companies on the economy of host country have also been discussed. Some chapters have been devoted to analyze Indian position. The study also gives an account of the behaviour pattern of MNCs in India.

AV. Bereznoi 1990) in his book entitled “Third World Newcomers in International Business: Multinational Companies from Developing Countries”, gives a wide account of emergence of multinationals from LDCs. Contradictory role of the new multinationals in the development process has been critically examined. The treatise also highlights national and regional features and capital export centres.
Drysdale, Peter (ed.)\textsuperscript{22} (1972) in an article entitled "Direct Foreign Investment in Asia and the Pacific", presents a blend of different aspects of foreign direct investment by MNCs in Asia and the Pacific. It examines growth and role of FDI in Asia. Author has freely presented a comparison between development and flow of foreign capital.

Manser, W.A.P.\textsuperscript{23} (1972), in an article on "The Financial Role of International Corporations", presents an exhaustive literature on the plight of pecuniary role played by the international corporations. It further deals with the process and progress of capital infusion by international corporations.

Reuber, Grant L.\textsuperscript{24} (1973), in an article on "Private Foreign Investment in Development", has manifested different dimensions of growth and prosperity of foreign investment and development led by these investment. Different problems that may impede process of investment have been briefly summarized. It is a prolific study on development and foreign investment.

Singh, D.R.\textsuperscript{25} (1974), in an article on "Investment Policy and Performance of US Subsidiaries in India"
presents an analysis of different policies adopted by the
government to regulate foreign capital inflow. It presents
a view of climate present in India and working performance
of US subsidiaries. It further evaluates performance of US
subsidiaries within the guidelines given by the government's
investment policies.

In the decades of 80s and 90s, a number of articles
dealing with the different dimensions of MNCs operating in
India have appeared in reputed journals, periodicals and
business dailies. However, it is observed from the foregoing
review of literature that there is no evidence of any research
oriented study on the role of MNCs in India in Post-NEP
period. Although articles and write up have been specially
finding the place in the business dailies but they have been
found lacking in dealing with the significant aspects of
MNCs viz., technology transfer, amalgamations, joint
ventures, 100% subsidiary and Mergers and Acquisitions
(M&A).

The framework of the present study makes an attempt
to cover up the vital aspects, such as, FDI, Amalgamation,
joint ventures, M&As, and 100% subsidiary etc. The study
focuses the role of MNCs in post-NEP period in a bid to
globalize the Indian economy for reaping the advantage of global economy.

**Scope of the Study:**

In the changing economic milieu, the role of multinational corporations in Indian economy is of great significance. The study is the first of its kind to examine the role of multinational corporations in their various facets and dimensions in Indian economy. The study has thrown light in depth as regards the operation of MNCs through FDI, amalgamation, collaborations, joint ventures, 100% subsidiaries, technology transfer and allied activities in the capital market through foreign portfolio investments. The special feature of the present study is the highlight of the role played by MNCs in the above cited arrangements in the post NEP period. However, the focus of the study is centred around foreign investment related MNCs activities. The foreign trade related activities of MNCs have not been undertaken by the Research Scholar on account of the intractable size of the framework of the study. The result of the study is, however, not at all effected the findings to substantiate the vital role played by MNCs in globalization of Indian economy.
Objectives of the Study:

The study has the following objectives:

1. To evolve and elaborate the conceptual framework of the Multinational Corporations.

2. To examine and study the policy changes as regards the Multinational Corporations in the context of liberalization and globalization of the economy.

3. To study the effects of WTO on the liberalizing economy, such as, India.

4. To study the measures liberalization packages with the introduction of new economic policy for globalization.

5. To critically examine the foreign investment trends and portfolio investment trends to determine the relative benefits to the Indian economy by the MNCs.

6. To assess and appraise the performance of Hindustan Lever Limited - a Multinational Corporation in India.

7. And finally to study and examine the problems in the context of overall scheme of globalization with Multinational Corporations in general and Hindustan Lever Limited in particular.
Hypotheses of the Study:

The study has sought to test the following hypotheses.

1. That the MNCs operating in a variety of arrangements viz. FDI, amalgamation, collaborations, technology transfer and mergers and acquisition are solely to the advantage of Indian economy in terms of more flow of foreign capital in the form of FDI, FTAs and GDRs, have opening up vistas for global economic integration.

2. That MNCs in India through FDI are sincerely contributing to the growth and development of the various sectors of economy, namely, the automobile, food processing, pharmaceutical and beverages etc. Many more other significant sectors like insurance, banking etc. are also arresting the attention of MNCs.

3. That the existence of MNCs in the Indian economy is creating an atmosphere of competitiveness for domestic companies which in a bid to emulate, strengthen their own base through restructuring, amalgamation and M&As.

4. That MNCs are integrated with the development of social sector by deploying substantial funds for education, environment and health-care.
Research Methodology Adopted:

The research methodology of the present study has followed the scientific methods and procedures of thesis writing to present and analyze the whole gamut of issues in its broader spectrum and perspective. The study also undertakes to probe into the issues and problems explained in the foregoing paragraphs from the qualitative and quantitative dimensions. At the very outset, the study makes an endeavour to evolve an appropriate theoretical framework followed by culling up the relevant facts, figures and statistical information on the operations of MNCs in India. These informations have been arranged and analyzed in a systematic procedure to test and justify the hypotheses.

During the course of study, the data and information have been collected from various sources. However, main reliance has been placed on the secondary data to be gathered from numerous national and international agencies operating in the country. Reputed journals, national and international both, periodicals pertaining to the subject have been extensively made good use of. Specialized institutes, National and International Documentation Centres and the Libraries have been widely consulted.
The study has warranted a number of trips to the offices of the Embassies / Consulates of the different countries. Government reports and other relevant documents have also been utilized for the purpose.

**Significance and Utility of the Study:**

With the globalization gaining currency the world over. The majority economies have developed the consensus for new economic policies by means of acceptance and adoption of market friendly approach. The liberalization and privatization have become the basic tenets. In this changing economic milieu MNCs have emerged as the main actors of the global market. They now play significant role in the spheres of international investment, international production, trade, finance and technology. The present age is now being termed as the age of MNCs on account of their overwhelming role in all areas of economic development activities.

In India there are about 35,000 MNCs with nearly 150,000 affiliates having all most substantial control over total output, ranging from 13Th to 1/4Th share, foreign trade to the extent of as much as 70 percent is controlled by them. In India MNCs were welcomed specially after the
proclamation of new industrial policy of 1991. The deregulated and liberalized economic atmosphere has made these MNCs keenly interested in the Indian economy. They are now pouring investment in India in a variety of arrangements, viz. FDI, M&A, joint venture, amalgamation, technology, transfer and financial services.

The present study is a step in the direction to threadbare examine the vital role being played by MNCs in Indian economy in post New Economic Policy era.

Conclusion:

In fine, this chapter has succinctly presented the statement of the problems of the study, the review of literature, the scope, the objectives and the hypotheses of the study. This chapter sums up the facts that the Multinational Corporations in post globalization and liberalization era have a major role to play in the growth and development of a host economy such as, India.

The next chapter entitled, “World Trade Organization (WTO) and Globalization: A Focus on India”, presents an insight into the various facets dimensions provisions clauses and sub-clauses of WTO related to foreign investment in India. This chapter also evaluates the pros and cons of
implementation of various provision of WTO in Indian perspective.

References:


