PREFACE

The last couple of decades of the twentieth century witnessed an epoch-making economic policy metamorphosis the world over activating the philosophy of "Globalization" in a bid to integrate the world economies for unhindered trade flows, capital flows, technology flows and labour flows. In tandem with the philosophy of globalization, many developing as well as the developed countries undertook reform measures to liberalize their economies. In the process, these economies offered calibrated incentives for attracting Transnational Corporations (TNCs) for capital and technology.

In India, the announcement of New Economic Policy (NEP) of July 1991 was a sharp departure from the Industrial policy of 1956. The major strategy of New Economic Policy (NEP) is liberalization for globalization. The liberalization regime purported basically to dismantle excessive regulatory framework and bureaucratic controls acting as shackles on freedom of operation of business enterprises.

The NEP and subsequent liberalization policy packages made radical changes in foreign investment policy including FDI inflows, technology transfer, joint ventures, subsidiaries, Ms&As and financial services. The other economic reform measures include abolition of industrial licensing system on merit, the replacement of FERA with FEMA providing flexibility and
efficiency in foreign ownership, the opening of areas, such as, mining, power generation, telecommunication, banking and insurance to TNCs, the trade facilitation, tariff reduction and the rupee convertibility on current and capital accounts under WTO provisions for global competitiveness.

In fine, the liberalization policy through economic reforms is now viewed as an important instrumentality for ameliorating the investment climate leading to increased deployment of tangible and intangible assets, such as, capital, technology, R&D capacity, management practices, trade links, strong and sound capital resource base, accessibility to external market and thus to improve overall economic performance of Indian economy.

Transnational Corporations (TNCs) are a major contributors of foreign capital in different sectors of the economy specially infrastructure and the public utilities. It includes the development of petrochemicals and automobiles besides, power, transportation, communication and services. The global environment makes it imperative that the industries must be competitive and have a wide cushion of capital to absorb risk of global operation. It has paved the way for Ms&As, amalgamation, absorption, joint ventures, subsidiaries in India within the short span of the last decade of the 20th century. In the new millenium, the insurance and the banking sectors are open for the participation of TNCs. The SEBI's attitude to on -
line trading in the stock market has forged a direct link with Transnational Corporations (TNCs).

The present study with regard to impact of TNCs is, therefore, justified in terms of inflow of FDI, technology transfer, joint ventures, subsidiaries, Ms&As and financial services for the economic development. The study deals with the trends in FDI inflows and their impact on sectoral development, technology transfer for better quality and competitive products, joint ventures, collaborations, subsidiaries and Ms&As for competitiveness and provision of financial services by TNCs for easy access to the foreign capital for domestic industries.

The study has, hence, in the usual sense exhibited itself in terms of gross effects at the ultimate point to differentiate the effect of the variations of a given macro phenomena. For instance, effect of TNCs on GDP growth rates, savings and investments, TNCs contribution to foreign exchange reserves, BoP, exports and creation of employment.

The study has also determined the impact of Transnational Corporations (TNCs) in its totality at micro-phenomena in terms of inflows of foreign capital, the technology, their participation in ownership and management in the ongoing industrial units by means of Ms&As, amalgamations, joint ventures, subsidiaries and financial services.

Based on the findings of the study, suggestions and recommendations have been proffered by the Research Scholar
for germane substantial amount of foreign investments by means of various business arrangements as enunciated above. The study has, nevertheless, pointed out certain threats and apprehensions keeping in view the freedom of TNCs operation under liberalization regime. The government of India should streamline the liberalization policy packages in future so that maximum leverages can be availed of from TNCs businesses in India in the 21st century.

**Scheme of Chapterization-A Preview:**

The present study is divided into ten chapters. A brief description regarding each chapter is made as under:

The **First Chapter** entitled, *"Transnational Corporations in Global Economy: Conceptual And Historical Review, Performance Appraisal And World Trade Organization,"* succinctly presents the historical almanac, the concept and business operation of Transnational Corporations in global ambience. In this chapter, the Research Scholar has proved the point that TNCs are now the dominant global phenomenon engaged in international production occupying the core process of globalization.

The **Second Chapter** entitled, *"Approach To Study: Review of Literature And Designing Research Methodology"*, presents a detailed outlines with regard to the statement of problems followed by an extensive review of
literature. Logical and cogent descriptions as regards the need for the study, scope, objectives of study, research hypotheses and research methodology along with the limitations of the study have been made.

The Third Chapter entitled, "Economic Liberalization And Its Impact on Transnational Corporations In India", has been devoted to present all the facets and dimensions of economic liberalization maidenly initiated in the middle of 80's and the watershed NEP of July 1991, mainly purported to integrate the Indian economy with global economy by bringing about overall reforms in various sectors of the economy. The economic liberalization has undeniably opened up host of vistas and opportunities for foreign investment in India through transnational corporations.

The Fourth Chapter entitled, "Transnational Corporations And Foreign Direct Investments: Impact on Economic Development of India", comprehensively deals with regard to foreign direct investment policy changes, implications and ramifications with the introduction of new economic policy and dispensation of various subsequent foreign investment liberalization packages. This chapter further analyses the trends in inflows of FDI, sector and country specific both. The comparison of inflows of FDI in pre and post-NEP period has been made to determine the impact of TNCs on the economic
development of India. The inhibiting factors afflicting inflows of FDI have also been dealt with at length.

The **Fifth Chapter**, entitled, *"Transnational Corporations And Transfer of Technology in India"*, presents an analytical description with regard to transfer of technology in the post-independence period and also in the wake of economic liberalization of July 1991. It is an established fact that the technology transfer is a major variable in the strategies of transnational corporations. Hence, it emerged as a core subject-matter of the present study.

The **Sixth Chapter** entitled, *"Transnational Corporations And Joint Ventures, Subsidiaries, And Financial Services in India"*, gives an extensive exposition to the fact that liberalization policy has drastically changed the face of Indian economy replete with predominantly greater number of joint ventures, subsidiaries and financial services promoted by TNCs of both developed and developing countries of the world bringing in substantial amount of foreign capital and technology.

The **Seventh Chapter**, entitled, *"Transnational Corporations and Mergers And Acquisitions (Ms&As) In India"*, reveals that the wave of Ms&As through TNCs are growing in both size and volume of capital during the post-NEP period providing better resources, market access and distribution network finally leading to globalization of the Indian economy.
The Eighth Chapter entitled, "Transnational Corporations (TNCs) and the Development of Social Sector in India", presents a vivid account with regard to social sector development. It analyses the government expenditure in social sector and also gives an account of negligence of social responsibilities by TNCs, hence the need of fair contribution in this sector by the TNCs in the wake of economic liberalization for globalization.

The Ninth Chapter entitled, "Impact of Transnational Corporations on Economic Development of India", presents analytical study to determine the impact of TNCs in the development of Indian economy from two broad economic parameters, i.e. the micro and the macro. The micro-economic parameters include the study of inflows of FDI in pre and post-NEP period, transfer of technology, Ms&As, subsidiaries, joint ventures and services and their impact on economic development of India. Macro parameters analyze the impact of TNC's business operations on GDP growth rate, capital formation, gross domestic savings and investments, price indices, forex reserves, Balance of Payments (BoP) and employment generation.

The Final Chapter summarizes the Findings and the Conclusions and offers suggestions and recommendations for the government, researchers and the planners alike for rationalized operation of TNCs in India. This chapter further indicates the areas uncovered under the ambit and scope of the present study.