IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 22, Issue 5. Ser. VIII (May. 2020), PP 45-56
www.iosrjournals.org

The growth and development of multinational enterprises.

Frances N. Madu, Reverend Father, Dr, Anthony Igwe, VictorIfeanyi, Ikezue
Student, Department of managementFaculty of business Administration,University of Nigeria Nsukka, Enugu Campus
Department of management,Faculty of business Administration,University of Nigeria Nsukka, Enugu Campus
StudentDepartment of management,Faculty of business Administration,University of Nigeria Nsukka, Enugu Campus

Abstract: *The growth and development of Multinational Enterprises has contributed greatly to export based industrialization, capital formation, competitiveness, research, development and technology, poverty alleviation and empowerment generation. Multinational Corporation is convoluted with the history of colonialism, some critics believe that international trade and exploitation were used to facilitate colonialism through creation of colonial trading post, which is today's Multinational Enterprises. The effect of corporate colonial exploitation has been proven to be long lasting and far reaching, which led to current causes of contemporary global income and social inequality. The objectives of the study is to ascertain the positive impact of growth of multinational enterprises in global economy. The study reveals that MNCs contributed significantly to the economic growth of some developing countries and there has been a significant improvement in FDI inflow, which has been stable and more accessible to service than commercial debt or portfolio investment.*

Date of Submission: 18-05-2020 Date of Acceptance: 03-06-2020

I. Introduction

Background of the Study

Worldwide, borders got opened by globalization. Societies standard of living started improving concerning their financial development level, quality of life, endorsement of universal human right, and liberal monetary values, has led to the introduction of a new actor in the world's business environment called the multinational corporations (MNCs). This phenomenon is a result of the integration of two main factors, the inequality in the geographical distribution of factors endowments and market failures (Bakan&Yildirimci, 2015).In some firms, initially, they have assets that are superior to those in many other countries and initiated the ideas of exploiting these opportunities by transferring their assets across national boundaries within their organization, rather than selling the right of use to foreign-based enterprises.

Multinational Corporations

Historically, Multinational Corporation is convoluted with the history of colonialism which was found to oversee the expedition of the colonial from the Europeans monarchical patrons. During the time of imperialism, majority of the European colonies that are under the control of the Spanish and Portuguese crown were administered by the chartered multinational corporations. These multinational corporations are the British east India Company, the Swedish Africa Company, and the Hudson Bay Company, which used international trade and exploitation to facilitate colonialism through creating colonial trading post. Australian and Virginia Organizations engaged in formal colonization by creating and maintaining settler colonies. Different economic outcomes were formed between their home countries and their provinces, furthermore exploiting resources and labor of the colonial and investing the profit and net gain in their home country, (Udensi, 2015).

The colonizer got enriched, and the colonized got impoverished. During the colonial era, companies like the Royal African Company were also responsible for the control of the Atlantic slave trade. The European colonial charter corporations closed down operations during the process of decolonization. Thus, MozambiqueCompany was considered to be the final colonial corporation. The effect of corporate colonial exploitation has been proven to be lasting and far-reaching, which led to current causes of contemporary global income and social inequality.

Present-day critics of Multinational corporations have argued that multinational corporations of today still practice the pattern of exploitation and differential wealth distribution, resources extraction which declared the multinational corporation in the developing world to be within the context of neo-colonialism.

Before the advent of Multinational Corporation in the 15^{th} century, organizations of means of production were mainly privately owned. With the adoption of technology and simple division of labor, many commodities were being manufactured (Louis 1994) (Ondabu 2014). The multinational corporation worked in conjunction with the parent's country's military or political power to extend their activities to a different area. They became the dominant player in the new world investment.

Definition

A multinational corporation is a parent company that deals in foreign productions, through its sub-companies located in several countries having direct control over the policies of its affiliates, conducting business strategies in productions, marketing finance, and staffing that go across borders. It is also a company that operates in its home country as well as in other countries around the world by maintaining a central office which is located in one country that coordinates the management of other offices such as administrative branches and factories. They are referred to as large businesses that have expanded across national frontiers and operate globally.

In this 21st century, MNC has turned to be the central Institution of developing nations. Most MNCs started operations in developing countries by the 1990s. The assessment of the impacts of activities of MNCs in developing and developed nations changed significantly from what was the practice. The benefit from lower labor cost and government grants from developing countries were the measures taken to attract multinational companies, (Ferdausy and Rahman 2009)

The Evolution of the Multinational Corporation

The evolution of the MNCs is grouped into three stages. International business start with the exchange of goods among nations, known as international trade.

The partial exchange of the physical corporate assets of one Company for the capital assets of another is called portfolio investment; this is referred to as the second stage.

The third stage emanates through the acquisition of an entire company or establishing production facilities owned and managed by a firm with an economic interest in more than one country; this is referred to as a foreign direct investment. The peak of international business which has also contributed to the birth of Multinational Corporation

(www.opentextbooks.org.hk/ditatopic/33370)

A decade ago, there was an estimation of 20 companies on the 500 lists of the fortune Global. This estimation was based on emerging economies. Presently, three years ago, to be precise, 70 companies were estimated; currently, there are about 21,500 multinationals in all the savings.

The developing countries have contributed to a significant increase in the global economy. A record of one-fifth of the value of the world's economic output was produced in developing countries in 2004, making an additional input of almost 30% in 2008 and recording a significant improvement from the developing countries than the developed countries over the past 20 years. With this development, the global economy grew at 35%annually before the years of the financial crises. I am leading to the increased GDP of high-income countries by 24%each years, expanding the economies of developing countries by 7.3% three times faster. The developing world has experienced rapid growth and industrialization, thus bringing into existence these multinational corporations like Samsung, Hyundai, CEMEX, Embraer, Infosys, Tata, and Lenovo, etc. The UNCTAD's 2009 world investment report, stated that seven of the world's 100 largest MNCs came from the developing countries. The company's size has grown, as reviewed from the news that in 2007, the assets of 100 largest MNCs from developing countries rose by 29% as compared to 2006, declaring 16% of the 100 most tremendous MNCs worldwide significant. The MNCs in a developing country are significantly becoming the key market players in the global markets, domestically and regionally. Profusely increasing the growth of FDI in south-south. (Guislain, and Kusek, 2010).

***Fortune* Global 500 list of 2019**

The following is the list of top 10 companies.

Fortune Global 500 list of 2019

Rank	Company	Country	Industry	Revenue in USD
1	Walmart	United States	Retail	$514 billion
8	Exxon Mobil	United States	Petroleum	$290 billion
6	Saudi Aramco	Saudi Arabia	Energy	$356 billion

Fortune Global 500 list of 2019

Rank	Company	Country	Industry	Revenue in USD
3	Royal Dutch Shell	Netherlands	Petroleum	$397 billion
10	Toyota Motor	Japan	Automobiles	$273 billion
9	Volkswagen	Germany	Automobiles	$278 billion
4	China National Petroleum	China	Petroleum	$393 billion
2	Sinopec Group	China	Petroleum	$415 billion
5	State Grid	China	Energy	$387 billion

Source: Fortune Global 500 list of 2019

Breakdown by country
As of July 2019, this is the list of the top 10 countries with the most Global 500 companies.[5]

Analysis by country

Rank	Country	Companies
1	China	129
2	United States	121
3	Japan	52
4	France	31
5	Germany	29
6	United Kingdom†	17
7	South Korea	16
8	Switzerland	14
9	Canada	13
10	The Netherlands†	12

Source: Fortune Global 500 list of 2019

The Concept of Foreign Direct Investment (FDI)

According to the IMF and OECD definitions, foreign direct investment entails that long term relationship which reflects the purpose of obtaining a lasting interest by an entity resident in an economy (parent enterprise) and also in an enterprise that is resident in another economy

The abiding interest reflects the existence of a long term relationship between the direct investors and the direct investment enterprise (Duce & Blanco de Espana, 2013). FDI implies that the investor exercises a significant degree of influence on the management of the enterprise resident in the other economy.

The investment includes both the initial transaction between the two entities coupled with the subsequent transactions between them and among international subsidiaries that are incorporated and also unincorporated. FDI may be controlled by individuals as well as organizations (https//unctad.org/en/docs/wir2007p4_en.pdf). Flows of FDI consist of capital provided (either directly or could be through other related organizations by a foreign direct investor to an organization, or money received from an organization that is investing through a foreign direct investor. FDI has three components: equity capital reinvested earnings and intra-company loans. Equity capital refers to the purchase of shares made by foreign direct investors of an organization in a country other than its own. While Reinvested earnings consist of stock (that is equivalent to direct equity participation) of earnings not distributed as dividends by subsidiaries, or gains not remitted to the direct investor, such conserved profits by affiliates are reinvested. Intra-company debt transactions consist of those short- or long-term borrowing and lending of funds that have existed between direct investors (parent enterprises) and subsidiaries.

According to Tatum (2014), there are different structural models operated in multinationals.

The first model – MNC positions its executive headquarters in one country, while the production facilities operate in other countries. In this aspect, the company takes advantage of the benefits of incorporation in a specific locality, to manufacture goods and services in areas where the cost of production is minimal.

2nd model: The parent company is operating in one country, and subsidiaries operate in other countries around the world, the function of the parents is found in the state of origin while the subsidiaries function independently, regardless of a few essential ties to the parent.

3rd model: MNCs are being set up by establishing the headquarters in one country that oversees a diverse conglomerate that cut across many different countries and industries (Robertson, 1979) Ferdausy& Rahman 2009) (Tatun, 2010).

The theoretical framework

This theoretical review emphasizes the theories that explain the determinants of multinational Corporations' investment. It is imperative to use an approach to guide the analysis of a work.

Under development and dependency theory (UDT)

The study adopts under development and dependency theory (UDT) in emphasizing the activities of MNCs and FDI. Lead thinkers like Walter Rodney, Samir Amin, Gundar Frank, Galtung Johan, ImmanuelWallestain, among others, were the great proponents of this theory. Principle of the underdevelopment and dependency theory hinge on the belief that "The modern world-system has been exposed to information. Depicting that underdevelopment was not a natural phenomenon but a dependency structure formed by the activities of MNCs through the support of their country of origin" (Mohammed &Abdul Majid, 2018). The theory emphasizes on the exposure of the evil nature of the contemporary imperialism on the periphery states, and local production by Africa, Asia, and the Latin American sphere has been encouraged. There is no vivid solution to disassociate the relationship between the exploiting countries and the organization in the U.S.A, Japan, Britain as well as the MNCs and the FDI, respectively.

Internalization theory

This theory states that the available external markets fail to make provision for an efficient environment in which the firm can make a profit through the usage of technology or production resources. Because of the development, the firms tend to produce internal markets through investment in many countries by creating the needed market to attain their objectives. A multinational corporation comprises of a group of geographically diverse and disparate goal organization that has its headquarters and different national subsidiaries. The MNCs achieve their objectives through internalizing operations, management, and it's globally dispersed foreign transaction through a unified governance structure and shared ownership, (Buckley and Casson, 1985)" (Mohammed &Abdul Majid, 2018).

The eclectic theory. This theory is called the OLI paradigm, meaning the ownership advantages, location advantage, and internalization conditions, respectively. John Dunning developed the method. He states that operating in a foreign country incurred many costs (cost of foreignness), which involves a failed knowledge about local market conditions, social, legal, and other damage — stating that the foreign firms should have the advantage of offsetting this incurred cost. Ownership advantage benefited some firms more than other competitors, which include technological advantage in management techniques, easy access to finance, economies of scale, and the ability to coordinate activities. The location advantages are country-specific advantages. For companies to benefit from these specific advantages, location advantages of the host country should be considered the factors to be considered are accessibility and low cost of natural resources, adequate infrastructure, political, and macroeconomic stability.

The Product Life Cycle Theory: The first proponents of this theory is Vernon in 1966. This theory analyses how a product is produced and sold in the home market. At the inception stage, the product is not standardized, meaning the unit cost and final specification of the product are not in uniform, as demand for the product gets increased, it creates a possibility of the product to get standardized. When the home market is saturated, the products move to other countries, and subsidiaries are set up in different locations or countries where the cost of production is low when the competition from the rival firms becomes intense, the product reaches its maturity. FDI is a stage in the product life cycle that follows the maturity stage (Dunning, 1993) (Were, 2013). Vernon's product life cycle theory is dynamic because it deals with changes in overtime. Furthermore, it seems that the method hasn't been confirmed with empirical evidence, for many multinational companies start their operations at home and abroad.

Growth of MNCs in the developing and developed countries

The world economy has improved due to a fall in regulatory barriers to foreign investment, better transportation and communication, and free capital movement, etc. Furthermore, developing countries no longer perceive the presence of MNCs to be similar to a loss of their sovereignty. Bearing it in mind that MNCs are a part of the broader force that is bringing the world economy together. The foreign direct investment by MNCs in the developing countries has been consistently on the rise, from as low as 19% of total flows in 1990 to 30% in 1994.

The existence of MNCs depends significantly on the liberalization policies of the government of the developing countries, who are responsible for allowing the entrance of MNCs into their home economics or re-enforcing the barriers if they desire to do so. (Relchi, n.d)

Foreign investment as regards to liberalization would last long if the governments of these developing countries believe it is beneficial to them. The economic expectation of the liberalizing government poses a significant danger as many perceive foreign investment as a shortcut to prosperity, capital, and technology transfer and skill enhancement to the extent of bringing in assets, which cannot make up for all the shortcomings of the host economy. For better understanding, a great look at the meaning of developing and developed countries will be pertinent.

Developing Countries 2019,

A developing country is a low and middle-income country. It is considered less advanced than nations grouped as "developed nations" some nations are ranked higher than "less economically advanced nations." The developing nations are less developed industrially with a lower Human Development Index when compared to other nations. However, developing countries do have the ability for high growth and security, when evaluating factors including the standard of living, gross domestic product, and per capita income. There are many countries around the world grouped as developing nations. They are

- Afghanistan, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Albania
- Bangladesh, Belarus, Belize, Bhutan, Bolivia, Bosnia, Benin and Herzegovina, Brazil, Bulgaria, Burkina Faso, Burundi Bostwana
- Cape Verde, Cambodia, Cameroon, Central African Republic, Chad, China (excluding Hong Kong and Taiwan), Colombia, Comoros, Congo (Democratic Republic of), Congo (Republic of), Costa Rica, Cote d’Ivoire, Croatia, Cuba
- Djibouti, Dominican Republic
- Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, El-Salvador SLV
- Fiji
- Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana
- Haiti, Honduras
- India, Indonesia, Iran, Iraq
- Jamaica, Jordan
- Kazakhstan, Kenya, Kiribati, Korea (N. Korea), Kosovo, Kyrgyz Republic
- Lao PDR, Lebanon, Lesotho, Liberia, Libya
- Macedonia, Madagascar, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Malawi.
- Namibia, Nauru, Nepal, Nicaragua, Niger, Nigeria
- Pakistan, Papua New Guinea, Paraguay, Philippines, Peru, Panama.
- Romania, Rwanda, Russian federation
- Samoa, Sao Tome and Principe, Senegal, Serbia, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, St. Vincent and the Grenadines, Suriname, Syrian Arab Republic, Sudan, South Africa. Saint Lucia
- Tajikistan, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Tanzania
- Uganda, Ukraine, Uzbekistan
- Vanuatu, Venezuela, Vietnam
- West Bank and Gaza
- Yemen
- Zambia, Zimbabwe

Developing countries by 2019.SOURCE: Developing countries

Developed Countries 2019.

A developed country, which is also known as industrialized country, more developed country, or more economically developed country (MEDC), is a sovereign state that its economy is fully developed and with advanced technological infrastructure. The criteria for evaluating the degree of economic development are the gross domestic product (GDP), gross national product (GNP), the per capita income, level of industrialization, amount of widespread infrastructure, and general standard of living.

These are many countries around the world classified as developed countries and their ranking in the world.

Rank			**HDI**	
2018 rankings[1]	**Change in position from theprevious year**[1]	**Country/Territory**	**2018 rankings**[1]	**Change from previous year**[1]
1	—	Norway	0.953	▲0.002
2	—	Switzerland	0.944	▲0.001
3	—	Australia	0.939	▲0.001
4	—	Ireland	0.938	▲0.004
5	▼(1)	Germany	0.936	▲0.002
6	—	Iceland	0.935	▲0.002
7	▲(1)	Hong Kong	0.933	▲0.003
7	—	Sweden	0.933	▲0.001
9	▼(1)	Singapore	0.932	▲0.002
10	—	Netherlands	0.931	▲0.003
11	▼(1)	Denmark	0.929	▲0.001
12	—	Canada	0.926	▲0.004
13	▼(1)	United States	0.924	▲0.002
14	—	United Kingdom	0.922	▲0.002
15	—	Finland	0.920	▲0.002
16	—	New Zealand	0.917	▲0.002
17	▼(1)	Belgium	0.916	▲0.001
17	▼(1)	Liechtenstein	0.916	▲0.001
19	—	Japan	0.909	▲0.002
20	—	Austria	0.908	▲0.002
21	—	Luxembourg	0.904	▲0.001
22	—	Israel	0.903	▲0.001
22	▲(1)	South Korea	0.903	▲0.003
24	—	France	0.901	▲0.002
25	—	Slovenia	0.896	▲0.002
26	—	Spain	0.891	▲0.002
27	—	Czech Republic	0.888	▲0.003

Rank			**HDI**	
2018 rankings[1]	**Change in status from the previous year**[1]	**Country**	**2018 rankings**[1]	**Change from previous year**[1]
31	▼(1)	Greece	0.870	▲0.002
32	—	Cyprus	0.869	▲0.002
33	▲(1)	Poland	0.865	▲0.005
34	▼(1)	United Arab Emirates	0.863	▲0.001
35	—	Andorra	0.858	▲0.002
35	▲(1)	Lithuania	0.858	▲0.003
37	▼(1)	Qatar	0.856	▲0.001
38	▲(1)	Slovakia	0.855	▲0.002
39	▲(1)	Brunei	0.853	▲0.001
39	▼(1)	Saudi Arabia	0.853	▼0.001
41	▲(2)	Latvia	0.847	▲0.003
41	▲(1)	Portugal	0.847	▲0.002
43	▼(2)	Bahrain	0.846	—
44	—	Chile	0.843	▲0.001
45	—	Hungary	0.838	▲0.003
46	—	Croatia	0.831	▲0.003
47	—	Argentina	0.825	▲0.003
48	▼(1)	Oman	0.821	▼0.001
49	—	Russia	0.816	▲0.001
50	—	Montenegro	0.814	▲0.004
51	▼(1)	Bulgaria	0.813	▲0.003
52	—	Romania	0.811	▲0.004
53	▲(1)	Belarus	0.808	▲0.003
54	▼(1)	Bahamas	0.807	▲0.001
55	▲(1)	Uruguay	0.804	▲0.002
56	▼(1)	Kuwait	0.803	▼0.001
57	—	Malaysia	0.802	▲0.003
58	▼(1)	Barbados	0.800	▲0.001

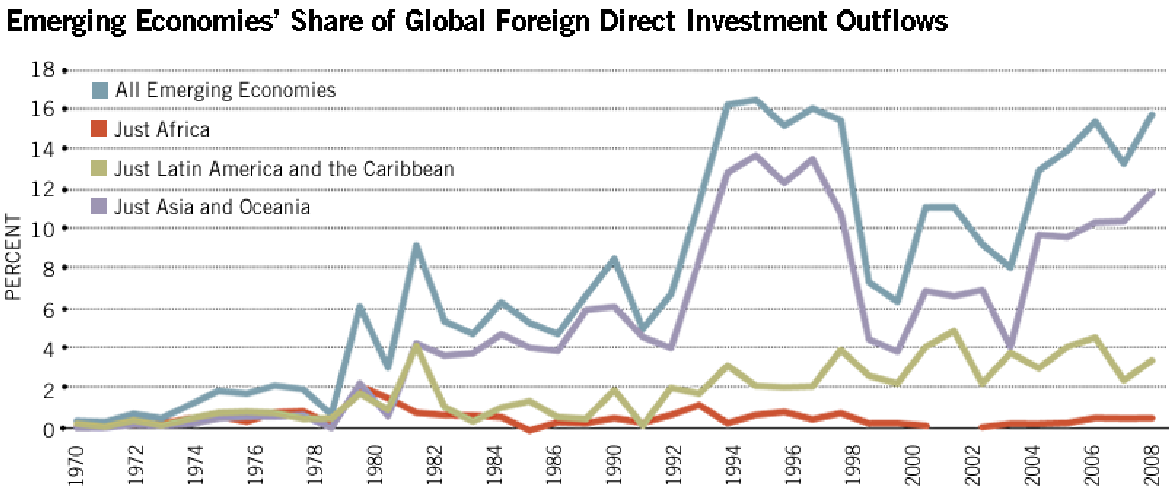
28	–	Italy	0.880	▲0.002	58	▲(2)	Kazakhstan	0.800	▲0.003
29	–	Malta	0.878	▲0.003					
30	–	Estonia	0.871	▲0.003					

Source: Wikipeadia

The Global Review of Multinational Corporations.

The global review of multinational corporations in emerging economies was 0.4 percent of world outward foreign direct investment (FDI) in 1970, which share grew to 15.8 percent by 2008. Figure 1 illustrates the growth in outward FDI from emerging economies. Alone, developing nations in Asia and Oceania accounted for 11.9 percent of world outward FDI in 2008; among these nations, China has seen the most dramatic and continuous growth (contessi and El-Ghazaly, 2010).

Figure 1



SOURCE: Authors' calculations based on data from UNCTAD.

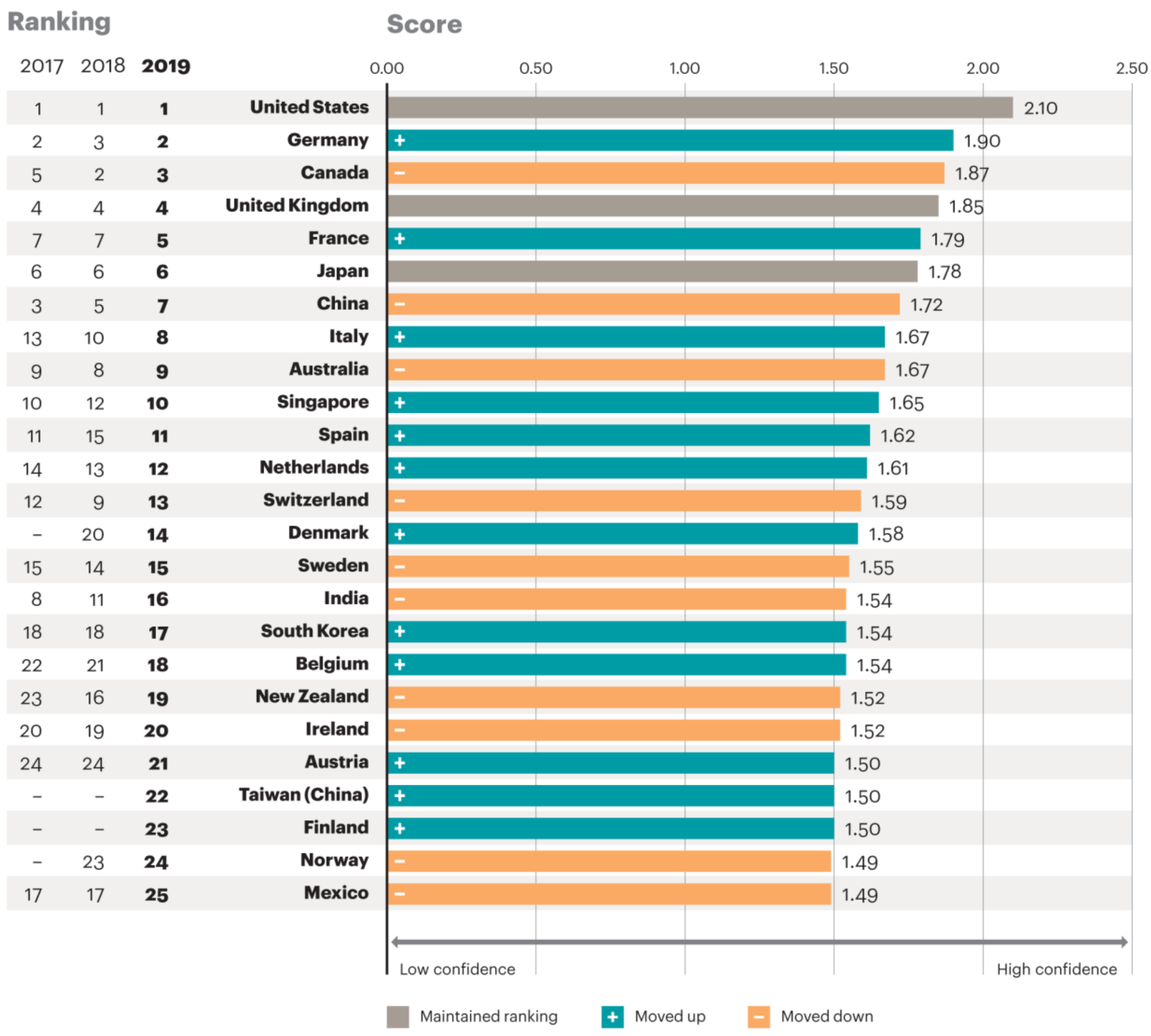
To understand the business philosophy that would have led to the course of growth of these firms and the possible impact their presence will have on the international market have given economists great concern to carry out some studies. Chandler (1962), in his study strategy and structure, analyzed how a corporation develops from a small workshop, transforming into a big factory and then to factories expanded into different nations. During this era of evolution, viable central office and department got increased as the firm size gets bigger and broader, There were more opportunities to be operationally subdivided, thus increasing the power and responsibilities of the central office.

The introduction of globalization and market liberalization with outward FDI flows from developing countries has not been restricted to other developing countries from the same region. Nevertheless, corporations in developing countries have embarked on a new sectorial scope of moving from an extensively labor-intensive industry to knowledge-based industries, for example, automobiles, electronics, and telecommunications. They have also turned away from searching to satisfy basic practical needs, which means requirements for natural resources and markets. With globalization, they have gone abroad focusing their efforts on more ambitions endeavors, like searching for new markets, developing new strategic assets, and obtaining higher efficiencies and economies of scale. Recently, development in information technology and the introduction of deregulation and free-market increased the operation of MNCs in the developing and developed countries; the MNCs are not colonially protected from their lands. A new strain of belligerent MNCs has emerged over the last three decades. Operations of the past have been abandoned and adopted the new trend to thrive and make more profit toward the economic development of their host countries.

Below is an Updated Global Review of the Growth of Multinational Corporations.

Figure 1

The 2019 A.T. Kearney FDI Confidence Index®



Note: Values are calculated on a 0 to 3 scale, with 3 being the highest level of confidence in a market as a future destination for FDI.
Sources: A.T. Kearney Foreign Direct Investment Confidence Index (2017, 2018, 2019)

Reasons for the Growth and Development of Multinational Corporation

There are some factors which have contributed towards and the growth of multinational.

A) Market expansion: In various countries, the growth of GDP and per capita income has led to high demand for goods and services, and companies in the developed economies demonstrate their operations overseas to exploit the expanding markets.

B) Marketing Superiority: Some marketing superiorities enjoyed by multinationals over the domestic companies in some aspects are

i. More reliable and updated information about market conditions is made available to them.
ii. The reputation built in the market is due to popular brands and images.
iii. There are more effective advertising and sales promotion techniques.
iv. Availability of wider distribution network
v. Quick transportation and sophisticated warehousing facilities.

C) Financial superiorities: There is an advantage of economic supremacy over the domestic companies, in regards to :

a. Huge financial resources
b. Excess funds transferred from one country to another, which effectively and economically utilized

c. , are easily accessed for mobilization of high-quality resources of different types
d. And provision for easy access to the foreign capital market.
e. International banks and financial institutions are easily accessed.

D) Technological superiorities with a viable research development department, the multinationals are invited to initiate new products and processes more easily and frequently. It serves as an edge over domestic companies. Multinational corporations are invited by developing countries for the advancement of technology in respect of the following:
   i. Lack of available resources to create advanced technology in developing countries, and there is a low level of industrialization.
   ii. The shortage of funds and low-level technology has made it impossible for the exploit of abundant minerals and other resources.
   iii. Inadequate foreign exchange reserves for the importation of raw materials, capital equipment, and technology on their own.
   iv. They face some challenges in marketing their products in highly competitive world markets (http://homework.com/business-environment.homework-hup/reasons-for-the-growth-of multinationals).

There is a school of thought which states that there are two essential features in developing countries that force local firms to generate and adopt various innovations to achieve the growth they are:

a. Small market size
b. Easy availability of low-cost labor

1. Localization of technological change is also another key to the development of plans in developing countries.

2. Wealth assets and knowledge of the local environment enabled developing country MNCs to acquire sustainable proprietary assets, which could be used to oversee operations effectively. Multinationals from developing countries lack high and technologies, and they desire their advantages from widely diffused and also from specialized knowledge of the market of developing countries (Lall, 1953a, 1953b) (Ferdausy, S. & Rahman S. (2009).

The Positive Impacts of MNCs

1. Economic growth: MNCs contributed significantly to the economic growth of some developing countries. The inward FDI makes available external financing to compensate for the inadequate amounts of local savings and foreign aid.
2. There has been a significant improvement in FDI inflow, which has been stable and more accessible to service than commercial debt or portfolio investment.

In 1990, FDI in developing countries accounted for an average of $150 billion a year, but according to UNCTAD World Investment Report, FDI in developing countries has increased to 574 billion annually (UNCTAD, 2014).
FDI has brought certain benefits to national economies; it can contribute to gross domestic product (GDP).

1. **Export based industrialization:** Improving export capacity is very crucial for developing countries, if benefitting from the international trade and investment opportunities is vital to them, the government expresses this by seeking to create a regulatory framework that could help in assisting local and regional areas in designing and implementing active policies for building export.

2. **Competitiveness:** MNCs has helped integrators to become part of global commodity chains, linking developing country producers to advanced-country consumers. Strong leadership, proactive industrial strategy, and a consistent and favorable policy have contributed significantly towards MNCs to capitalize on investments.

3. **Capital formation:** Capital is referred to as essential economic assets in developing countries. One of the most significant benefits of MNCs is their inflow of capital into the developing country, bringing financial resources, and gaining access to international capital markets. Most of the total capital flow for developing countries comes from MNC's investments. Studies have proven that foreign multinational is strongly more productive, pay higher wages, and are more export intensive than local firms (Markusen, 1995). They contribute to crucial foreign exchange earnings, through their trade effect of generating exports through the production of goods for export, the balance of payment of the

developing countries enhances the growth of the economy thus involving the developing countries in the world trade.

4. **Research /Development / Technology**: The idea of technology development and work processes improvements, is been operated differently in some developing countries and regions, for instance, Bangkok or Southern Thailand is more developed than some northern areas. Through MNCs, a good foundation for technological development has been providing for, bridging a vital resource gap with the MNCs. The most crucial attraction of MNCs is the desire to acquire modern technology for foreign investment in developing countries. Developing countries are allowed to make a profit from the advanced research and development organized by multinationals. Local staff is trained to stimulate local technological activities. At the same time, transfer technology throughout the local economy, adding to the benefits, technology improves the quality of production and encourages development.

5. **Poverty Alleviation:** This is a vital key to poverty reduction people are encouraged by MNCs to produce a certain product, thus improving the lives of the workers.MNCs with free-market economy has combined with industrialization and has enabled most agrarian-based to grow out of poverty. Through liberalism, the international operation of these MNCs has directly counter to the doctrine of economic nationalism, to the perception of countries committed to socialism and state intervention in the economy. There is significant reward for countries chosen to connect to the world, from the 30 million people that are entrapped in absolute poverty (the 1950s) have been drastically realized. Real wages are now ten times higher than they were fifty years ago (Norberg, 2003).

6. **Employment generation:** They have created new kind of jobs and has contributed significantly to employment generation, and the quality of life of the employee in developing countries has improved. They generate employment worldwide. Out of the 73 million jobs created through MNCs, 12 million are located in developing countries resulting in 2% or 3% of the workforce of the world. A large number of jobs are being created in non-agricultural sectors and manufacturing industries, especially where technology is concerned. There is a positive impact on the welfare of the employees through the creation of jobs, the provision of new and better products, and programs to improve health, housing, and education for employees, through the creation of employment. The provision of new and better products and programs to improve health, housing, and training for employment and local communities have improved their standard of living in developing countries.

Negative Impact of MNCs:

(1) Prevent Autonomous Development: This is when a country has their economy conditioned by the development and expansion of another, it is called 'Dependency' which refers to placing the dependent countries in a backward position that have been exploited by dominant countries (Santos, 1970; p180)(ferdausy and Rahman 2009). There is an understanding by the dependency theorists that the current underdevelopment faced by the developing countries are to be a process that brings wealth and development in the industrialized world at the course of creating poverty as an intentional by-product of the west and continued underdevelopment in developing countries. The dependency theorists opine that MNCs prevent developing countries from achieving an authentic autonomous development. For instance MNCs prevent the local firms and entrepreneurs from partaking in most dynamic sector of the economy, by using local capital, rather than bringing in new capital from the outside, increasing income inequalities in the host country, and the adoption of inappropriate capital-intensive technologies that contribute to unemployment.

(2) Outflow of capital: some critics believe that FDI in developing countries leads to an outflow of capital. There is a capital flow from the south to the north through profits, debt, services, royalties and fees, and also through the influencing the import and export prices. These reverse flows are regarded not proper or unjustifiably high.

(3) Exploitation of Workers: some critics believe that many MNCs got into developing countries in order to exploit their cheap labor and bounties of natural resources'. In Indonesia companies like Nike, Reebok and Levi-Strauss have exploited the human labor in the country. Workers live in deteriorating, leaky, mosquito – infested apartments and are placed on a salary of $39 a month for producing thousands of products worth well over $100 each. Indonesia's economy is improving because of massive direct foreign investment while the cheap labors suffering from inhumane living conditions and illegal wages (UNCTAD, 2006).

(4) Environment Pollution: in environment, incessant pollution are been created by big international Business and also the only resource available for the cleaning up of the environment, Critics opines that MNCs have tremendously caused significant environmental damage in developing countries. In all parts of the world, some operations like mining have caused serious environmental breakdown and pollution, and the discharge of toxic substances into river systems, large volume waste disposal, the inadequate disposal of hazardous wastes, and the long run impacts of poorly planned mine closure. Multinational oil companies have been reported to be the object of protest and reprove for continuousexpansive pollution and human rights violations in the developing nations, for example, Nigeria, Indonesia, and, increasingly, the Caspian region.

(5) Tax Evaders: Tax evasion has become a great concern as the MNCs continues to generate acrimonious debate, regardless of the guidelines produced bysthe Organization for Economic Cooperation and Development (OECD). There have been a protest by the Multinational corporations that their taxes are responsibly paid. Chamber of Commerce of U.S in Bangkok declared MNcs in Thailand paid 70% of corporate taxes, meaning considerable tax evasion by the locals. But eventhis simple claim was clouded by the intricate workings of the local tax code.

II. Conclusion

The growth and development of Multinational Corporation has played a great role in developing and developed countries. It has created room for more employment opportunities, increased GDP growth and capital formation, and also reduced poverty. Though some critics argued that they are the cause of environmental pollution and abuse of human rights. Some critics argued that it is re-colonialism in disguise, which has led to current causes of contemporary global income and social inequality.

The activities of the MNCs in nations with indigenous technological advancement have proven to be a blessing to host countries, while countries that are characterized with monoculture providence and technological less advanced nation like Nigeria, sees MNCs as agents of imperialism and exploitation.

References

[1]. Bakan.s, yildirimci.E, 2015, September. A growth story, globalization, multinational companies and india.
[2]. Contessi. S. and E. I. Ghazaly, H. (2010), July 1 Multinational from Emerging Economies: Duce and Banco de espana 2013, July 31. Definition of foreign directinvestment (FDI) as methodological note.
[3]. Essays, UK. (November 2018). Existing Theories of Multinational Companies Economics Essay. Retrieved from https://www.ukessays.com/essays/economics/existing-theories-of-multinational-companies-economics-essay.php?vref=1
[4]. Ferdausy, S, Rahman, S. (2009) December: Impact of Multinational Corporations on developing countries. Chittagong University Journal of Business Administration vol. 24, 2009 (p. 111-137).
[5]. Guislain P and Kusek P, (2010) June 18. Multinational target developing countries. The world finance. https://www.worldfinance.com/news/multinational-target-developing-countries.
[6]. Lalls(1983 b) Third world multinationals. The rise of foreign investment from developing countries, Cambridge, MA: MIT.Press.
[7]. Lalls,s(1983a) The new multinationals: the spread of third world enterprises. New York: Wiley
[8]. Laudicina, A, Erick .R , Courtney R, Facing a growing paradox, the 2019 A.T Kearney foreign direct investment confidence index, https://www.atkearney.com/foreign direct- investment-confidence-index-full-report.
[9]. Markusen, J. (1995). The boundaries of multinational enterprises and the theory of international trade, journal of economic perspective, 9, 169-159.
[10]. Mohammed, g and Abdul majid, 2018, Multinational corporation and foreign direct investment: am implication for the third world states art and social science journal; Doi;10.4172/2151-6200.1000393
[11]. Norberg, J (2003) Globalization is good, Democracy, Channel 4 .O, Sunday 21st, September, 2003.
[12]. Ondabu, T. I. "Economic Impact of MNC on development of developing nations.
[13]. Open Textbooks for Hong Kong, 2015, November 5. The Evolution of the Multinational Corporation. www.opentextbooks.org.hk/datatopic/3370
[14]. Reasons for the growth of multinational corporations. Https://homewok.com/business environment-homework/reasons-for-the-growth-of-multinational corporation.
[15]. Relchi, S. Multinational Corporation (Mncs) Meaning, Origin, and Growth.www.economies.discreation.net/multinational-corporations/multinational-corporation.
[16]. Robinson, J. (ed) (1979). The International Division of Labor and Multinational Companies: London: Teak Field Ltd.
[17]. Tatun, M (2010, June 29). What is a multinational corporation? (web.log message) retrieved from http://mas....geck./com/what-is-a-multinatinational-corporation-httm on 23/04/202.
[18]. Udensi, E.U, 2015, june 15, the impact of multinational corporation to the Nigerian economy. International journal of Social Sciences and Humanities Research. www.research publish.com,
[19]. ISSN 2348-3164 (online) ISSN 2348-3156(print) vol.3, issue 2, pp. (107-115).
[20]. United Nations Conference on Trade and Development (UNCTAD) (2006), World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development. New York: United Nation Publication.
[21]. Were, J, (2003), November. Determinant of Multinational corporation(MNCs) investment in kenya. A Research Project Submitted In Partial Fulfilment Of The Requirements For The Award of the Degree Of Master Of Business Administration, School Of Business, University Of Nairobi.
[22]. Wikipedia, developed country. https://eniwikipedia.org/w/index.php?title=developedcountry&oldid=916608166

[23]. From the Wikipedia, the free encyclopedia, fortune Global 500. https://en.wikipedia.org/wiki/fortune-Global-500
[24]. World investment report (2007), Transnational Corporation, Extractive Industries and Development. Definition and sources, https://unctad.org/en/docs/wir2007p4_en.pdf
[25]. World population review 2019

Frances N. Madu, et. al. "The growth and development of multinational enterprises." *IOSR Journal of Business and Management (IOSR-JBM)*, 22(5), 2020, pp. 45-56.