

The Economic Impact of Multinational Corporations on the Developing Countries: with special reference to South Asia

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Abstract

Multinational Corporations (MNCs) play an important role in the contemporary global economy. Therefore, it is a major issue in the process of economic development, especially in developing countries. The term "MNC" which includes corporations operating on the international and transnational level. Historically, MNCs are closely linked with colonialism and imperialism. In addition, MNCs originate in the industrialized countries and they have become the buzzword of globalization. Hence, this research explores the impact of MNCs effects on the economic situation of developing countries. The analysis is based on the case study with the selected sample; Unilever in Sri Lanka, Coca-Cola in India, KFC in Pakistan, and Chevron (petroleum industry) in Bangladesh. This research uses secondary data in order to identify economic effects and economic development by MNCs in developing countries, especially in South Asia. Moreover, it concerns host countries policy towards MNCs. As per the findings, developing countries adopted more open policies towards MNCs during the 1980s. Therefore, MNCs enter host countries by using different strategies such as FDI. Further, they always are profit-oriented and enjoy command over enormous financial resources for investment and their entry into developing countries make a transfer of funds from developed countries to developing countries. They generate employment, increase national income, and improve the managerial standards and entrepreneurial abilities of the host countries. However, they earn higher incomes, but the consumption of improved quality goods and services to people in poorer regions. Contrariwise, MNCs activities displace local producers and spoil small domestic enterprises. Because MNCs maintain huge cost for marketing more than production. Further, they do not give chance to any other domestic company to compete with them. Because they control the global economic market. In conclusion, this study highlights more benefits and relationship between MNCs and economic growth and development of developing countries. Therefore, the economic involvement of MNCs is important to South Asian countries as a developing region.

Keywords: Multinational corporations (MNCs), Economic development, Developing countries, South Asia, Economic involvement

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